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Manheim Forecast: Used-Vehicle Values Expected to Normalize in 2023 After Record Volatility

- After unprecedented gains in 2021, wholesale used vehicle prices close out 2022 with the longest-running and sharpest declines over a single year.
- Steep declines in wholesale auction prices are the culmination of three years of volatility and were preceded by record increases in 2021.
- 2023 predictions include equilibrium in the used market, slight increases in new sales, and record EV sales at both retail and wholesale levels.

ATLANTA (Jan. 9, 2023) – Following record increases in 2021, the Manheim Used Vehicle Value Index (MUVVI) ended 2022 at 219.3, a slight increase from November due to the seasonal adjustment, but down 14.9% year over year. This was the largest decline within one year in the series' history.

On the non-adjusted side, the price change in December was a decline of 1.9% compared to November, moving the unadjusted average price down 13.1% year over year. Wholesale used-vehicle prices (on a mix, mileage, and seasonally adjusted basis) increased 0.8% in December from November.

"It's undeniable that 2022 culminates with unprecedented declines in the MUVVI, but it's important to look at the bigger picture," said Cox Automotive Chief Economist Jonathan Smoke. "These last three years have been extremely volatile for the market, and these declines follow record increases. In December 2021, we were up 47% year over year. The pre-pandemic levels will likely never return, but all indicators point to reaching equilibrium in the second half of 2023."

Manheim Market Report Values See Declines

In December, Manheim Market Report (MMR) values saw larger-than-normal declines, culminating in a 2.2% total decline in the Three-Year-Old Index over the last four weeks. MMR is a valuation tool that tens of thousands of vehicle consignors and dealers use to assess millions of trade-ins each month. It is designed to be highly stable and avoid overreacting to short-term market ups and downs to provide an accurate measure of vehicle valuations regardless of market conditions.

Over the month of December, daily MMR Retention, which is the average difference in price relative to the current MMR, averaged 98.6%, meaning market prices were below MMR values. The average daily sales conversion rate increased to 50.7% but remained below normal for the time of year. For example, the daily sales conversion rate averaged 52.2% in December 2019. The lower conversion rate indicated that the month saw buyers with more bargaining power than what is typically seen for this time of year.

All eight major market segments once again saw seasonally adjusted prices that were lower year over year in December. Vans had the smallest decline at 12.0%, followed by pickups, sports cars, and compact cars at 12.2%, 12.6%, and 13.5%, respectively. The other four segments' prices were lower than the industry. Compared to November, two of the eight major segments' performances were down. Midsize cars lost 0.3%, and compact cars lost 0.2%. Five of the remaining six segments were up between 0.4% and 2.2%.

Used Retail Vehicle Sales Decline in December, Harken Back to 2021 Patterns

Leveraging a same-store set of dealerships selected by Dealertrack to represent the country, initial estimates are that used retail sales declined 7% in December from November and that used retail sales were down 10% year over year, mirroring November's performance.

Using estimates of used retail days' supply based on vAuto data, December ended at 52 days' supply, down from 54 days at the end of November but slightly higher than how December 2021 ended at 51 days. Leveraging Manheim sales and inventory data, wholesale supply is estimated to have ended December at 31 days, up two days from the end of November and up five days from December 2021's 26 days.

Last month's total new-light-vehicle sales were up 4.9% year over year, with the same number of selling days as December 2021. By volume, December new-vehicle sales were up 12.2% from November. The December sales pace, or seasonally adjusted annual rate (SAAR), came in at 13.3 million, a 4.7% increase from 2021's 12.7 million but down 6.3% from November's revised 14.2 million pace.

Combined sales into large rental, commercial, and government fleets were up 47% year over year in December. Sales into rental fleets were up 100% year over year, sales into commercial fleets were up 29%, and sales into government fleets were up 13%. Including an estimate for fleet deliveries into dealer and manufacturer channels, the remaining retail sales were estimated to be up 1.1% year over year, leading to an estimated retail SAAR of 12.0 million, down 0.5 million from last month's pace, or down 4.7%, but up 0.8 million from last year, or 7.2%. The fleet share of 14.2% was down 1.5% from last month and was up 3.3% from last year.

Rental Risk Prices Declined in December

The average price for rental risk units sold at auction in December was down 5.3% year over year. Rental risk prices were down 3.4% compared to November. Average mileage for rental risk units in December (at 55,700 miles) was down 18.7% compared to a year ago but up 3.1% from November.

Used and Wholesale Vehicle Market Forecast and Outlook for 2023

Used-vehicle values will see above-normal depreciation for the second-straight year. After historic value increases in 2020 and 2021, followed by above-average depreciation for most of 2022, used-vehicle values are likely to see another year of above-normal depreciation, especially in the first half of 2023. Price trends should normalize in the year's second half as constrained wholesale supply supports used values and used retail prices fall into a normal relationship with new prices. The Manheim Used Vehicle Value Index is forecast to be down 4.3% year over year in December 2023.

2023 Poised to Set Electric Vehicle Sales Records, Manheim Prepares for Coming Influx of EVs

It's anticipated that more than 1 million new electric vehicles will be sold in the United States this year, setting a record. Manheim volumes generally reflect new-vehicle sales, with a time lag of about three to four years, and the company has been preparing for increased EV sales for several years.

In 2021, Manheim invested nearly \$100 million in facility, innovation, and process improvements to deliver a more connected client experience. EV infrastructure and initiatives were a key piece of this investment. Efforts underway include a Manheim- and Cox Mobility-trusted battery health score poised to lead the industry in measuring battery health and safety equipment and training for 850 EV technicians.



Through the third quarter of 2022, Manheim processed 144,000 EV and hybrid units, representing around 3.0% of the volume. There are already more than 700 chargers across 67 Manheim locations that serve the roughly 16,000 EVs on auction lots on any given day.

Manheim Used Vehicle Value Index Reindexed to 1997

With the December update, the Manheim Used Vehicle Value Index was adjusted to improve accuracy and consistency across the data set. The starting point for the MUVVI was adjusted from January 1995 to January 1997. The index was then recalculated with January 1997 = 100, whereas prior reports had 1995 as the baseline of 100. All monthly and yearly percent changes are identical; only the index starting point was adjusted.

To download additional commentary and data on the Manheim Used Vehicle Value Index from Cox Automotive, visit the [Cox Automotive Newsroom](#).

About Manheim

Manheim® is the nation's leading provider of end-to-end wholesale vehicle solutions that help dealer and commercial clients increase profits and efficiencies in their used vehicle operations. Through its physical, mobile, and digital sales network, Manheim offers services for decisioning, buying and selling, floor planning, logistics, assurance, and reconditioning. Operating the largest vehicle wholesale marketplace, Manheim provides clients with choices to connect and transact business how and when they want. With nearly 8 million used vehicles offered annually, Manheim team members help the company facilitate transactions representing nearly \$80 billion in value. Headquartered in Atlanta, Manheim North America is a Cox Automotive™ brand. For more information, visit <http://press.manheim.com>.

About Cox Automotive

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Media Contact:

Mark Schirmer
734-883-6346
mark.schirmer@coxautoinc.com

Dara Hailes
470-658-0656
dara.hailes@coxautoinc.com