

Q3 2015  
**USED**  
**VEHICLE**  
**MARKET**  
**REPORT**



# Used Vehicles Sales Summary

Quarter	Total Sales	Franchise Used	Certified Pre-Owned
Q3 2010	9,594,909	2,347,144	431,756
Q3 2011	9,242,998	2,436,724	438,719
Q3 2012	9,355,565	2,531,912	465,963
Q3 2013	9,202,280	2,862,619	540,260
Q3 2014	9,221,601	2,931,736	611,010
Q3 2015	9,448,857	2,995,497	653,286

*Certified Pre-Owned is a subset of Franchised Used*

## Key Takeaways

**Used Sales:** The used vehicle market saw a 2.5% year-over-year sales increase. CPO sales also increased to 21.8% of franchise used sales, a third quarter record.

**Used Market Pricing:** With an increasing share of near-new vehicles, the average price of \$18,427 sets a third quarter record. Nearly every vehicle type saw a lift in transaction prices, except for the subcompact car segment. This segment of small vehicles continues to struggle with low gas prices.

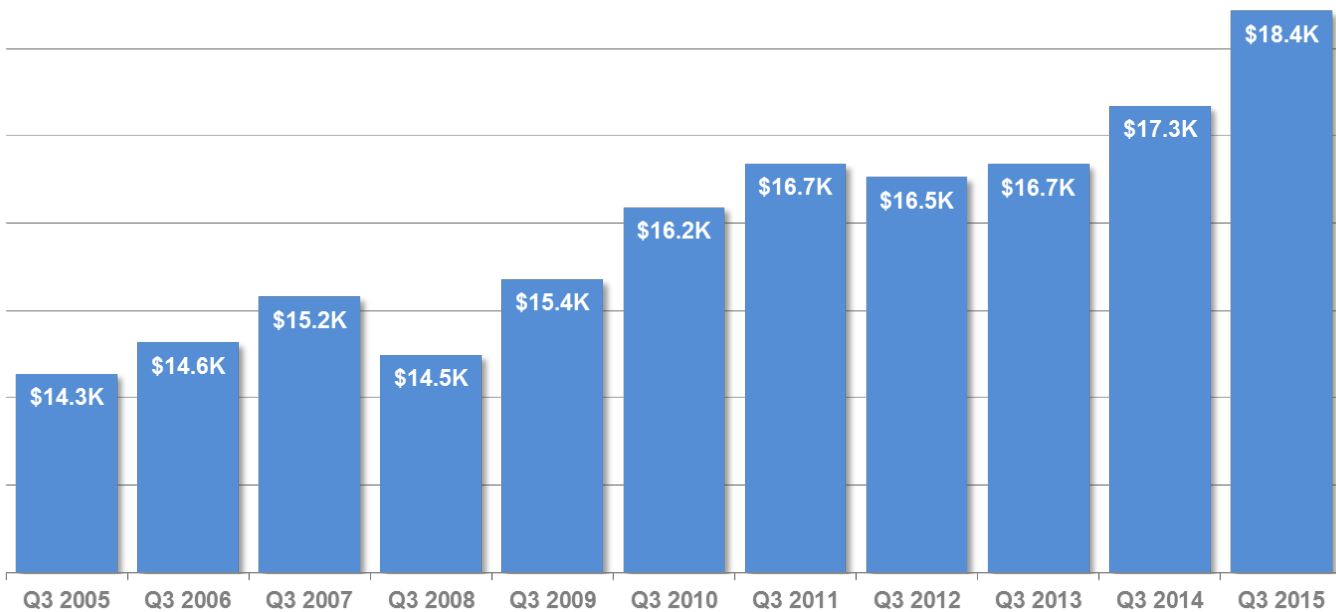
**The Used Car Shopper:** As selling prices increase, consumers have made a sizable shift towards longer finance terms in order to keep monthly payments at a manageable level. While the average monthly payment is up \$15, this is coupled with a new norm of finance terms typically spanning over the five year mark.

**CPO:** Certified Pre-Owned purchases accounted for 22 percent of franchise used sales, an all-time high. With “new adjacent” (2015, 2014, or 2013 model year) vehicles representing a bigger number of sales, we expect this trend to grow. An Edmunds survey revealed that 88 percent of people considering a used car would be willing to pay more for a CPO vehicle.

**Used Outlook:** All indicators point toward the used market getting even younger, as lease volumes have intensified and rental car companies continue to acquire and sell higher volumes of vehicles. The higher price point of younger vehicles blurs the new/used distinction, which will become a prevalent theme for the industry going forward.

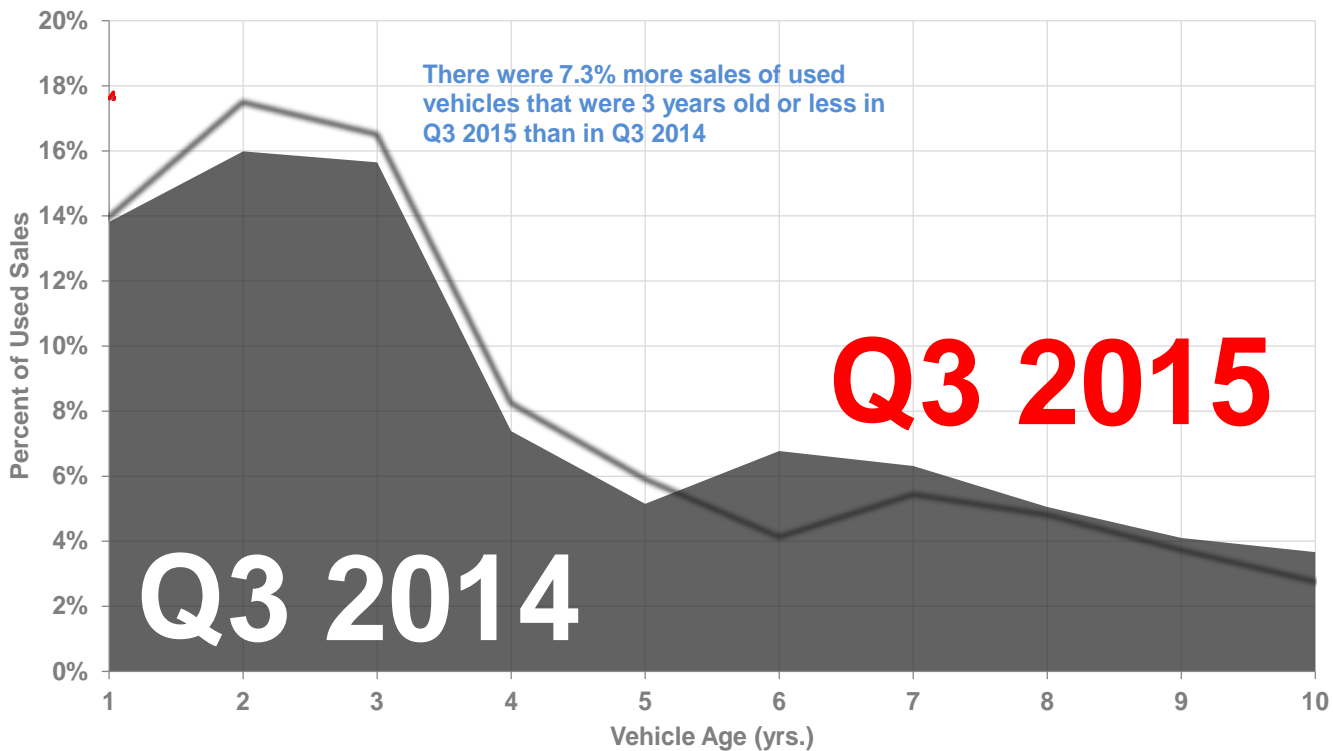
# Q3 Used Prices are at an All-Time High

## Q3 Used Vehicle Average Transaction Price



While used prices saw the expected seasonal drop from the second quarter (2.2%), prices increased 6.3% from Q3 2014 – the largest gain on record

## Used Vehicles Continue to Get "Newer"

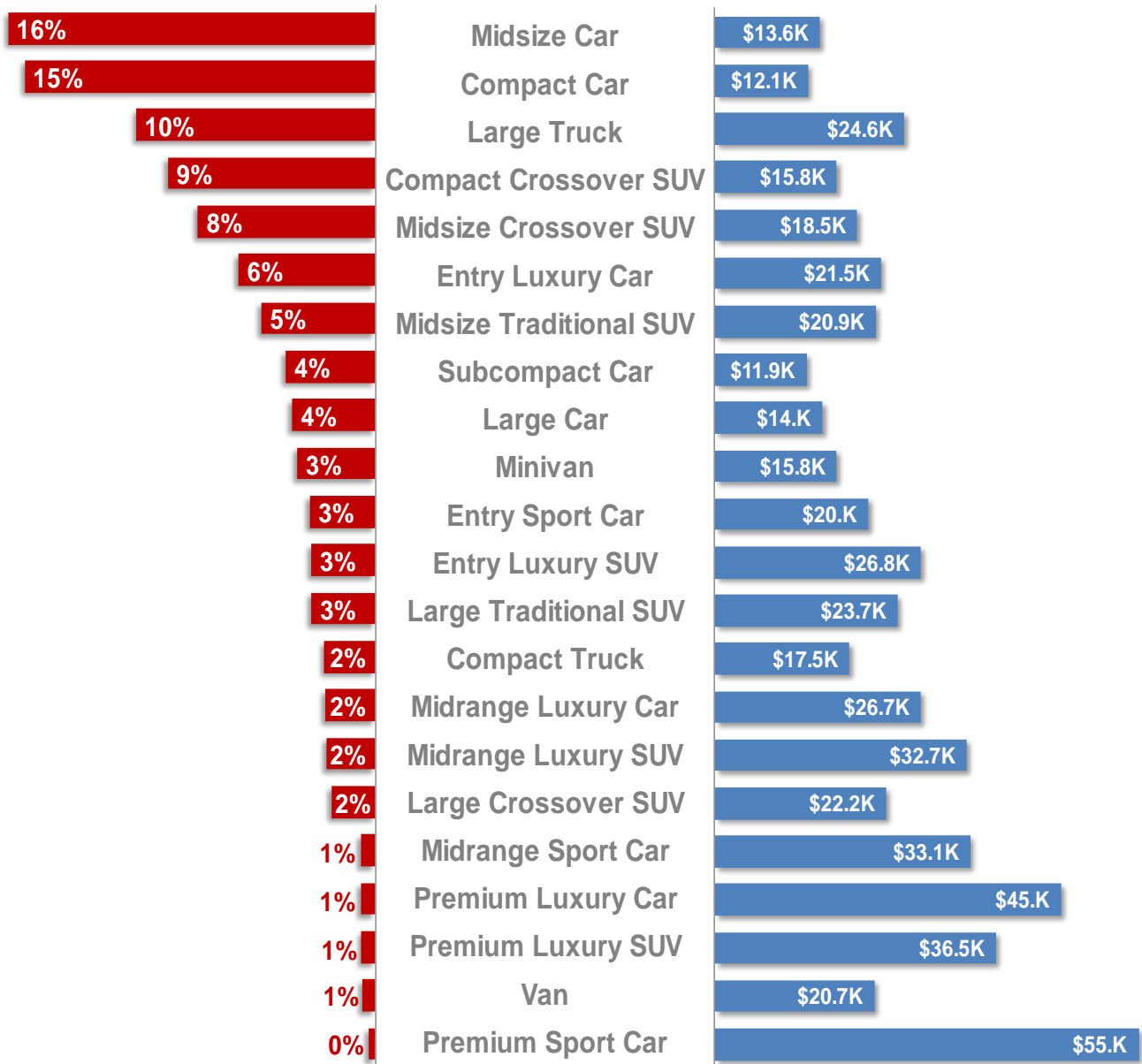


The percentage of new adjacent vehicles sold is now well over a third of used sales at 39.1 percent, up from last year's 36.5 percent. This trend will continue since with each year since the recession, leasing has become an essential tool to sell new cars, which fuels the "new-adjacent" market.

# Category and Composition

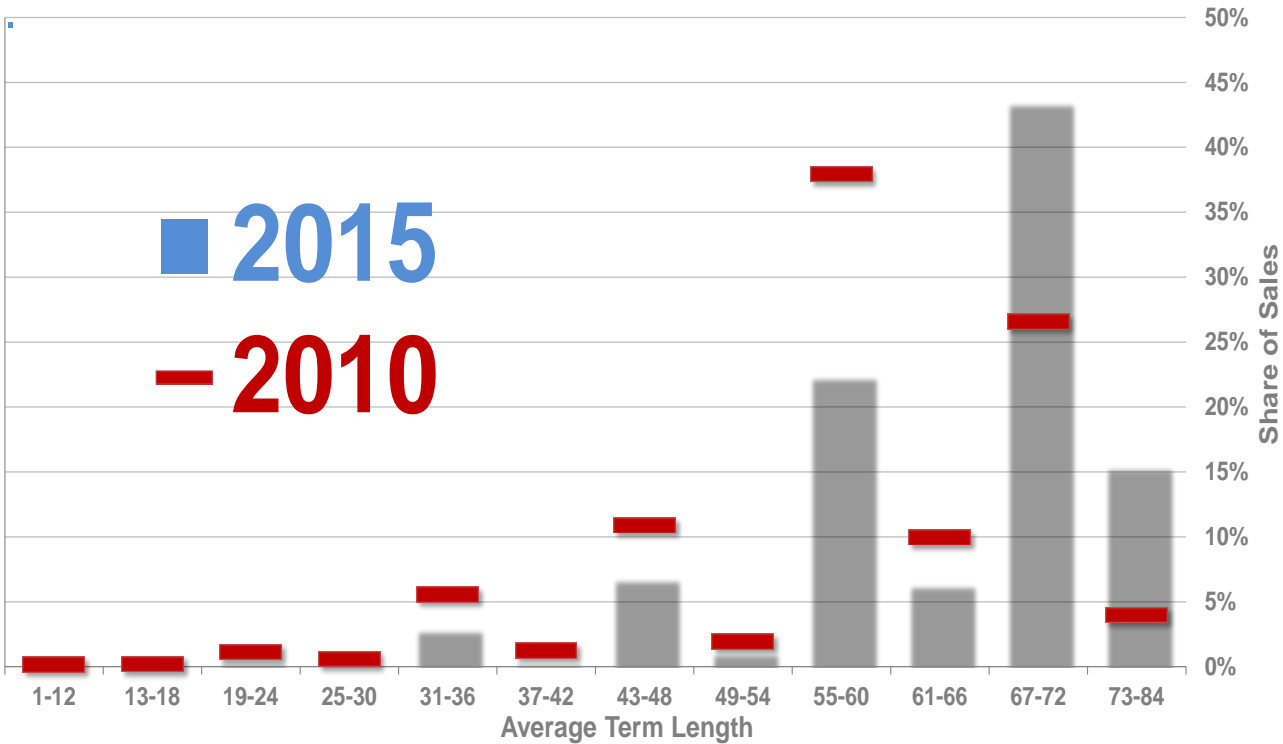
## Share of Used Sales

## Used Transaction Price



The segments that had the largest influence on 3Q prices were midsize cars, compact cars, and large trucks. Together these segments accounted for over 40 percent of used sales, which is a reflection of their popularity on the new car market. Large trucks are showing strong values based upon increased demand for the vehicle type across all model years. Each model year is showing an increase in price and a drop in days-to-turn. The same cannot be said for midsize and compact cars. Near-new model years of midsize and compact cars are suffering from supply saturation generated by leasing, thus depressing prices. Meanwhile their older counterparts are experiencing a noticeable gain in value, since they provide basic commuter transportation for consumers new to the market.

# Buyers Shift to Longer Term Lengths to Battle Higher Prices



Higher vehicle values have caused a dramatic shift in the way that consumers finance. In order to keep monthly payments at manageable levels the trend toward loans over five years is now the norm. Comparatively, five years ago these loans only represented 40 percent of the business but in today's market they are the majority at 65 percent.

## Are Monthly Payments Going Down?

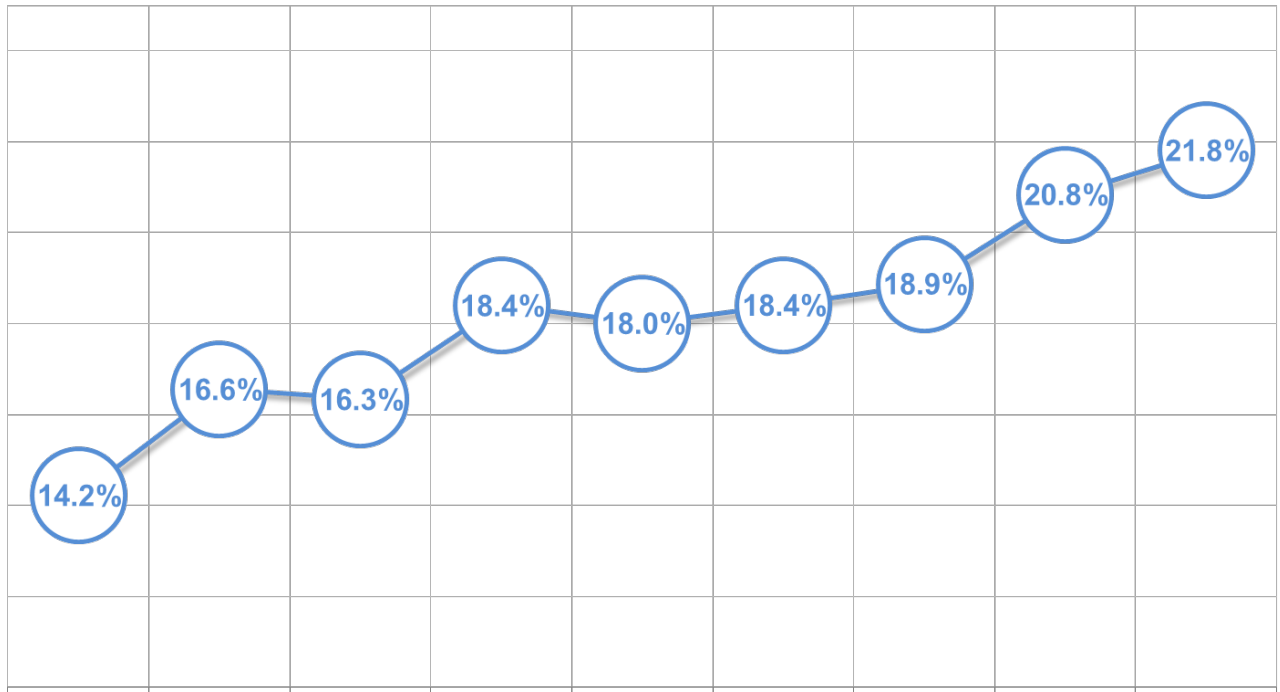
### Average Monthly Payment by Term Length

Used Term (months)	2010	2015	2015 vs. 2010
1-12	\$422	\$374	-11.3%
13-18	\$275	\$241	-12.4%
19-24	\$440	\$380	-13.6%
25-30	\$289	\$278	-3.7%
31-36	\$339	\$327	-3.5%
37-42	\$321	\$299	-7.0%
43-48	\$316	\$308	-2.5%
49-54	\$327	\$319	-2.6%
55-60	\$347	\$345	-0.7%
61-66	\$369	\$351	-4.9%
67-72	\$387	\$397	2.4%
73-84	\$398	\$409	2.7%
<b>Average</b>	<b>\$360</b>	<b>\$375</b>	<b>4.1%</b>

Lower interest rates and increased terms has made monthly payments at nearly all term lengths lower than 2010 levels. However, we are seeing an increase in monthly payment for those loans with the longest terms. The higher concentration of longer terms loans has brought up the monthly payment average to \$375 from \$360 in 2010.

# Certified Pre-Owned Sales Reach a Third Quarter All-Time High

## CPO % of Franchise Used Sales

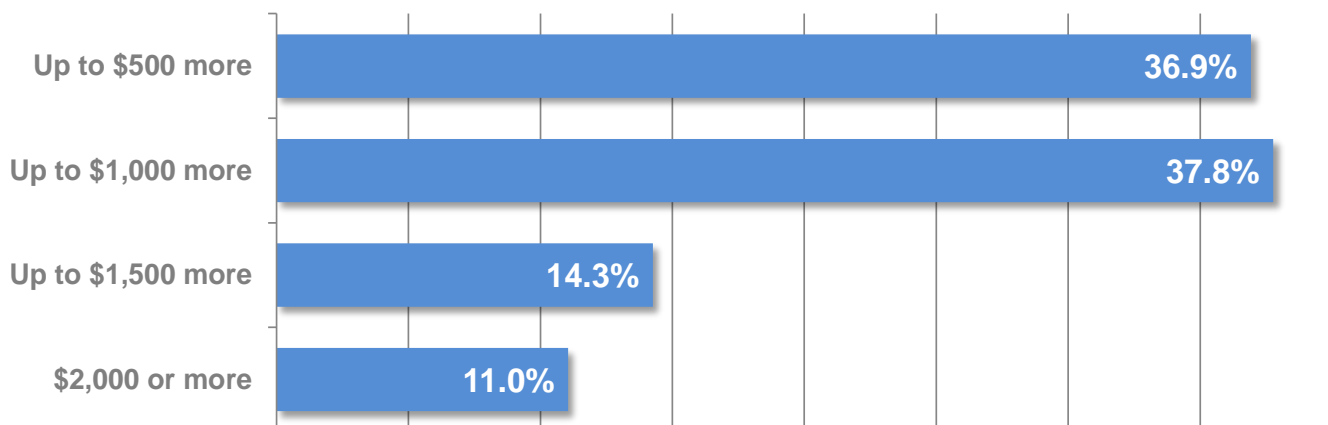


Q3 2007 Q3 2008 Q3 2009 Q3 2010 Q3 2011 Q3 2012 Q3 2013 Q3 2014 Q3 2015

CPO sales continue their prevalence within the franchise dealers' showrooms. As the industry has heavily relied on leasing over the last few years, the steady stream of certifiable inventory shows no sign of slowing down.

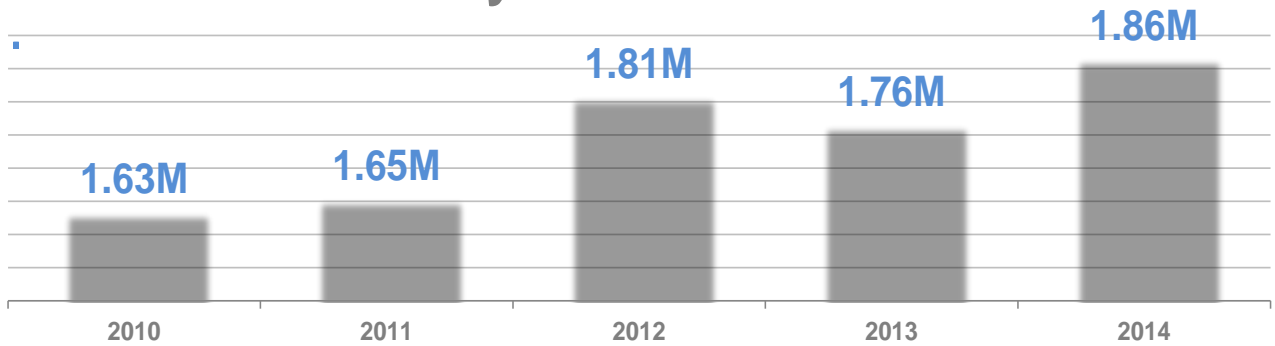
In a survey of 2,017 adults conducted on behalf of Edmunds.com by Instant.ly, 88% of respondents said that if they were to consider a used car, they would be willing to pay more for a certified pre-owned vehicle. Of those who were willing, 37.8% said they would spend up to an additional \$1,000 while 36.9% of respondents said they would spend up to an additional \$500.

## Willingness to Spend for a CPO Vehicle

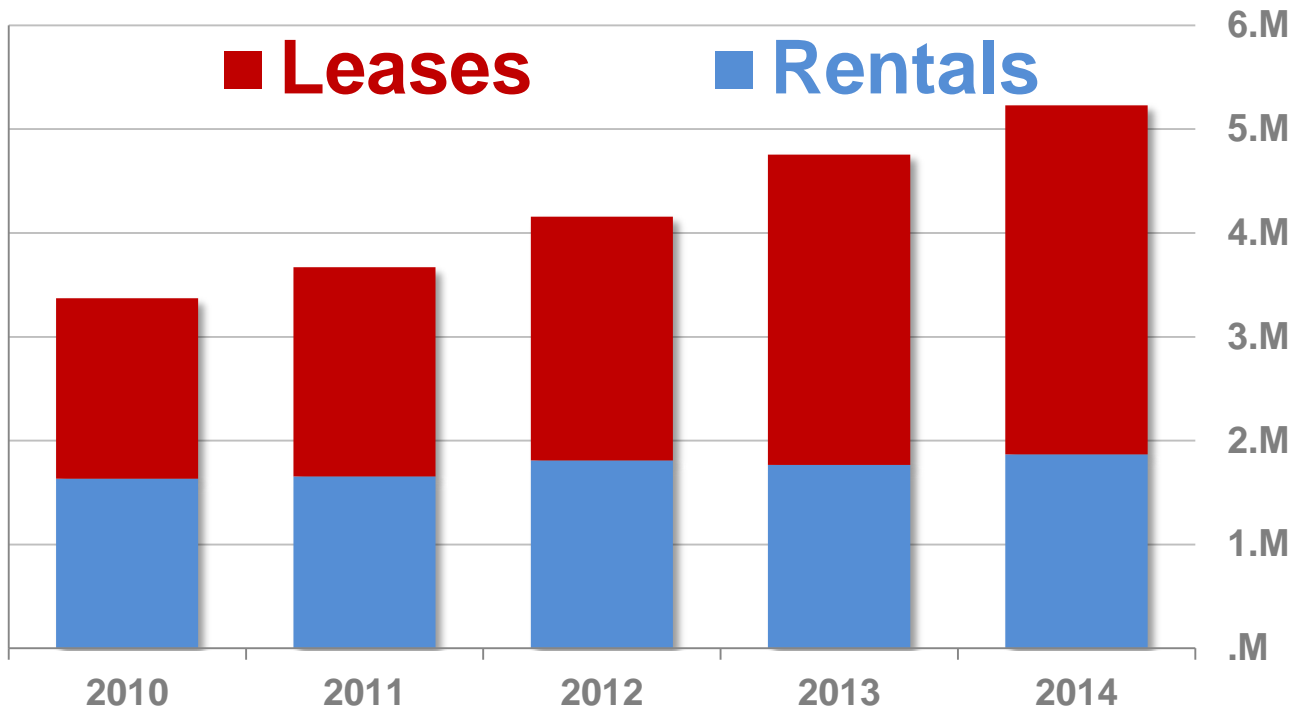


# New-Adjacent Vehicles Shape Used Market

## The Return of Rental Daily Rental Volume



Sales to rental car companies are another huge and growing source of near-adjacent models that are slated to hit the market. Recent years have been favorable for rental companies who are replacing aging fleets. And while these will fuel the new-adjacent trend going forward, these vehicles will not power the CPO phenomenon. These new-adjacent rental units represent a good value for consumers who want something newer, but are willing to deal with a little more wear and tear.



In conjunction with rentals, lease volume continues to hit all-time highs. This influx of vehicles that are slated to stay with their original owner for an abbreviated period of time will contribute to the glut of new-adjacent vehicles going forward. Excess inventory of these slightly used vehicles will mean greater price flexibility for shoppers. The challenge will be for manufacturers and dealers who will need to thoughtfully address the skew toward new-adjacent vehicles at unprecedented levels.