



Manheim

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MANHEIM CONSULTING RELEASES ANNUAL USED CAR MARKET REPORT

17th Annual Report Analyzes Trends in Used Car Industry, Provides Outlook for 2012

ATLANTA – Auto manufacturers, rental car companies, lenders and dealers increased revenues and earnings in 2011 despite a weak economic backdrop. This resulted from business restructurings, productivity gains, effective use of new technologies and good old-fashioned customer service, says Manheim Consulting Chief Economist Tom Webb in the Used Car Market Report (UCMR), released today at the National Automobile Dealers Association (NADA) Convention in Las Vegas.

A closer look at these and other trends that shaped the used vehicle industry in 2011 are explored in detail in the 17th annual Report, which also offers forecasts for the year ahead. In addition to a year-in-review/outlook and a chapter on the remarketing industry as a whole, the book features chapters on dealers, rental, leasing, repossessions, commercial and government fleets, and salvage. The Report also includes an introductory letter from Manheim President Sandy Schwartz, interviews with NADA and NIADA leaders, and a collection of case studies drawing on Manheim Consulting analysis of customer challenges.

The UCMR is available online at www.manheim.com/consulting. Those who purchase the Report (\$250) not only will be able to download a PDF, but also will receive access to a free app that allows them to view the Report on iPhones, iPads and Android devices.

“The wholesale automotive industry has probably never experienced a year like 2011,” said Schwartz. “The strong demand for used vehicles, digital and mobile technology advances, and changes in how customers want to do business all combined to create a challenging and exciting year. Through our analysis, our goal was to examine the factors that influenced the industry and provide readers with a clear understanding of what’s happened and what they can expect in the year to come.”

Among the facts and trends discussed in the Report:

Retail Sales

- New car and light-duty truck sales were up 10% over 2010, to 12.8 million units. This fell short of Manheim’s 13.1 million projection due to lost sales resulting from inventory shortages after the Japanese earthquake. New vehicles sold at a 13.1 million annualized rate in the first four months of the year and at a 13.3 million annualized clip in the final

four months. It was the 11.9 million sales pace in the middle four months that dampened the annual total.

- Meanwhile, used vehicle sales were 38.8 million in 2011, the strongest level in four years. Manufacturer pre-owned sales totaled 1.7 million, a record high. Likewise, used vehicles retailed by the seven publicly traded dealership groups also reached a record high in 2011, at just under 1 million units.

Wholesale Market

- A significant reduction in commercial assignment volumes more than offset the increase in dealer consignment in 2011. Preliminary numbers suggest the number of vehicles remarketed through National Auto Auction Association member-auctions declined by about 8% in 2011 to just under 7.8 million units, marking the fourth consecutive year of falling volumes.
- The Manheim Used Vehicle Value Index topped out in May 2011 at 127.8 and remained at historically high levels, adjusted for mileage and seasonality, through year-end. For the year, the Index averaged 124.9, up from 120.5 in 2010, for a gain of 3.7%.
 - Small and midsize cars had substantially higher prices in 2011 than in 2010, while all other market segments showed flat pricing or declines.
- Technology continues to transform the wholesale marketplace.
 - For example, online transactions now account for 25% of all Manheim sales. The launch of Simulcast Everywhere in 2011 allows for real-time bidding in live auctions conducted from anywhere vehicles are located – dealerships, car rental lots or marshaling yards.
 - In 2011, 118,000 users logged into OVE.com each week, an increase of 11% over the same period in 2010.
 - Manheim received over 4 million visits to its Mobile Web site, iPhone app, and Android app in 2011. The iPhone and iPad accounted for 64% of mobile visits, and Android devices accounted for 32% of mobile visits.

Dealers

- Used vehicle sales by franchised dealers increased 8% to slightly more than 13.8 million units, while sales by independent dealers increased by 6% to just under 13.8 million. Private-party sales (11.2 million) rose only 1%. With vehicle owners finding dealers willing to pay top dollar for their car or truck and also finding credit readily available through them, dealers gained share in the used vehicle market at the expense of private party transactions.

Rental

- The rental industry generated record revenues (\$22.4 billion) in 2011, up from 20.6 billion in 2010.
- Increased airline travel led to a larger number of transaction days, but a sharp increase in the size of the rental fleet resulted in more competition and lower rates. The rental industry purchased slightly fewer new vehicles than in 2010, so the increase in fleet size reflected longer lengths of service.

Leasing

- The number of new leases written in 2011 totaled 2.11 million, an increase of 17% from 2010.
- As a result of the past pattern in new lease originations, total off-lease volumes will decline in 2012 as they did in 2011. Off-lease volumes will grow in 2013 and then accelerate significantly in 2014. It is likely, however, that a declining percentage of off-lease vehicles will be remarketed through auctions and will instead be purchased by the grounding dealers or lessees.

Repossessions

- After a record number of repossessions occurred in 2009, there was a steep decline. The peak-to-trough swing was from an estimated 1.9 million units in 2009 to 1.3 million in 2011, a drop of 32%.
- Given the recent growth in originations and some easing in lending standards, repossession volumes will likely grow in future years.

Commercial and Government Fleets

- In 2011, new vehicle purchases by commercial fleets rose by 16% to more than 531,000 units.
- On the remarketing side, commercial fleet managers took advantage of strong demand from both independent and franchised dealers, and high prices for their end-of-service units. In fact, mileage- and seasonally adjusted auction prices for end-of-service midsize cars and pickup trucks reached an all-time high in April 2011.
- Government fleets acquired 214,500 units in 2011, down 1% from 2010 and well off the peak of 313,000 units in 2007. Government fleet demand will likely remain weak as a result of mandates to reduce fleet costs.
- Government fleets remarketed slightly more vehicles than they bought in 2011, usually through live Simulcast auctions.

Salvage

- In 2011, salvage auction participants found conditions comparable to whole-car auctions, with tight supply and strong demand leading to higher prices. These conditions should persist through 2012.
- The export market for salvage vehicles softened in early 2011 as demand from Europe weakened, but picked up in the second half with increased buying from Mexico and Latin America.

About Manheim (www.manheim.com)

Manheim is the world's leading provider of vehicle remarketing services. Through its 118 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 2011, Manheim handled nearly 8 million used vehicles, facilitating transactions worth more than \$50 billion in value.

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

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