

Q2 2015
USED
VEHICLE
MARKET
REPORT



Used Vehicles Sales Summary

Quarter	Total Sales	Franchise Used	Certified Pre-Owned
Q2 2010	9,497,718	2,244,874	430,882
Q2 2011	9,344,540	2,391,053	449,116
Q2 2012	9,320,918	2,570,044	462,299
Q2 2013	8,952,753	2,756,076	548,821
Q2 2014	9,099,375	2,839,086	581,633
Q2 2015	9,563,692	2,913,465	660,766

Certified Pre-Owned is a subset of Franchised Used

Key Takeaways

Used Sales: Sales of used vehicles were strong in the second quarter of 2015, experiencing a 5.1% year-over-year lift. This strength comes on the back of sales of 'near-new' used vehicles – i.e. vehicles that are only five years old or newer. Near-new used inventory has been largely pumped up by lease returns and trade-ins, which has also enabled Certified Pre-Owned (CPO) sales to achieve the highest quarter sales figure ever.

CPO: Not only are sales of Certified Pre-Owned vehicles at their highest levels ever but they are growing at a breakneck pace. CPO is a lucrative market for both automakers and dealers and looks poised for continued growth.

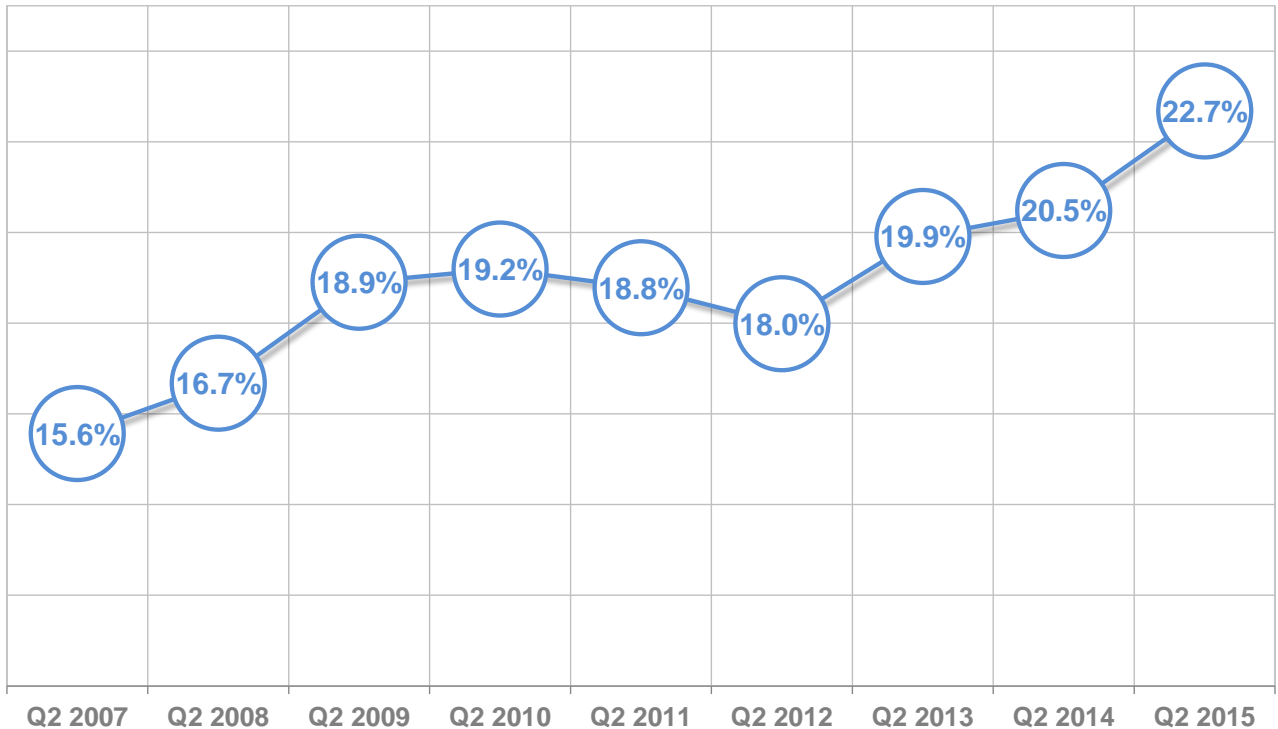
Used Market Pricing: The average used car sold in Q2 2015 cost \$18,800 which is a record high. This trend is powered by both an influx of newer vehicles and strong demand (and pricing) for older used models.

The Used Car Shopper: To accommodate these rising prices, shoppers have been financing their vehicles over a longer period of time. The average used vehicle APR rose slightly in Q2 but is still lower than pre-recession rates. Shoppers are also facing the decision between new and used as rising used prices are narrowing the savings gap in some segments.

Used Outlook: Trade-in and lease return volumes show no signs of relenting. These high volumes will grow used inventory and take the market to new levels of sales and pricing in the coming years.

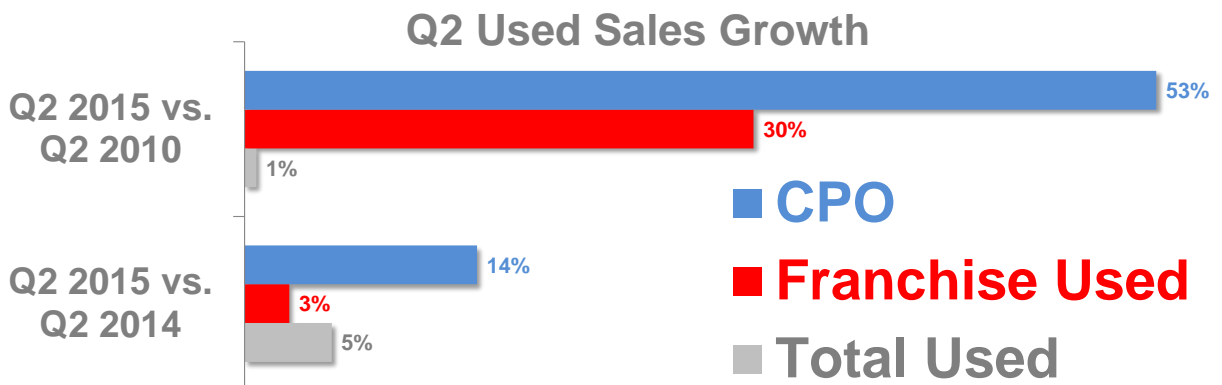
Certified Pre-Owned Sales Reach an All-Time High

CPO % of Franchise Used Sales



CPO sales help automakers maximize profit on the highly lucrative used car market, so it's no wonder that many are pushing these programs more than ever. CPO is a prime growth segment among used vehicles.

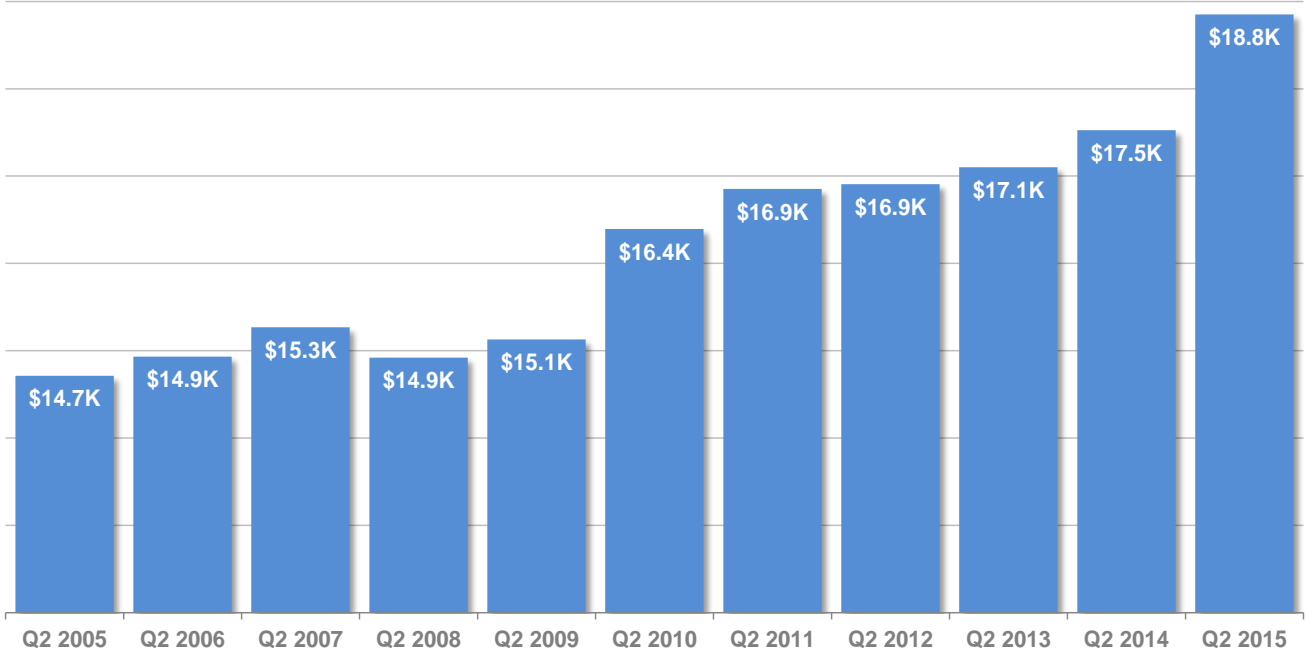
CPO Growth Outpaces the Other Segments of the Used Market



Although a small percentage of total used vehicle sales, Certified Pre-Owned sales have grown a tremendous 53 percent in the past five years, contributing to elevated used car transaction prices

Used Prices are at an All-Time High

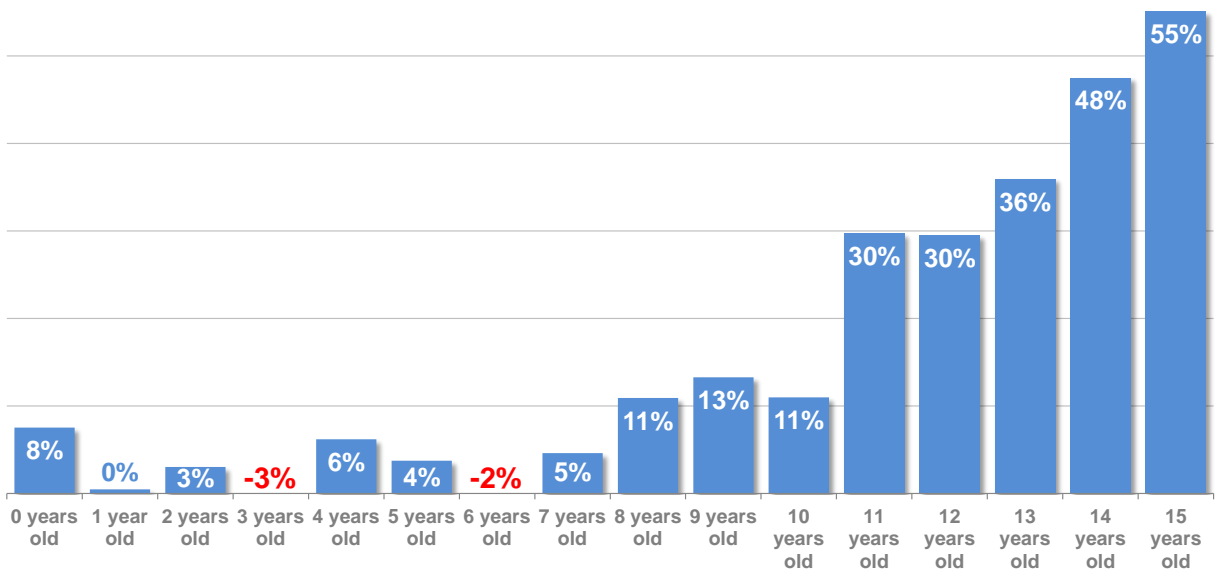
Q2 Used Vehicle Average Transaction Price



Transaction prices for used cars are at record high levels in the second quarter of 2015 showing a 7.6% increase year-over-year. The high volume of lease returns has weighted the average age of used vehicles down to 4.5 years old – compared to 4.9 years old last year – further propelling prices upward.

Older Used Vehicles also in High Demand

Q2 2015 vs. Q2 2014 Average Transaction Price



Demand for older used vehicles is strong and we are seeing significant price increases for vehicles older than 10 years. Even though used prices are up almost universally, we see a bit of stalling with both the three and six year old vehicles. The reduction in price isn't dramatic but both represent key moments within a vehicle's lifecycle: year three is the average age of lease returns and year six is the average age of trade-in toward a new car purchase.

Light Trucks are Seeing Highest Used Price Gains

3 Year Old Used Transaction Prices

Segment	Q2 2014	Q2 2015	2015 vs. 2014
Premium Luxury Car	\$56,353	\$52,438	-6.9%
Entry Luxury Car	\$25,546	\$24,518	-4.0%
Minivan	\$22,385	\$21,585	-3.6%
Compact Car	\$14,410	\$13,912	-3.5%
Subcompact Car	\$13,420	\$12,993	-3.2%
Premium Luxury SUV	\$46,114	\$44,691	-3.1%
Entry Sport Car	\$22,843	\$22,375	-2.0%
Large Car	\$18,788	\$18,416	-2.0%
Midsize Car	\$16,297	\$16,011	-1.8%
Midrange Luxury Car	\$35,434	\$35,256	-0.5%
Large SUV	\$28,827	\$28,766	-0.2%
Entry Luxury SUV	\$29,245	\$29,359	0.4%
Midsize SUV	\$23,276	\$23,539	1.1%
Midrange Luxury SUV	\$36,709	\$37,358	1.8%
Compact SUV	\$18,290	\$18,734	2.4%
Van	\$17,837	\$18,569	4.1%
Large Truck	\$27,758	\$29,168	5.1%
Compact Truck	\$21,224	\$23,081	8.7%

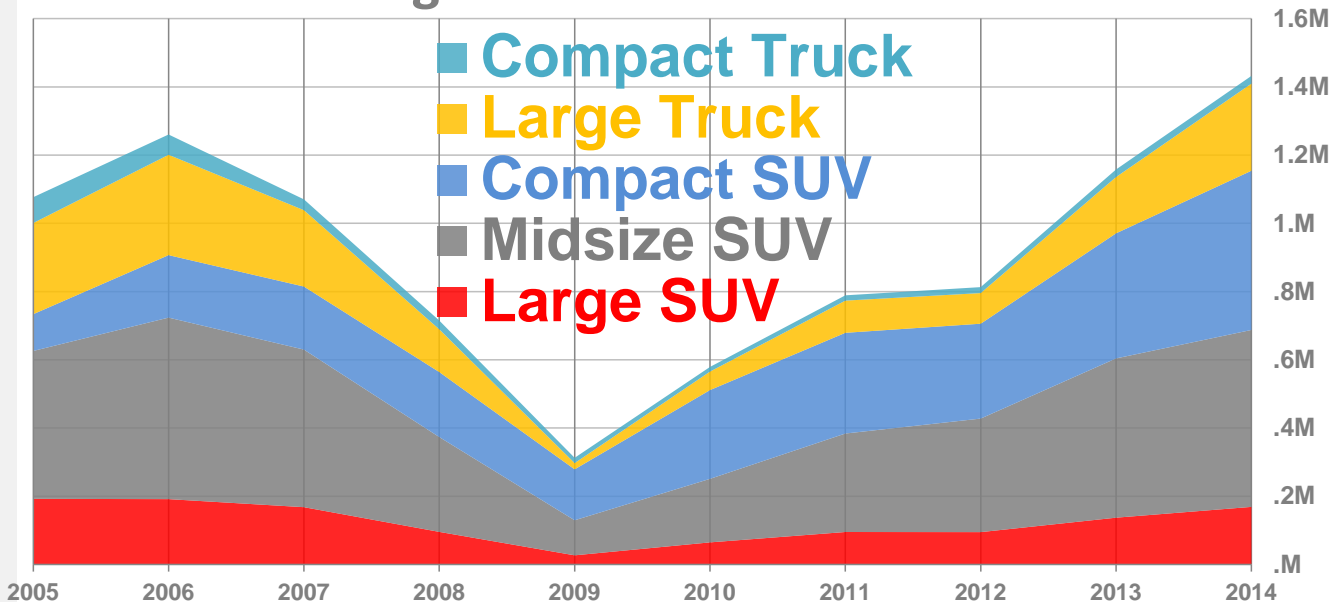
Truck Prices Up, Cars Down

Pickup trucks are seeing the most price growth on the used car market. Passenger cars, on the other hand, are generally showing year-over-year declines as a result of lower demand.

Pricing Pressure Should Ease

Used truck inventory should grow in the coming years, since more new truck buyers are opting to lease. This trend is expected to grow, which would put more near-new trucks on the used market and soften prices

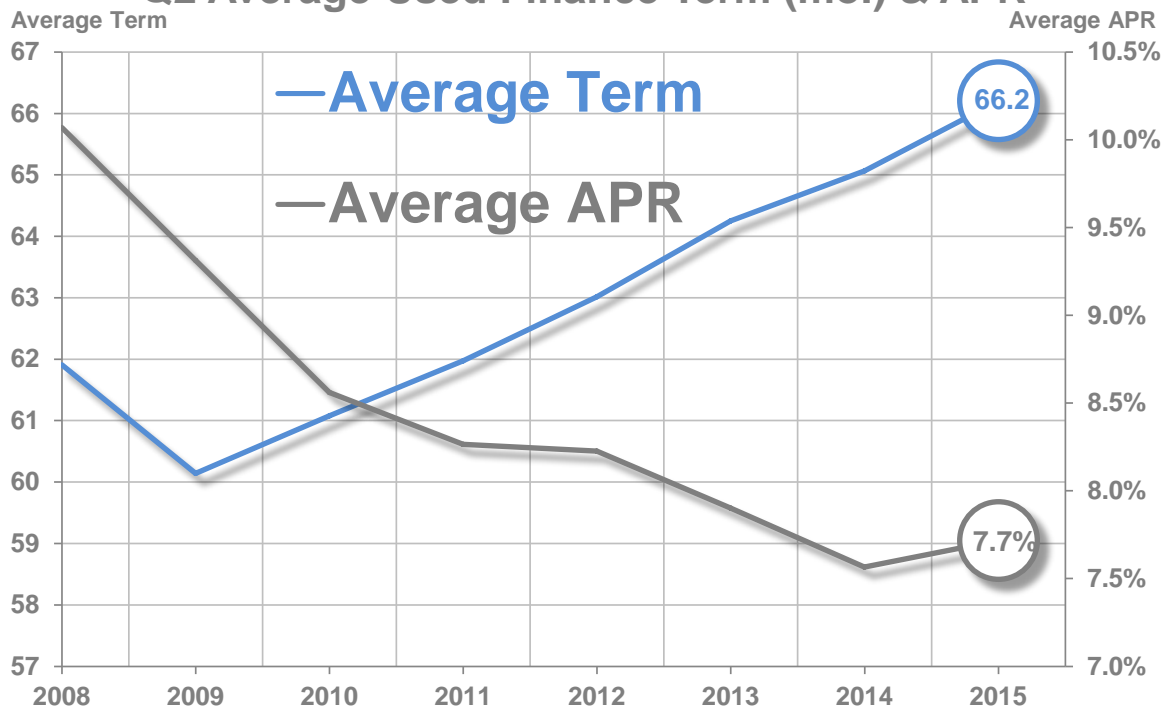
Used Light Truck Inventory Expected to Increase Light Truck Lease Volume



Used Market Pricing

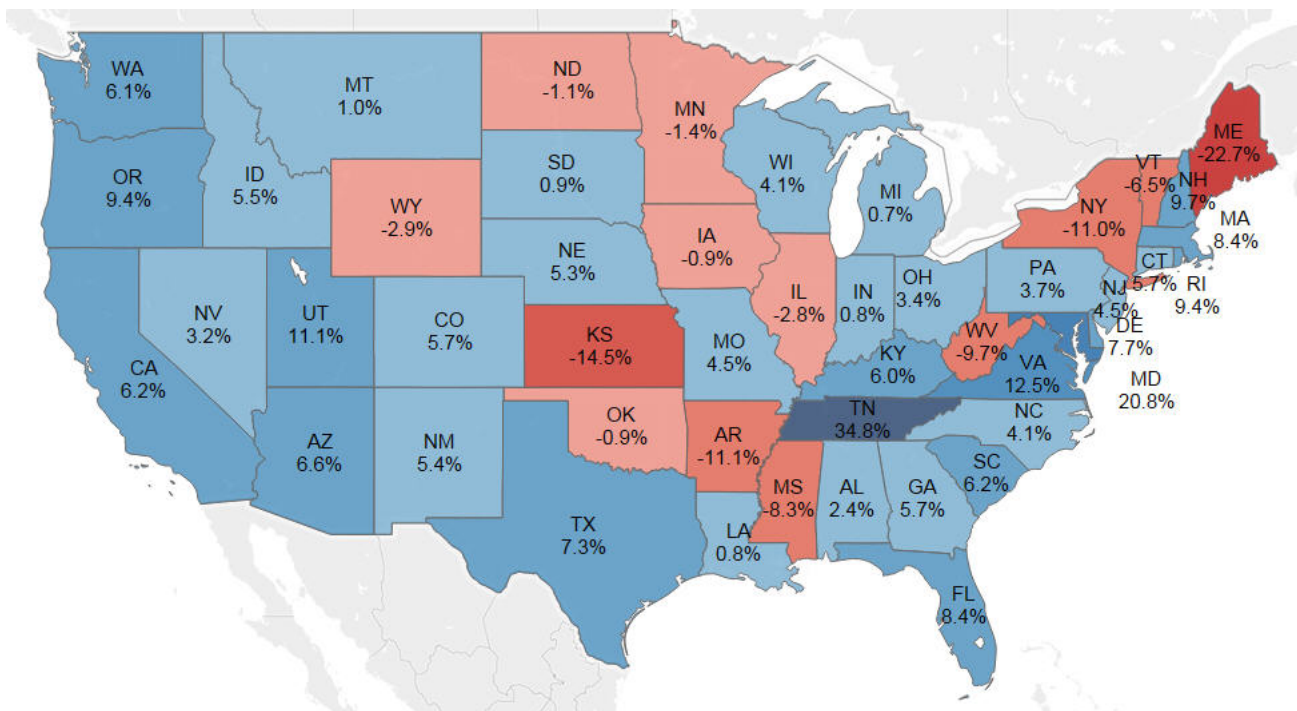
Buyers Financing More to Pay for Expensive Used Cars

Q2 Average Used Finance Term (mo.) & APR



The average amount financed is \$20,732 which is up 3% from last year. Loan terms are growing to offset higher prices but for the first time since pre-recession we are seeing average APRs creep higher. While nearly 60% of used buyers financing their vehicle obtained an APR of 5% or lower, many buyers have APRs in excess of 10%.

In Most of the U.S., Used Sales are Up



Year-over-year, used vehicle sales are up in most parts of the nation in Q2 of 2015.

The Shopper Dilemma: New Or Used?

While a majority of consumers look solely at new or solely at used vehicles, there is a growing segment that shops both vehicle types. For these shoppers near new and CPO vehicles are the most desirable used option. Since price is a major deciding factor in a consumer's decision, some vehicle types pose a larger benefit versus others when it comes to buying used.

New vs. Used Transaction Prices

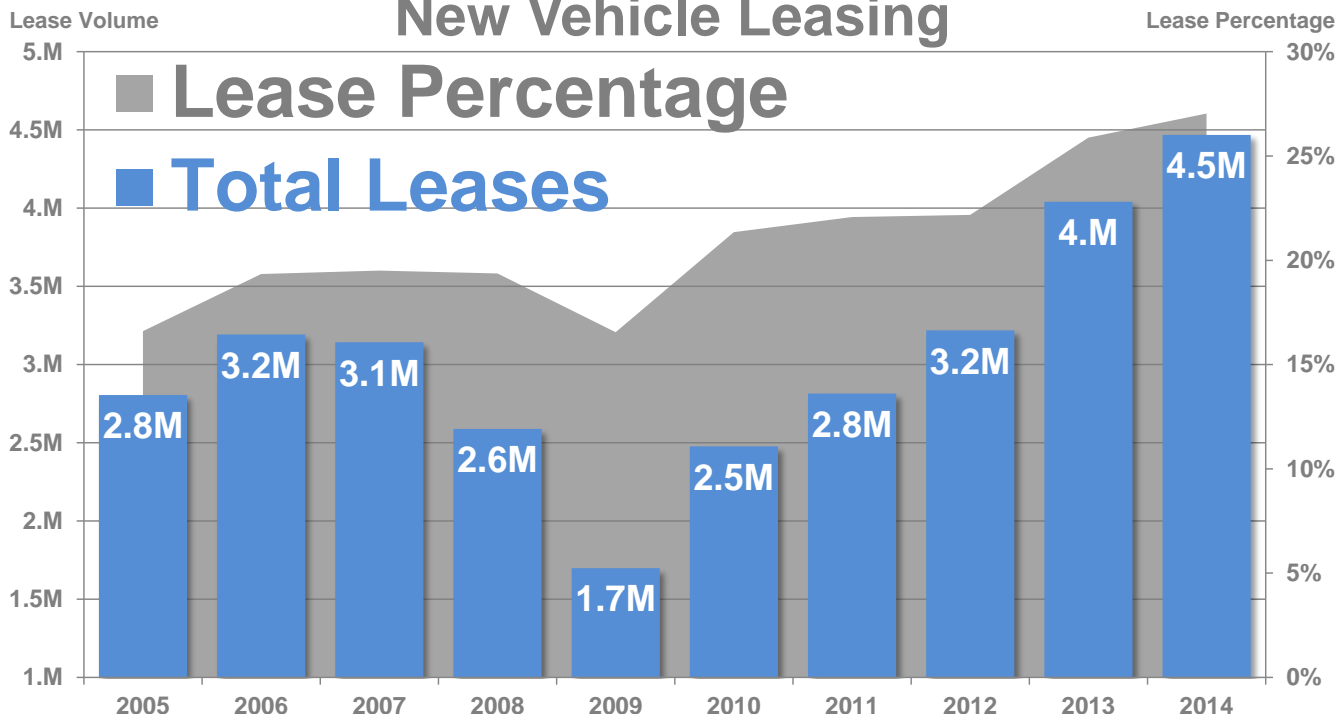
Segment	2015 New	Three Year Old Used	Percent of New Car Value After 3 Years
Compact Truck	\$30,217	\$23,081	76.4%
Compact SUV	\$26,459	\$18,734	70.8%
Midsize SUV	\$34,201	\$23,089	67.5%
Entry Luxury SUV	\$43,514	\$29,359	67.5%
Subcompact Car	\$19,276	\$12,993	67.4%
Minivan	\$32,342	\$21,585	66.7%
Large Truck	\$43,859	\$29,168	66.5%
Compact Car	\$20,939	\$13,912	66.4%
Industry Average	\$32,790	\$21,169	64.6%
Entry Sport Car	\$34,905	\$22,375	64.1%
Midsize Car	\$25,825	\$16,011	62.0%
Midrange Luxury SUV	\$60,370	\$37,358	61.9%
Entry Luxury Car	\$40,302	\$24,518	60.8%
Midrange Luxury Car	\$59,749	\$35,169	58.9%
Van	\$31,551	\$18,569	58.9%
Large SUV	\$47,477	\$27,230	57.4%
Large Car	\$34,701	\$18,416	53.1%
Premium Luxury SUV	\$87,105	\$44,691	51.3%
Premium Luxury Car	\$99,692	\$51,122	51.3%

Depending on the type of vehicle purchased, the cost and benefit from purchasing used can vary greatly

Looking Ahead

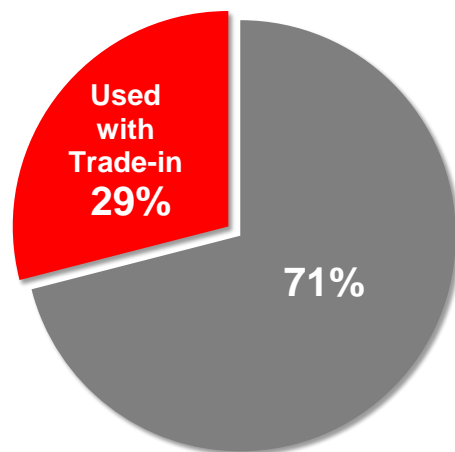
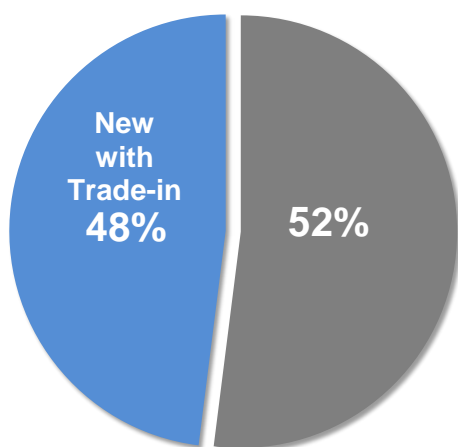
Lease Returns will Boost Future Used Inventory

New Vehicle Leasing



Lease volumes continue to hit all-time highs and will give dealers ample near-new inventory in the future. The truck segment has recently seen an uptick in leasing which should help mitigate the high used prices we've seen. More inventory will lead to better price flexibility.

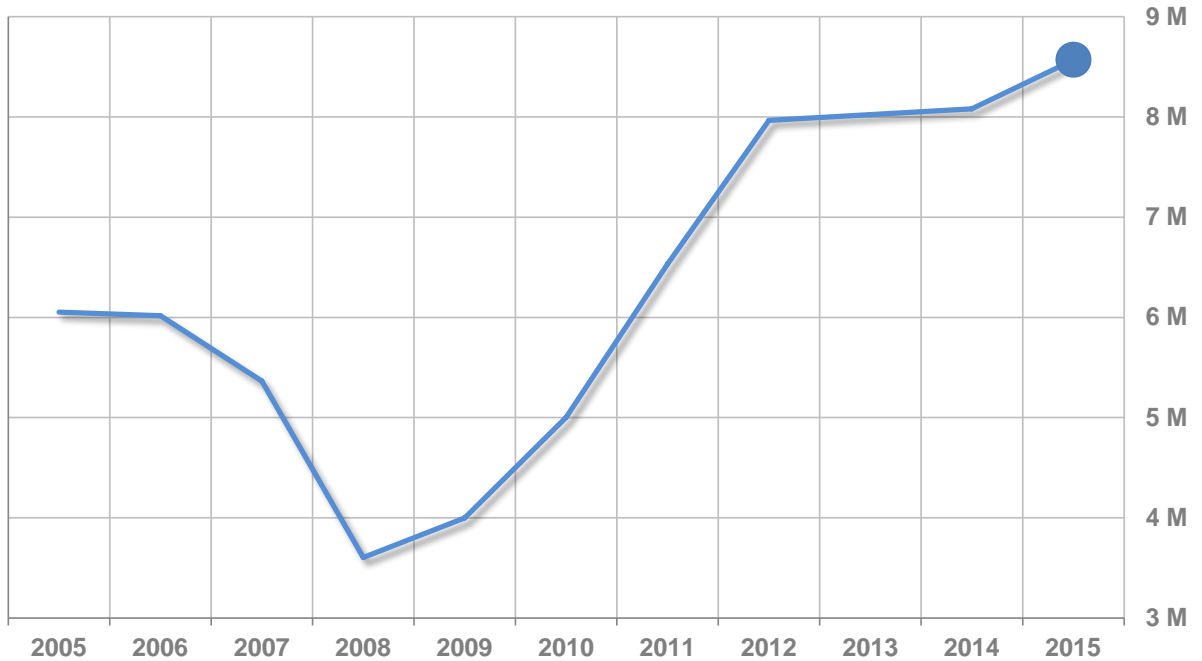
Trade-Ins Are Another Source of Growing Future Used Car Inventory



Nearly half of new vehicle and nearly 30% of used vehicle purchases involve a trade-in. With new vehicle sales accelerating in the past few years, the number of trade-ins has grown in kind

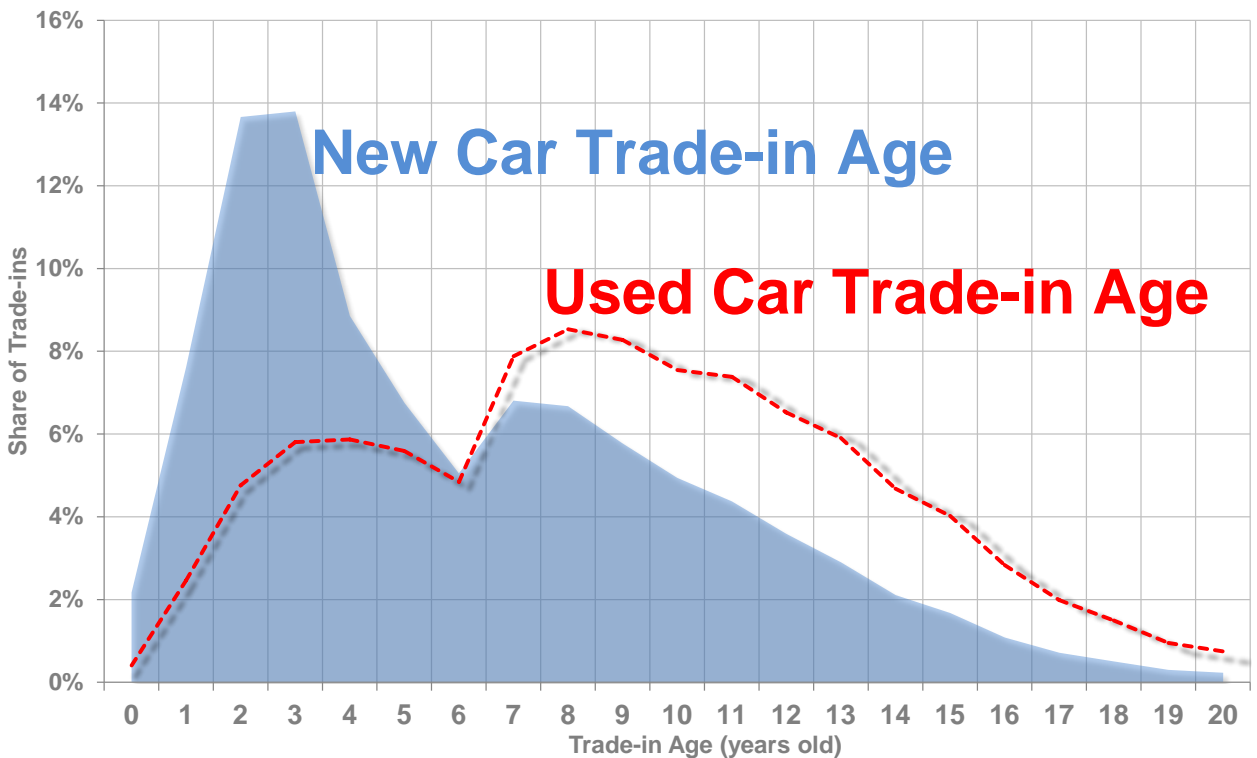
Trade-In Volumes are Higher Than Ever

Number of Vehicles Traded-in



Over 8.5M vehicles are expected to be traded-in for a new vehicle purchase in 2015

Used Trade-Ins also Contribute to Used Inventory



Even though new vehicle leases and trade-ins are major drivers of late model year used vehicle supply, there is still a segment of the near new population that stems from used vehicle trade-ins. Approximately 25% of trade-ins from used vehicles contributed towards near new inventory.