



Manheim

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2011 USED CAR MARKET REPORT PROVIDES ANALYSIS OF INDUSTRY TRENDS

16th Annual Report From Manheim Consulting Introduced at NADA Convention

SAN FRANCISCO – Both new and used vehicle retail sales increased in 2010 after four straight years of declines, but wholesale used vehicle supply declined for the third straight year, presenting challenges for the nation’s automobile dealers that were often solved with the support of auctions.

In an attempt to best manage their inventories, dealers increasingly relied on auction partners for data analysis, and turned to online sales channels to find the right vehicles at the right time.

These and a host of other trends are analyzed in detail in the 16th annual edition of Manheim’s *Used Car Market Report*, which was released today at the National Automobile Dealers Association annual convention in San Francisco. The *UCMR* has long been considered the industry’s most comprehensive compilation of information and analyses.

The *Report*, available online only (cost is \$250; visit www.manheimconsulting.com for access), draws on Manheim’s proprietary data as well as information from a variety of industry sources. Manheim Consulting chief economist Tom Webb presented highlights of the *Report* at Manheim’s annual NADA news conference.

“Although the auction industry itself has not yet fully benefited from the economic and automotive recovery that is under way,” said Webb, “auctions have contributed to the success of others. For example, it is hard to imagine how dealers would have coped with rising used vehicle demand and restricted used vehicle supplies without the services of the auction industry. Online searching, and the ability to buy anytime, anywhere enabled dealers to profitably grow their used vehicle operations.”

In addition to sections on the used vehicle marketplace and the remarketing industry, the *Report* features interviews with key industry association leaders and chapters on all corners of the used vehicle industry, including dealers, rental, leasing, government and commercial fleets, repossessions, and the salvage industry.

Among the trends analyzed in the 2011 *UCMR*:

NEW AND USED VEHICLE MARKETS

- After falling to a 27-year low in 2009, new vehicle sales increased 11%, or by more than 1.1 million units, in 2010 to 11.6 million units. That is still the second-lowest total in 28 years.

- The increase was driven by a 22% jump in fleet purchases, as fleets made up for a very low level of acquisitions in 2009.
- The consensus outlook for new vehicle sales in 2011 is 13 million, though Webb believes there is a strong possibility that figure will be exceeded.
- Used vehicle sales rose 4% to just under 37 million units in 2010, and the ratio of used vehicle sales to new vehicle sales remained well above 3-to-1.
- Manufacturer-certified pre-owned (CPO) sales rose 7% to 1.6 million units. Meanwhile, sales of lower-priced units were aided by a resurgence in subprime lending.

AUCTION ACTIVITY

- After three years of declines, auction volumes in 2010 were estimated to be 12% below 2007's level. Primary reasons for the decline in 2010 were fewer repossessions, rental program vehicles, and off-lease units.
- Wholesale vehicle transactions were an estimated 19 million, 8.4 million of which were handled by NAAA-member auctions.
- Online activity in the wholesale industry continues to grow: At Manheim, online sales represent 21% of total used vehicle transactions, 25% of salvage vehicle purchases and 33% of Specialty and Heavy Truck & Equipment sales.
- Manheim.com currently receives nearly 900,000 visits per week, with 100,000 vehicles searchable each day via the site's PowerSearch function.

DEALERS

- Franchised and independent dealers recorded higher profits in 2010 as increased revenue, adherence to cost disciplines enacted during the recession and better inventory management continued the turnaround that began in the second half of 2009.
- After a record number of dealership closures the previous two years, the franchised dealership count held relatively stable in 2010.
- Dealers provided 3.8 million, or 45%, of the vehicles sold at auction in 2010, marking the first increase in dealer consignment sales since 2005.
- The average dealer vehicle remarketed through auctions in 2010 sold for more than \$9,000, compared to just under \$8,000 in 2009 – and that's despite having higher mileage.

RENTAL AND FLEETS

- The profitability of the rental industry rebounded as a result of operating-cost discipline, access to lower-cost vehicle financing and a significant drop in depreciation expense due to strong used vehicle prices.
- Rental companies purchased 1.4 million vehicles in 2010, up from 1.1 million units in 2009.
- In 2010, less than 30% of the rental industry's purchases were program vehicles.
- Though government fleet purchases fell 10% in 2010 (to 217,000 units), commercial fleet purchases increased as fleet managers replaced high-mileage vehicles and took advantage of strong used vehicle prices to refresh their fleets. As a result, combined purchases by commercial and government fleets increased by 16% (to 675,200 units).
- Auction prices for end-of-service fleet vehicles rose at auctions despite higher mileage. The average midsize fleet car sold at auction had 68,000 miles, up from 66,000 in 2009 and 64,000 in 2008, yet mileage- and seasonally adjusted prices for these cars reached an all-time high in the first half of 2010.

LEASING

- From a cyclical low point of 1.1 million units in 2009, new vehicle lease originations rose to more than 1.7 million in 2010 – an increase of more than 50%.
- This uptick will not forestall the large decline in off-lease volumes the industry will experience in 2011 and 2012.
- Auction values for end-of-term lease vehicles have increased substantially for lessors, a trend that should continue with the reduced supply.

SALVAGE

- Although the salvage auction industry has seen a small reduction in volume over the last three years, the demand for salvage vehicles is strong, and prices have soared, mirroring price trends at whole car auctions.
- In 2010, salvage auctions generated more than \$6 billion for consignors. One indicator of the value of salvage vehicles is the average price per ton paid for crushed auto bodies. This price more than doubled between March 2009 and March 2010, boosting the values of vehicles sold for scrap.
- The supply of vehicles remarketed through salvage auctions is likely to grow in the coming years. The combination of an aging vehicle population, increases in miles traveled, and rising repair costs of newer vehicles will result in a greater number of vehicles declared a total loss or reaching the end of their useful lives.

About Manheim (www.manheim.com)

Manheim is the world's leading provider of vehicle remarketing services. Through its 130 worldwide wholesale operating locations, Manheim impacts every stage of a used vehicle's life cycle, helping commercial sellers and automobile dealers maximize the full value of their vehicles. Drawing from its auction transaction volume, Manheim Consulting publishes the annual *Used Car Market Report*, the definitive source of data for the used car industry. Manheim Consulting offers a wide range of services including custom analytics, business optimization and macro economic analysis.

Manheim is the online vehicle remarketing leader, connecting buyers and sellers to the world's largest, most comprehensive wholesale marketplace through its extensive in-lane and online offerings. Manheim.com receives nearly 900,000 visits each week.

Additionally, Manheim offers services including reconditioning, certification, inspections, dealer financing, title management and marshaling, among others. Through its wide array of services and technologies, industry publications, customer support and educational offerings, Manheim gives its customers maximum control over how they buy and sell vehicles, helping them to conduct business in the most efficient way possible. In 2010, Manheim handled nearly 10 million used vehicles, facilitating transactions worth more than \$50 billion in value.

Headquartered in Atlanta, Ga., Manheim is a subsidiary of Cox Enterprises, a leading communications, media and automotive services company.

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