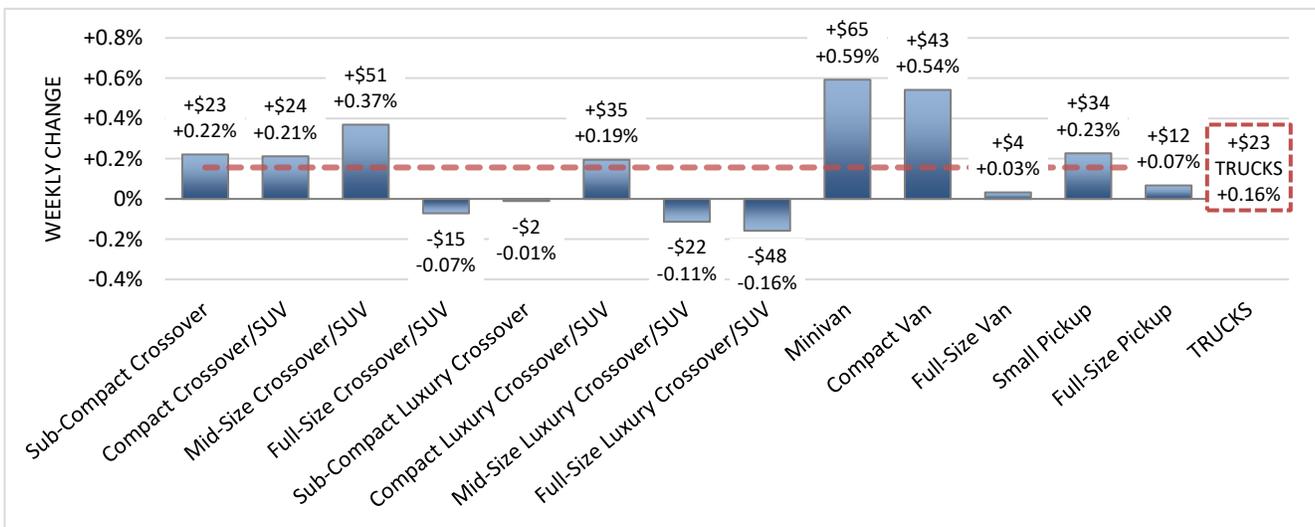
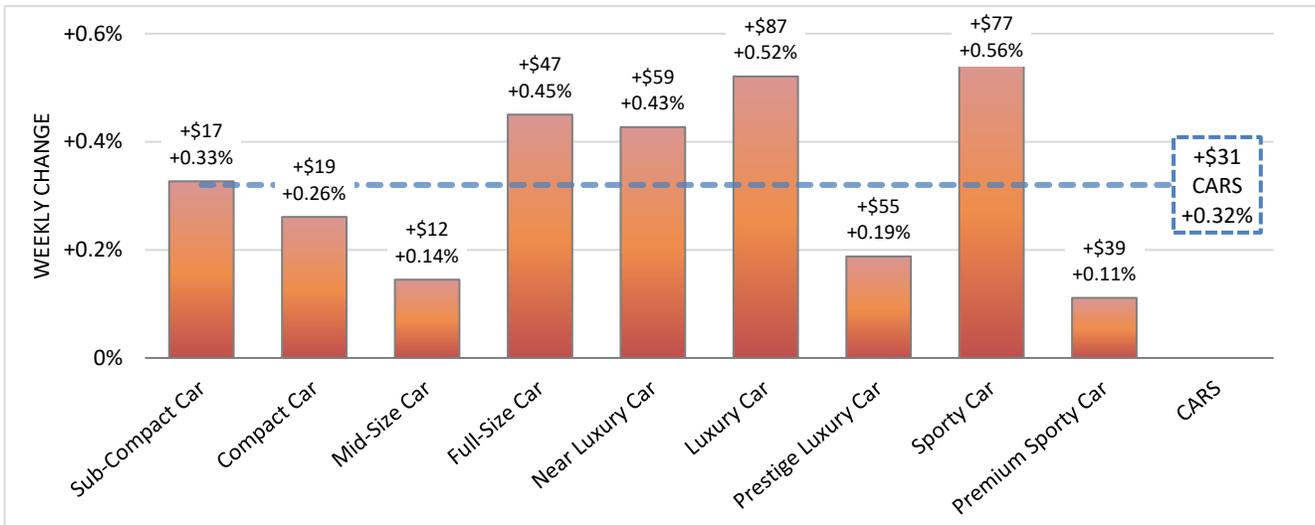


*"What do toilet paper, hand sanitizer, and used cars have in common? They were all in demand last week!"*

Laura Wehunt, Vice President, Vehicle Valuations



Model Years: 2011-2017, Volume Weighted Wholesale Average Values, Weekly Change from 3/6/20 to 3/13/20

## Auction Activity is Strong

- Volume-weighted, overall car segment values increased by 0.32% this past week. This is the largest single week increase we've seen in the last couple of years.
- In cars, after 4 weeks of softening we saw the Compact Car segment increase. However, the largest increases were the Sporty and Luxury Car segments at 0.56% and 0.52%, respectively.
- Volume-weighted, overall truck segment (including pickups, SUVs, and vans) values increased by 0.16% last week. The last time these segments increased this much was April 2019.
- Luxury Crossover/SUV segments and the Full-Size SUV were the only segments this past week that experienced declines.

## Sentiment from the Industry

Key comments from auction lanes and industry observers:

“There was a below average consignment volume but the vehicles that sold brought more than they have the previous two weeks.” Jim in WA

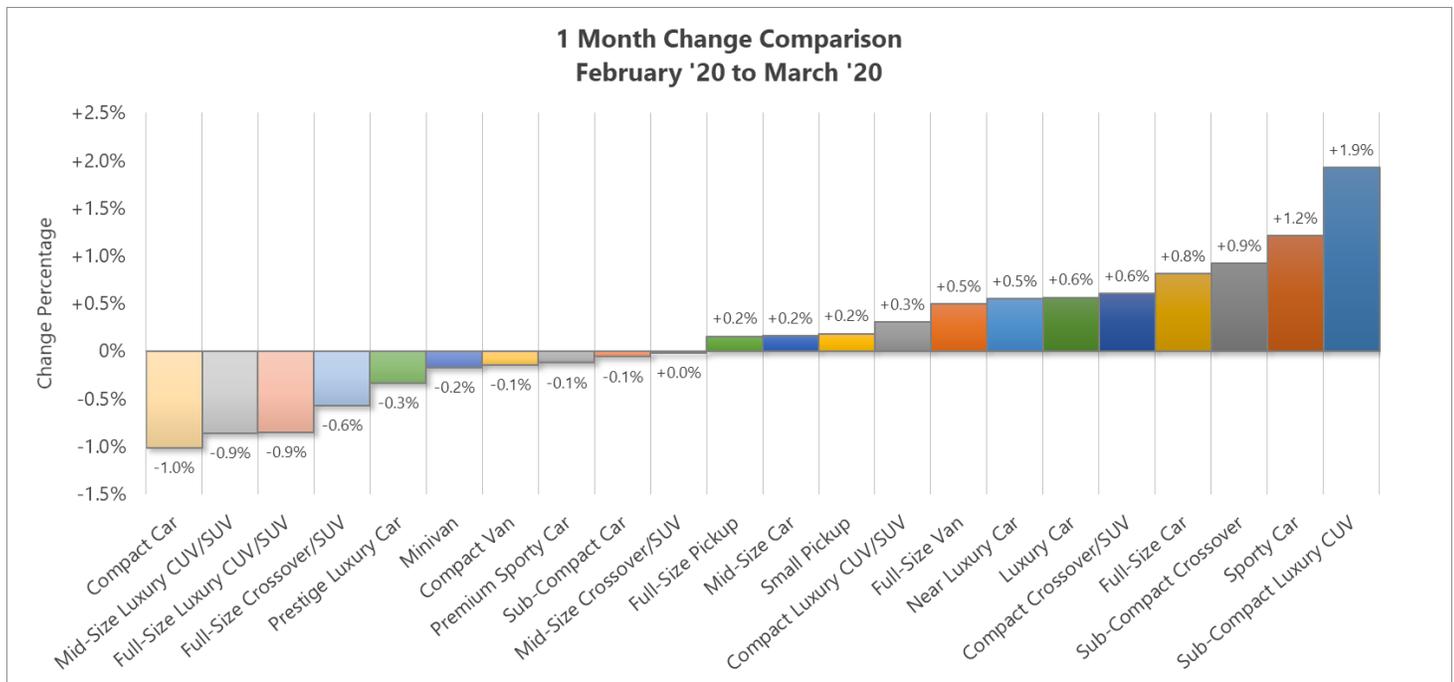
“Older and good condition vehicles sold really strong regardless of age or mileage. Overall, the market continues to show strength which was really the case on high volume car segments.” Israel in GA

“Good action on the floor and through simulcast. I would say at least half of the lanes had lower inventory than normal.” Mark in CA

“The supply is not keeping up with the demand as there are just not enough vehicles to go around.” Bob in MA



## February Market Adjustments



source: [Black Book Visual Analytics](#)

Overall, this past month we had about half the segments that experienced positive gains, with Sub-Compact Crossovers and Sports Cars leading the way with the largest adjustments.

## Vehicle Highlight

The All-New 2020 Porsche Taycan is the first ever fully electric Porsche to be produced. Standard with a 79.2kWh, 800-volt battery, the Taycan is capable of reaching 0-60 in just 3.8 seconds and has a top track speed of 155 mph. MSRP for the all-electric Porsche starts at \$105,150, including destination fees. While new vehicles are on the horizon to enter the market, the current main competition for the Taycan is the Tesla Model S.



This week's report includes a note on [Coronavirus](#)

## COVID-19 Market Update

## Wholesale Values

- **Last Week's Impact on Wholesale Values**
  - This past week ended up being dealers' last opportunity to be physically present to purchase at most auctions. This led to strong sales rates and high retention rates for almost all segments. We are seeing a demand for the traditional "Spring market" vehicles, which are those under \$10,000. Over the weekend, we received reports from dealers that reported good retail foot traffic on their lots.
- **Short-Term Impact on Wholesale Values**
  - Going forward, we do anticipate that foot traffic at dealer lots will slow down as people adhere to both the CDC and governments' guidance on social distancing. It will be important for dealers to adjust to this change in consumer behavior to facilitate deals with little-to-no physical contact. As for this week in particular, we do anticipate continued wholesale strength, as dealers fill their lots and work to take advantage of the lowered interest rates and low fuel prices.
- **Long-Term Impact on Wholesale Values**
  - The expectation is that there will be a supply chain impact on new cars and an affordability problem for new sales, so dealers are preparing for an increase in demand for affordable, quality used units. However, unlike previous downturns in the economy, the unknown is the impact of social distancing on consumer buying behavior.

## New Sales

We anticipate a significant reduction in new **vehicle sales** in 2020.

- **Best Case Scenario:** Slowdown in March / April and resumption of normal activities over the summer, with no major drop in consumer confidence - 10% drop in new sales to 15.3mm units in 2020
- **Recession Scenario:** Negative GDP growth in Q2 / Q3 (with possible negative growth in Q1 already), drop in consumer confidence, and a temporary, big jump in unemployment - 25% drop in new sales to 12.75mm units in 2020
- **Severe Recession Scenario:** Prolonged social separation policy due to coronavirus, followed by a deep recession - 40% drop in new sales to 10.2mm units in 2020

## Factors that will determine new sales volume

- **Positive**
  - Low interest rates
  - Credit is available to prime consumers
  - OEMs are creating consumer relief programs
  - Increased incentives to stimulate demand / lease replacement
- **Negative**
  - Unemployment will increase substantially (at least temporarily)
  - Supply chain issues (Europe, Asia)
  - Highly likely there will be an interruption to consumer confidence and buying behavior resulting in fewer big-ticket item purchases
  - There might be a substantial reduction in *fleet / rental* purchases (as leisure / business travel will be reduced in 2020)