

Q3 2014
USED
VEHICLE
MARKET
REPORT



Strong Franchised Sales Boost Overall Used Vehicle Sales

Used Vehicle Sales Summary

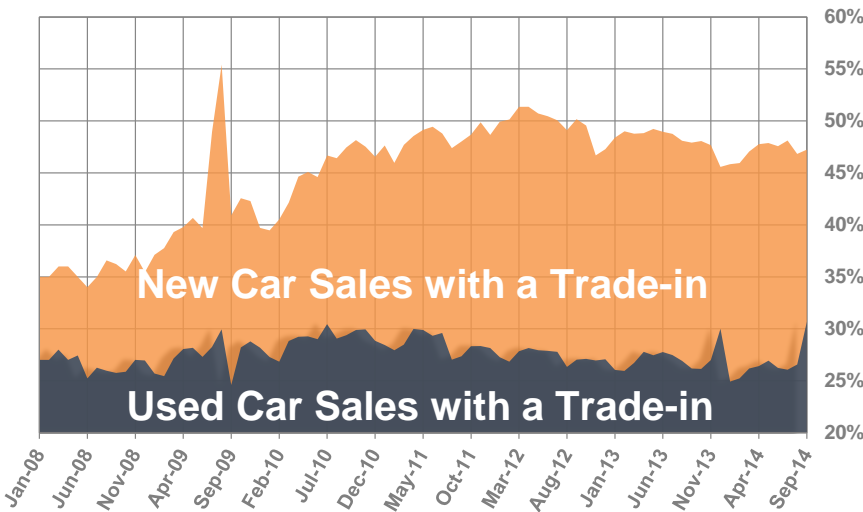
Industry	Q3 2014	Q3 2013	Q2 2014	Q3 2014 vs. Q3 2013	Q3 2014 vs. Q2 2014	CYTD 2014	CYTD 2013	CYTD % Change
Total Used Sales:	9,164,833	9,202,280	9,099,375	-0.4%	0.7%	27,887,232	27,945,591	-0.2%
Franchised Used Sales	2,967,194	2,862,619	2,845,519	3.7%	4.3%	8,589,734	8,268,339	3.9%
Franchised CPO Sales*	611,010	540,260	581,745	13.1%	5.0%	1,744,333	1,572,343	10.9%
Non Franchise Used Sales	6,197,639	6,339,661	6,253,856	-2.2%	-0.9%	19,297,498	19,677,252	-1.9%
Franchise Used Retail Price	\$16,678	\$15,620	\$16,696	6.8%	-0.1%	\$16,493	\$15,813	4.3%

* Franchise CPO Sales are included in Franchise Used Sales Total

Gains in the used market occurred at franchise dealers (both used and CPO) with sales being up both year-over-year and over last quarter.

Increased Used Inventory Drives Sales Boost

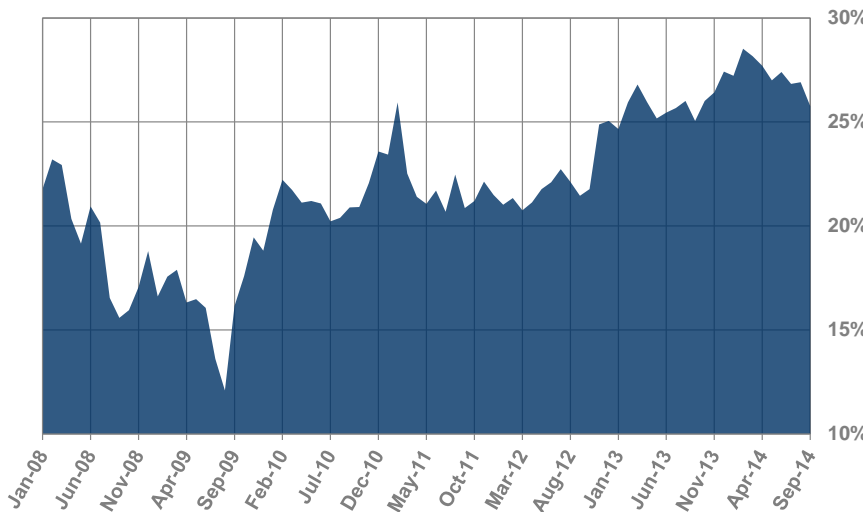
Percent of Sales with Trade-ins



New Car Sales are High:

With the new car sales rate in 2014 being the highest since 2006 there is simply more volume coming onto dealers' used car lots in the form of trade-ins. In 2014, 47% of new cars (retail) sold came with a trade-in. The new vehicle sales rate is expected to hit 16.5M vehicles this year which nets a lot of trade-ins and a full used car lot.

Percent of New Vehicles that are Leased



Lease Returns:

After leasing fell into the doldrums in 2009, it has been climbing ever since. There has been an uptick in number of lease returns – this leads to more Certifiable vehicles which have seen the heftiest gain among all the used vehicle segments.

Benefits of the Certified Pre-Owned Vehicles (CPO)

With the increasing volume of lease returns, dealers are certifying the eligible models as more consumers are starting to see the benefits of buying a certified car compared to a used car.

Benefits include:

1. Longer bumper to bumper warranty
 - Warranties can be as high as 7 years/100,000 miles
2. Roadside assistance
3. Zero or low deductible
4. Warranty is transferable
5. Extensive comprehensive inspection
6. Three months trial of XM/Sirius radio



Additionally, consumers are seeing the value of buying CPO in term of depreciation since the bulk of the depreciation happens in the first few years of ownership. OEMs are also stepping up the marketing of their CPO programs by offering special financing rates that can be as compelling as finance rates for new vehicles.

Cons include:

The additional cost - the average CPO cost \$1,341 on average more than their non-CPO counterpart.

What is the Average Price Premium Paid for CPO?

On Average CPO vehicles command a **\$1,341** price premium over their non certified used counterparts....

Average CPO Premium by Vehicle Segment:

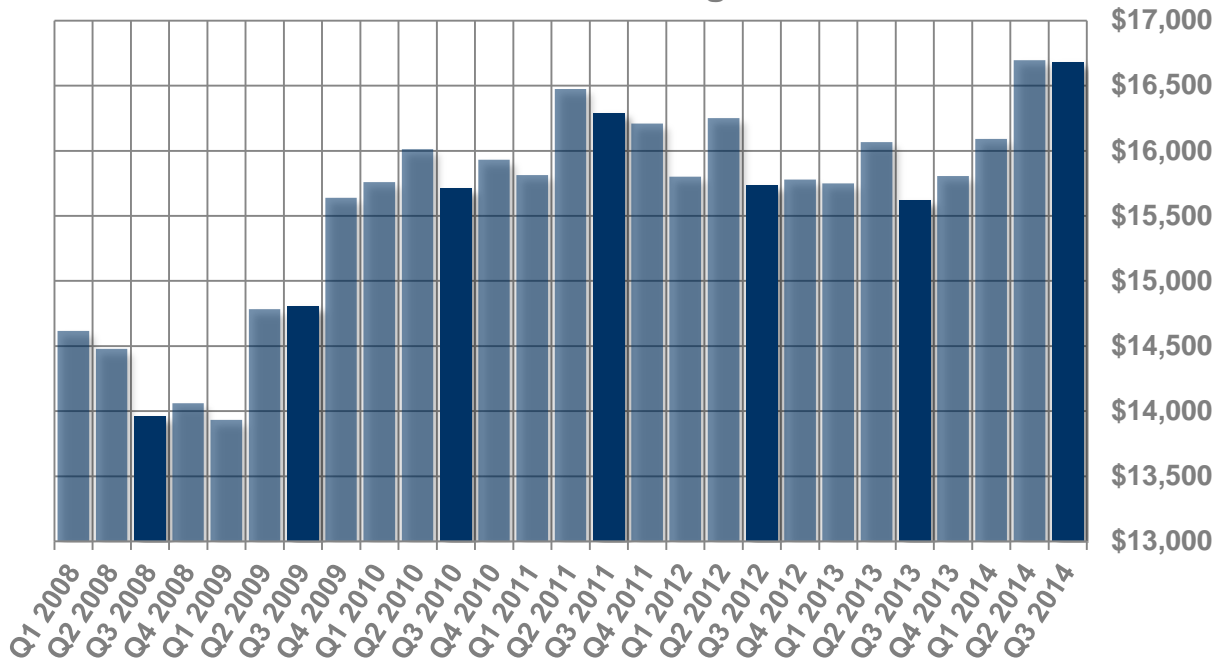
Car Segment	Average CPO Premium
Subcompact Car	\$826
Compact Car	\$864
Midsize Car	\$1,085
Large Car	\$1,152
Entry Sport Car	\$1,324
Midrange Sport Car	\$2,026
Premium Sport Car	\$3,089
Entry Luxury Car	\$2,102
Midrange Luxury Car	\$2,237
Premium Luxury Car	\$2,886

Light Truck Segment	Average CPO Premium
Compact Crossover SUV	\$1,139
Midsize Crossover SUV	\$1,258
Midsize Traditional SUV	\$1,391
Large Crossover SUV	\$1,165
Large Traditional SUV	\$1,518
Minivan	\$1,135
Van	\$1,081
Compact Truck	\$963
Large Truck	\$1,083
Entry Luxury SUV	\$2,362
Midrange Luxury SUV	\$2,726
Premium Luxury SUV	\$3,531

To Note: These are averages. Savings can vary greatly depending on vehicle condition.

Typical Q2-Q3 Price Decline not Witnessed in 2014

Franchised Used Vehicle Average Transaction Price



Used pricing has been strong throughout 2014 - Q2 holds the record for highest price in history and Q3 is the highest third quarter on record . The sustained level of high used vehicle values can be attributed to many near-new vehicles being sold as well as CPO continuing to be a strong presence in the market

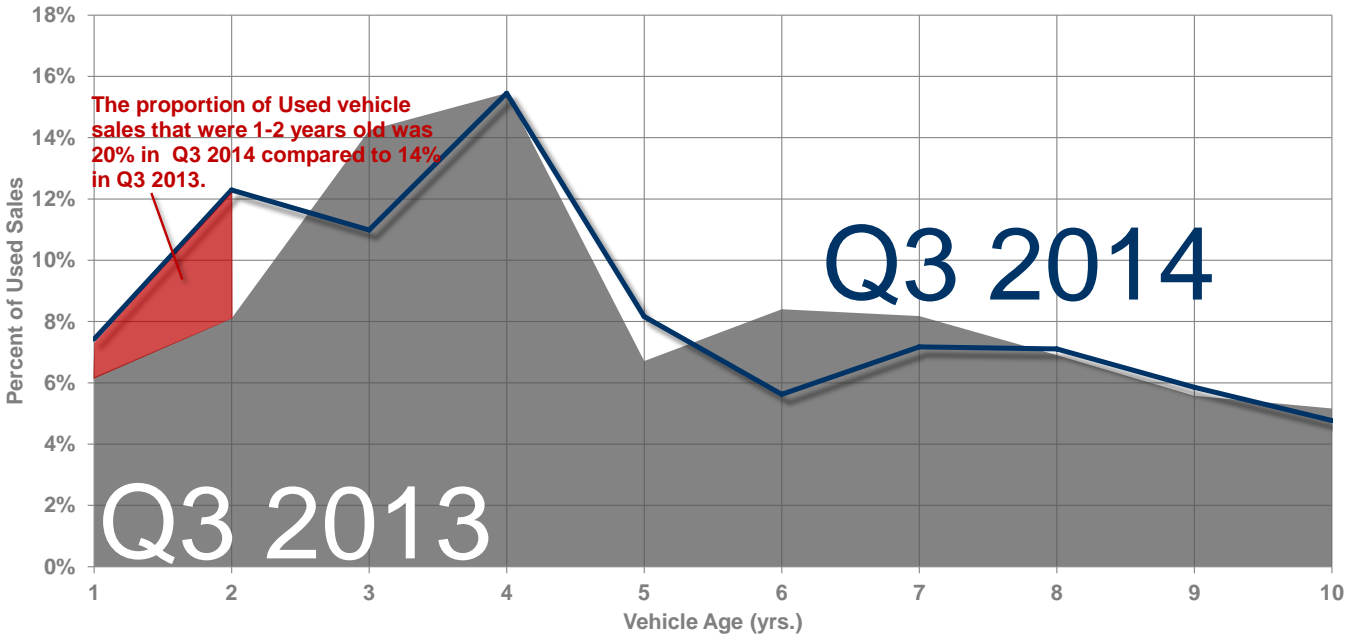
Used Prices Up for Vehicle of All Ages

Used Vehicle Average Transaction Price by Age			
Vehicle Age	2013	2014	2014 vs. 2013
1 year old	\$28,274	\$30,275	7.1%
2 years old	\$23,389	\$24,092	3.0%
3 years old	\$22,784	\$22,837	0.2%
4 years old	\$19,781	\$21,266	7.5%
5 years old	\$17,052	\$17,666	3.6%
6 years old	\$15,267	\$15,184	-0.5%
7 years old	\$13,132	\$13,637	3.8%
8 years old	\$10,610	\$11,686	10.1%
9 years old	\$8,513	\$9,294	9.2%
10 years old	\$7,154	\$7,494	4.8%
11 years old	\$5,468	\$6,310	15.4%
12 years old	\$4,288	\$4,809	12.1%
13 years old	\$3,484	\$3,844	10.3%
14 years old	\$2,896	\$3,112	7.4%
15 years old	\$2,486	\$2,599	4.6%

While there is a noticeable increase in used vehicle values of all ages, six year old vehicles buck the trend by being slightly down. This can be attributed to the sales mix being heavily weighted to small cars in 2009 due to market events including the Cash for Clunkers program and the GM/Chrysler bankruptcies.

Why are Used Prices High?

Reason #1: Used Vehicles being Sold are Younger

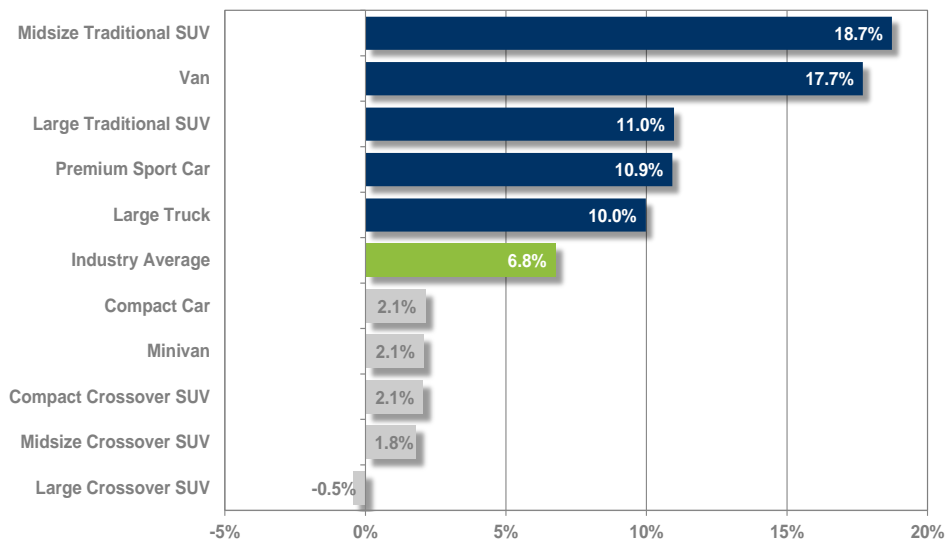


Due to an increase in lease returns, Q3 2014 has seen a higher concentration of newer used vehicles. One out of five used vehicles sold in 2014 Q3 were between 1-2 years-old. This higher mix of newer used vehicles has led to an upward pull of used car prices

Reason #2: Low Gas Prices Make Larger Vehicles More Attractive

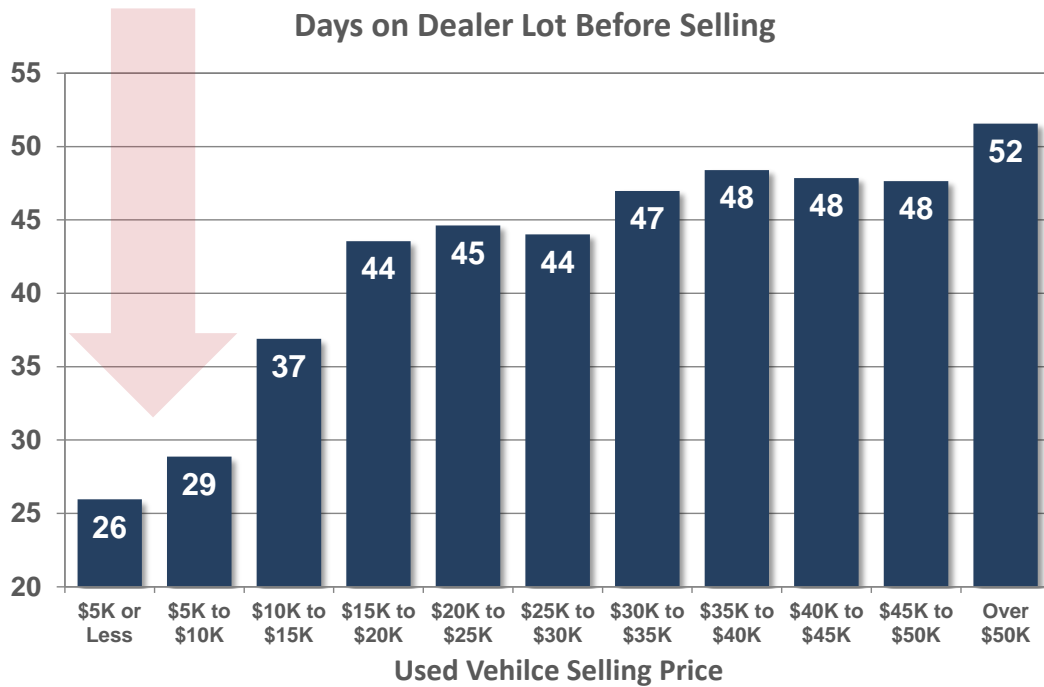
The US is experiencing record low gas prices with 2014 marking the fourth year in a row that fuel costs have stayed within \$3 per gallon. This has allowed many of the light truck segments to experience sizable gains in used values as car shoppers are willing to purchase them again. These are generally larger vehicles which command a higher price tag.

Q3 2014 Year-Over-Year Retail Price Change



The **Midsize Traditional SUV** category has seen substantial price increases year-over-year. These vehicles saw so much contraction during the recession that many analysts predicted their exit from the market, however, stable fuel costs and increasing niche market demand has these vehicle's transacting nearly 19% higher than 2013 Q3.

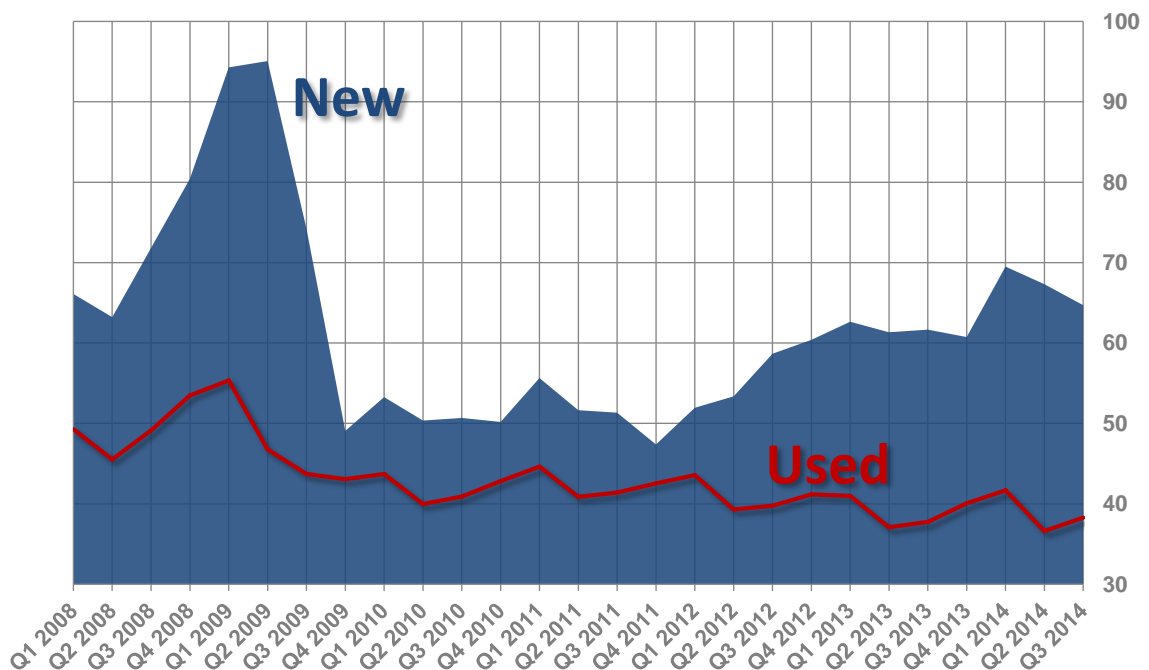
Despite Used Values Being Strong, Cheaper Cars are in More Immediate Demand



There is one downside to selling more expensive vehicles is longer lots times. This is especially true once used values approach new car prices.

The average new DTT is 65 days – significantly longer than used (38 days.) From a dealers' prospective, quicker turnover results in faster profits and less risk

New vs. Used Average Days on Dealer Lots



Fastest sellers are mostly light trucks

Many of the fastest selling used vehicles are segmented are either practical or purposeful.

Top 10 fastest selling vehicles by price point

\$5K to \$10K	Year	Make	Model	Retail Price	Days on Lot
	1999	Jeep	Wrangler	\$6,571	17
	2007	Honda	Fit	\$7,838	18
	2006	Toyota	Prius	\$8,320	19
	2004	Ford	Explorer Sport Trac	\$7,322	19
	2005	Toyota	RAV4	\$7,856	19
	2003	Toyota	Tacoma	\$9,590	19
	2006	Volvo	S60	\$7,112	20
	2003	Honda	Element	\$5,601	21
	2003	Acura	MDX	\$5,577	21
2004	Acura	TSX	\$7,051	21	

\$10 to \$15K	Year	Make	Model	Retail Price	Days on Lot
	2006	Honda	Ridgeline	\$11,744	21
	2006	Honda	Pilot	\$10,268	21
	2007	Volvo	XC90	\$10,736	22
	2005	Nissan	Titan	\$10,587	23
	2004	Jeep	Wrangler	\$11,851	23
	2006	Toyota	Highlander Hybrid	\$11,298	23
	2008	Toyota	Prius	\$10,762	23
	2005	Ford	F-150	\$10,479	23
	2006	Nissan	Titan	\$12,504	24
2006	BMW	7 Series	\$13,362	24	

\$15K to \$20K	Year	Make	Model	Retail Price	Days on Lot
	2006	GMC	Sierra 2500HD	\$17,906	26
	2008	Nissan	Titan	\$15,307	26
	2006	Toyota	Tacoma	\$15,168	27
	2006	Chevrolet	Silverado 2500HD	\$17,897	27
	2007	Mercedes-Benz	GL-Class	\$17,605	27
	2006	Mercedes-Benz	CLS-Class	\$18,709	28
	2007	Toyota	Tacoma	\$16,709	28
	2007	Toyota	4Runner	\$15,915	28
	2007	Chevrolet	Silverado 1500	\$16,239	28
2007	Mercedes-Benz	M-Class	\$16,120	28	