



Manheim

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2009 USED CAR MARKET REPORT: FUNDAMENTAL TRANSFORMATIONS TAKING HOLD IN REMARKETING INDUSTRY

Annual Report From Manheim Consulting Analyzes Trends In Used Car Marketplace

NEW ORLEANS – Though 2008 was one of the most challenging years ever for the U.S. automotive industry, used vehicles remained a source of profits for those dealers who were able to value trade-ins correctly and turn inventories quickly.

And, while national attention focused on the economy, fundamental shifts were taking hold in the remarketing industry in 2008 as both wholesale consignors and buyers looked for ways to become more efficient in their buying and selling practices. As a result, the use of online sales channels continued to accelerate at a record pace, foretelling a significant and lasting shift in the wholesale used car marketplace.

These and a host of other trends are analyzed in illuminating detail in the 14th annual edition of the 2009 *Used Car Market Report*, which was released today by Manheim vice president of marketing and consulting Lynn Morgan at the National Automobile Dealers Association annual convention in New Orleans.

The 124-page *Report* draws on Manheim's own proprietary data as well as information from more than 40 other sources to provide the industry's most comprehensive compilation of information and analyses. The *Report* is available for purchase from Manheim Consulting in both print and electronic versions.

THE INDUSTRY'S LEADING SOURCE OF INFORMATION

“The *UCMR* is the centerpiece publication of Manheim Consulting, and once again this year we've pulled together expertise from within Manheim and throughout the industry to identify and analyze trends that often go undiscussed,” said Morgan. “Our goal is to give readers a deeper understanding of this massive yet often misunderstood industry.”

In addition to chapters on the state of the industry from the perspective of dealers and institutional sellers (such as manufacturers, fleets and finance companies), this year's *UCMR* includes features on global remarketing, the salvage industry and technology.

For example, the *Report* discusses:

- The coming shortage of late-model vehicles, which should positively impact used vehicle values within two years.
- The importance of exporters to both whole and salvage vehicle auctions.
- The ability of used vehicle price data to foretell the acceptance and value of new technologies and innovations.

AUCTION ACTIVITY, ONLINE AND IN THE LANES

Perhaps most significant to attendees at NADA, the *Report* details the transformation of inventory management practices by dealers.

“With access to so many vehicles in 24/7 online wholesale channels, dealers can rely on virtual inventory instead of stocking a larger number of vehicles,” said Webb. “That is transforming how dealers view inventory management, with the most successful dealers carrying significantly less inventory on their lots and supplementing that with the nearly unlimited inventory from online sites.”

The *Report* cites numerous statistics that demonstrate the shifting landscape:

- Manheim online transactions reached the 3 million-unit milestone as volume accelerated in 2008.
- Manheim.com is now receiving 800,000 visits per week.
- Half of all Manheim dealer customers have now purchased a vehicle online.
- Total sales volume on OVE.com doubled in 2008.
- 30 percent of dealer purchases through OVE.com occur after a dealer has displayed vehicles to a retail customer through the Virtual Backlot feature.
- The number of bidders participating in Manheim Simulcast sales increased by 50 percent in 2008.
- Dealer consignment in online channels is rapidly increasing. Most dealer vehicles available online are still located on the dealership lot, allowing dealers to simultaneously market to retail and wholesale customers.

AUTOMOTIVE MARKETPLACE ADJUSTS TO CHALLENGES

As always, the *UCMR* includes summaries of trends across all corners of the industry, illustrating the challenges facing remarketers in 2008:

- **New vehicle sales** fell to 13.2 million in 2008, a 24 percent decline from the peak (17.4 million) in 2000, while retail **used vehicle sales** fell by 12 percent, from 41.4 million in 2007 to 36.5 million in 2008.
- **Used cars remained a key source of profitability** for franchised dealers; in 2008, the average net profit per used vehicle retailed was \$99 while the average loss per new vehicle was \$139.
- The **decline in the number of dealerships** in 2008 and 2009 is likely to exceed that of any two-year period in history. There was a net loss of 5,000 franchised and independent dealerships in 2008.

- New vehicle **sales to rental companies** totaled 1.5 million units, a decline of 21 percent from 2007. Risk vehicles accounted for 65 percent of those sales, versus 34 percent in 2003.
- **New lease originations fell** below 2-million units for the first time in more than a decade. Off-lease volumes grew by more than 10 percent to 2.4 million units; another increase of 200,000 is expected in 2009 before volumes slow in 2010 and plunge in 2011 and 2012. As a result, in 2011 and 2012 dealers will face a shortage of good quality three- and four-year-old cars.
- **Repossession volumes** reached a record 1.67 million units, up 12 percent from 2007
- Government and commercial **fleet sales were down** 14 percent to 872,000 new units.
- In-lane and **online transactions at NAAA member auctions** fell 3 percent to 9.24 million, due to a reduction in dealer consignment volumes as lower new and used vehicle retail sales reduced the number of trade-ins.
- The number of vehicles remarketed through **salvage auctions** declined slightly; high gas prices and the recession reduced the number of miles traveled, which resulted in fewer accidents.

About Manheim

Manheim is the world's leading provider of vehicle remarketing services. Through its wholesale operating locations and array of technology products, Manheim impacts every stage of a used vehicle's life cycle, helping commercial sellers and automobile dealers realize the full value of their vehicles.

The company's operating location services include reconditioning, certification, inspections, dealer financing, transport, title management and marshaling, among others. Manheim is also the leader in vehicle remarketing technology, using its online tools to connect buyers and sellers around the globe to the world's largest, most comprehensive wholesale marketplace. In 2008, Manheim handled nearly 10 million used vehicles, facilitating transactions representing more than \$50 billion in value.

Manheim's subsidiary companies provide value-added remarketing products and services, including paintless dent removal (Dent Wizard), Auto Body Repair, and salvage vehicle remarketing (Total Resource Auctions).

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