

Q1 2015  
**USED**  
**VEHICLE**  
**MARKET**  
**REPORT**



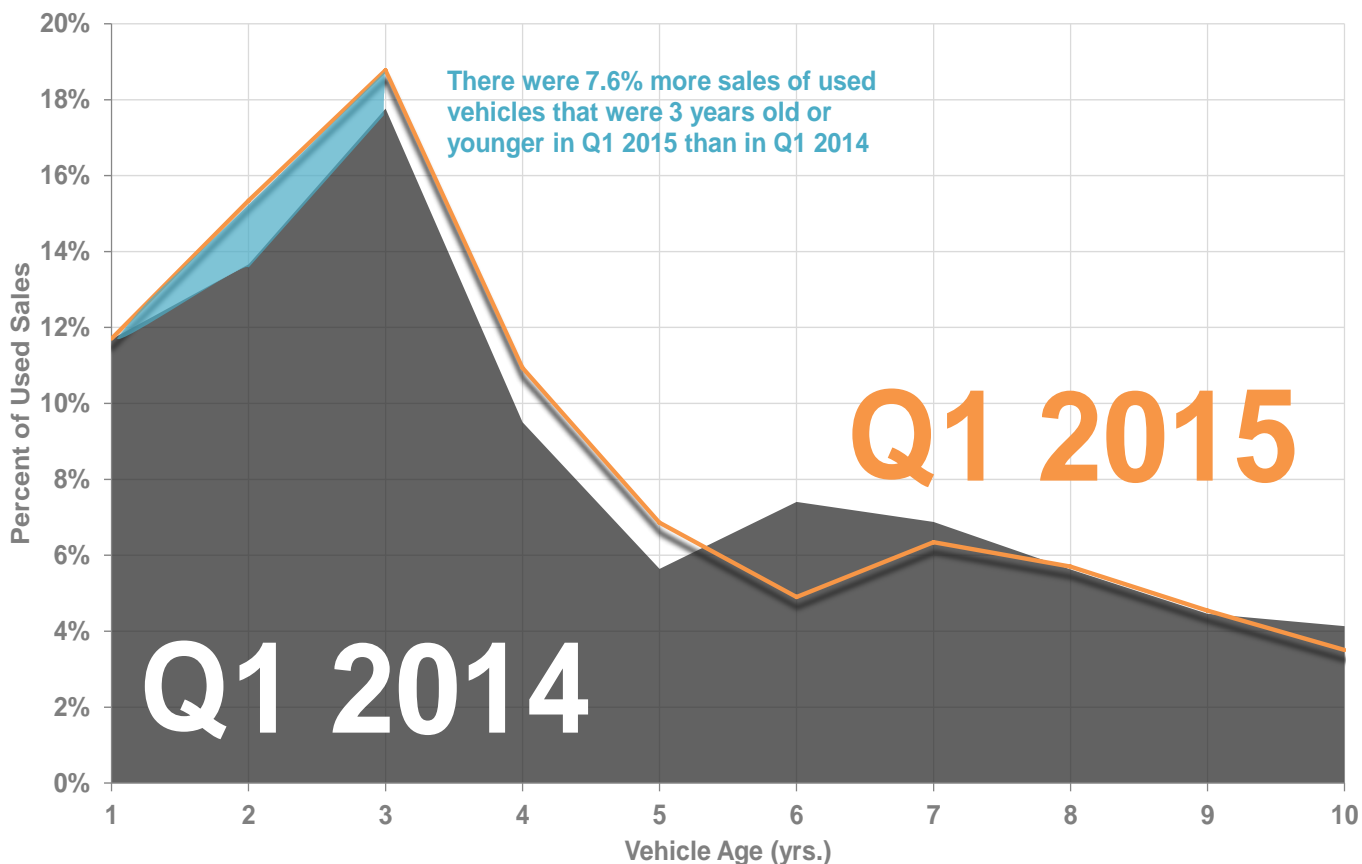
# The 'Near-New' Era of Used Vehicles Begins

## Used Vehicles Sales Summary

Quarter	Total Sales	Franchise Used	CPO	CPO % of Franchise Used
Q1 2010	9,501,514	2,082,842	369,350	17.7%
Q1 2011	9,952,228	2,315,712	419,700	18.1%
Q1 2012	10,345,866	2,563,470	455,050	17.8%
Q1 2013	9,790,578	2,649,644	483,150	18.2%
Q1 2014	9,641,280	2,783,454	551,700	19.8%
Q1 2015	9,810,560	2,847,232	614,400	21.6%

Sales of used vehicles were strong in the first quarter of 2015, experiencing a 1.8% year-over-year lift after two years of first-quarter declines. 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, which has also enabled CPO sales to achieve the highest first quarter sales figure ever.

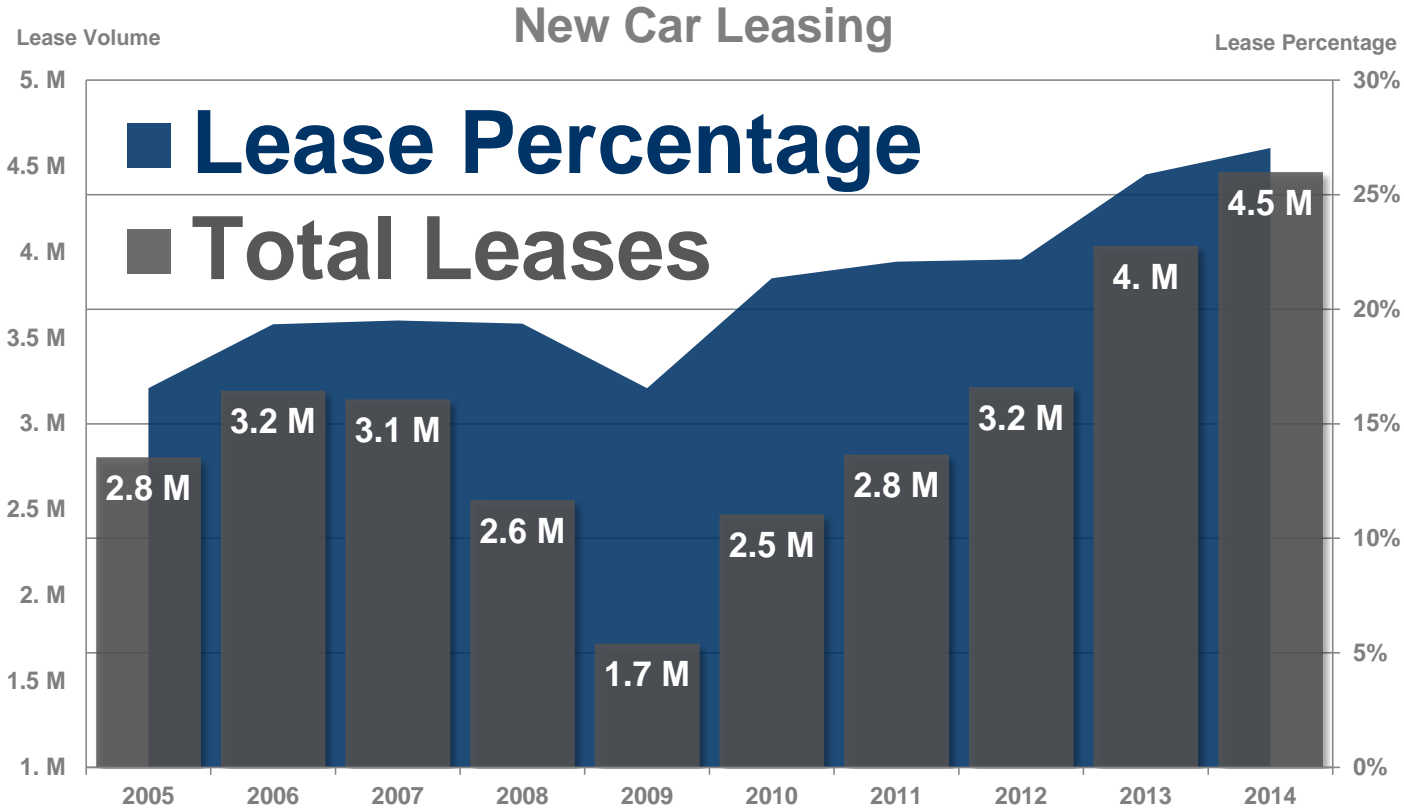
## Used Vehicles Continue to Get Newer



Sales from vehicles three years old and younger accounted for 48.6% of retail used sales in Q1 2015, a 7.6% jump from Q1 2014.

# Used Inventory Boosted by Historically High Leasing

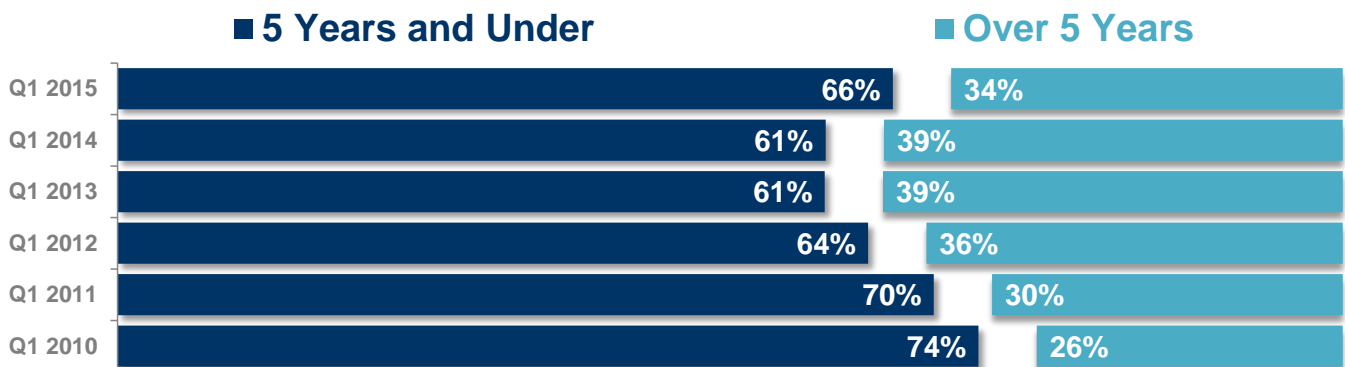
For the past few years, off-lease vehicles have provided a much needed shot in the arm to the depleted used vehicle population. But leasing's historical pace threatens serious ramifications for the used car market going forward. At these unprecedented leasing levels, off-lease vehicles are expected to continue to account for millions more near-new vehicles than the used market has ever seen.



## ‘Near-New’ Dominates Retail Mix

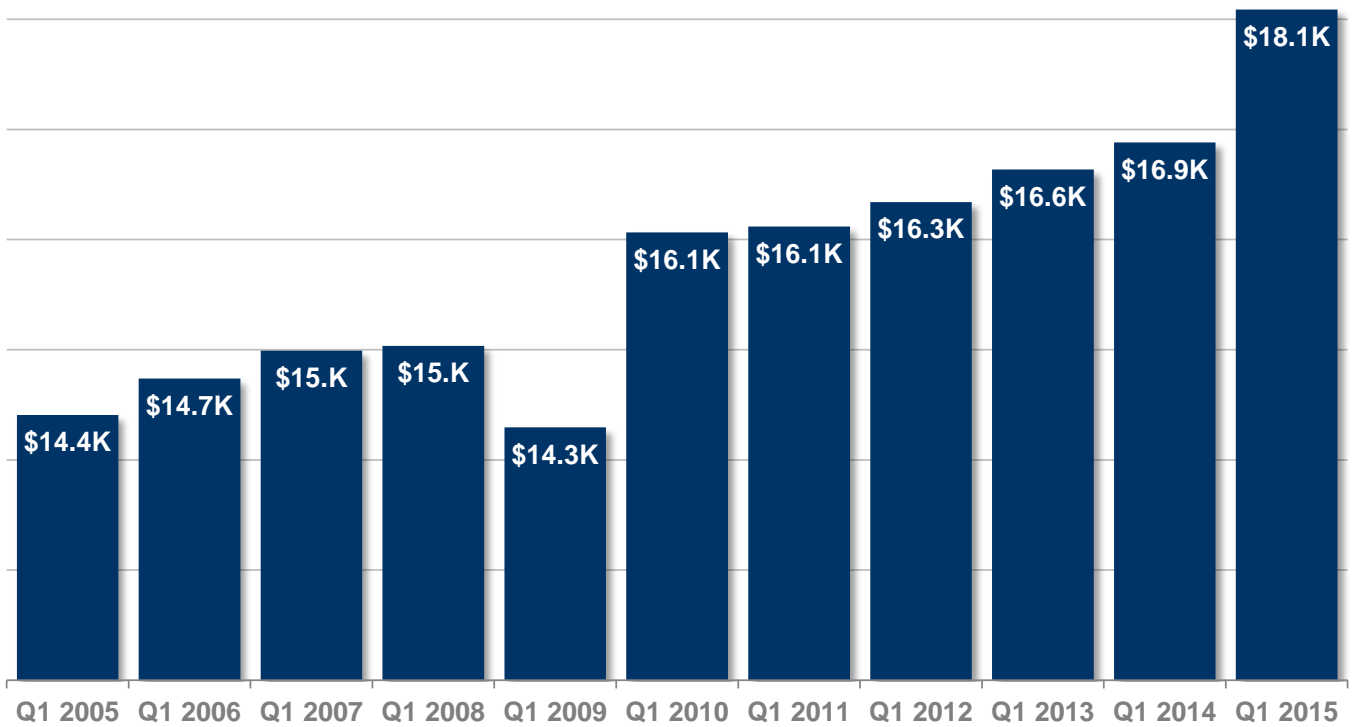
The retail share of ‘near-new’ is at its highest level since 2011, when there was more demand (and availability) for near-new vehicles as a substitute for new vehicles in America’s weakened economic conditions.

## Q1 Used Sales by Vehicle Age



# Q1 2015 Registers Highest-Ever Q1 Pricing

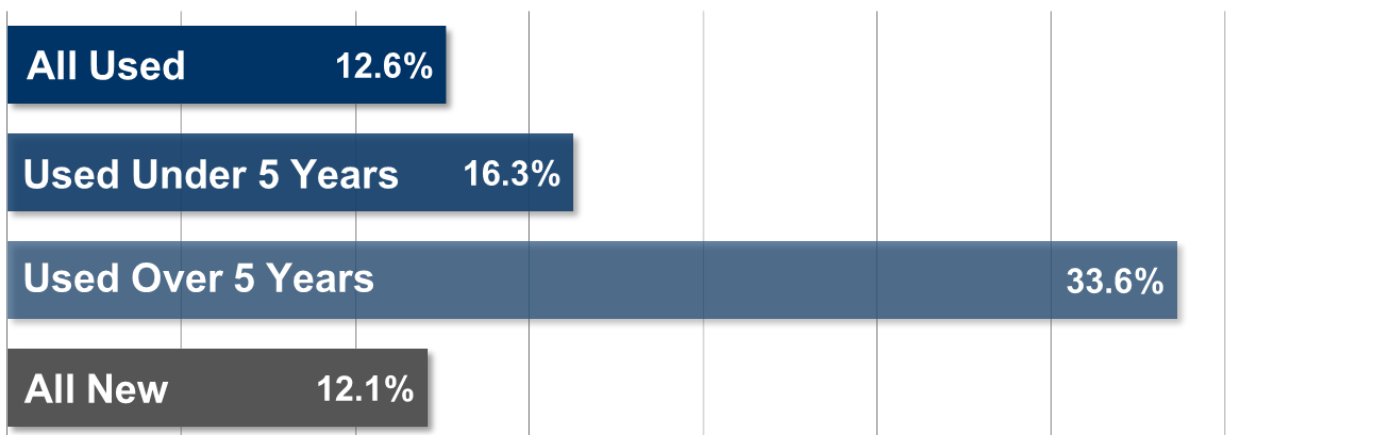
## Q1 Retail Used Vehicle Average Transaction Price



Used vehicle average transaction prices reached \$18,088, the highest ever for Q1. The 7.1% increase from last year is the largest percentage increase since 2010's 12.4% increase over 2009.

The market's rapid price increase stems from the simultaneous growth in both newer and older used vehicles. Near-new sales bear a higher price tag and have seen inventory growth from lease returns. Additionally, many of these vehicles find themselves in a CPO program which carries an additional price premium. At the same time, older used vehicles have experienced a resurgence in demand and have seen prices skyrocket.

## Q1 2015 vs. Q1 2010 Average Transaction Price



# All Older Vehicle Segments Showing Price Gains

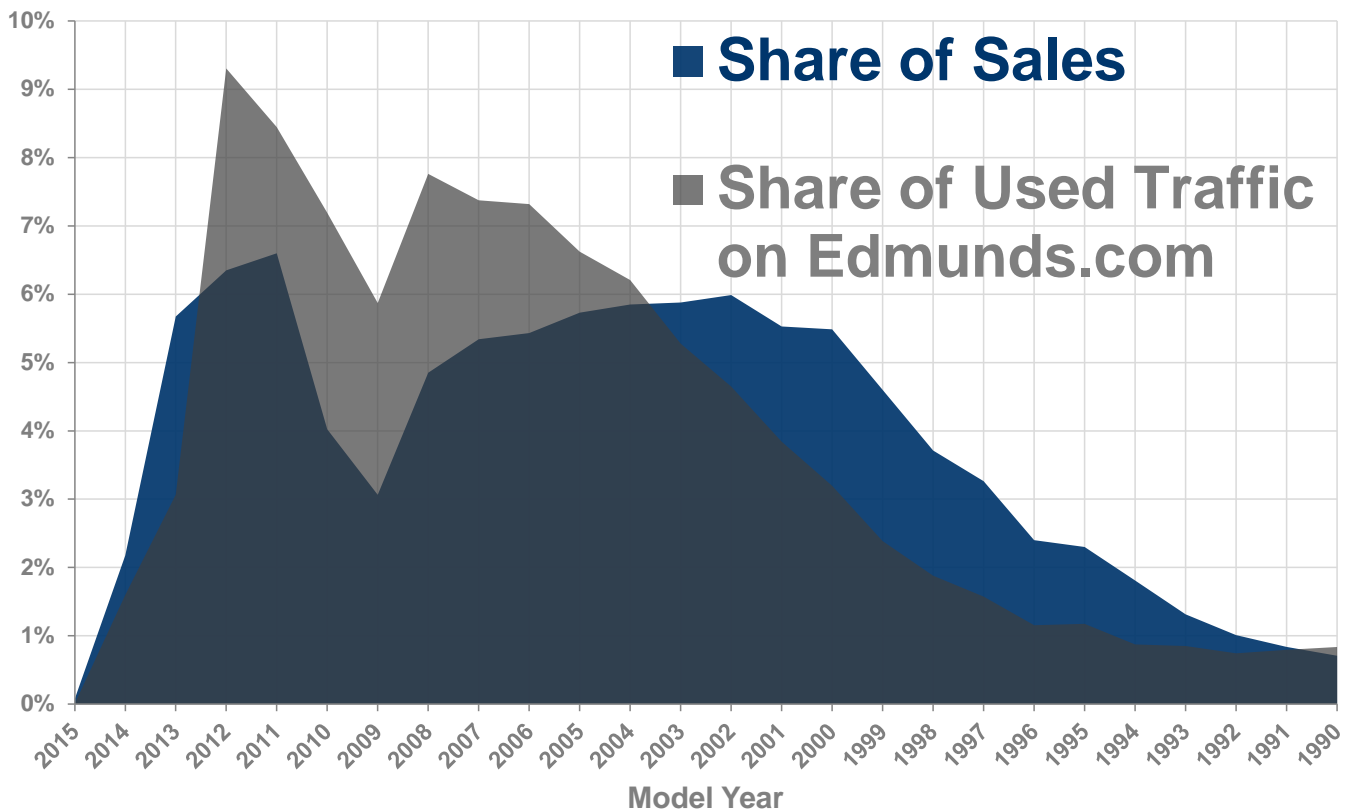
## Q1 2015 Retail Vehicle Pricing

Segment	5 Years Old & Younger	YoY Change	Over 5 Years	YoY Change	All Ages	YoY Change
Compact Car	\$14,083	-2.0%	\$6,348	10.4%	\$11,962	4.2%
Compact SUV	\$18,874	1.8%	\$8,309	4.9%	\$15,673	4.3%
Entry Sport Car	\$22,300	-2.1%	\$9,986	4.0%	\$18,636	3.8%
Large Car	\$18,773	-0.5%	\$6,989	7.2%	\$13,191	9.7%
Large SUV	\$29,335	3.0%	\$12,030	8.5%	\$22,408	8.7%
Luxury Car	\$33,266	1.6%	\$12,455	3.5%	\$25,587	7.0%
Luxury SUV	\$36,888	1.6%	\$14,030	0.3%	\$29,930	6.2%
Midsize Car	\$16,364	-1.6%	\$7,110	12.4%	\$13,593	4.2%
Midsize SUV	\$23,291	0.2%	\$9,460	6.3%	\$18,550	6.5%
Minivan	\$20,414	-2.0%	\$6,971	10.2%	\$15,028	9.8%
Subcompact Car	\$13,176	-2.8%	\$6,491	11.4%	\$11,864	-0.1%
Truck	\$28,447	4.9%	\$13,257	8.6%	\$22,171	10.0%
Van	\$23,158	6.6%	\$7,026	51.5%	\$19,520	27.6%
Industry Average	\$22,306	1.4%	\$9,740	8.3%	\$18,088	7.1%

While the higher volume of near-new sales has contributed toward overall used market price increases, we have seen the most price growth for *older* used vehicles. There has been price growth in virtually every segment, indicating continued strong demand.

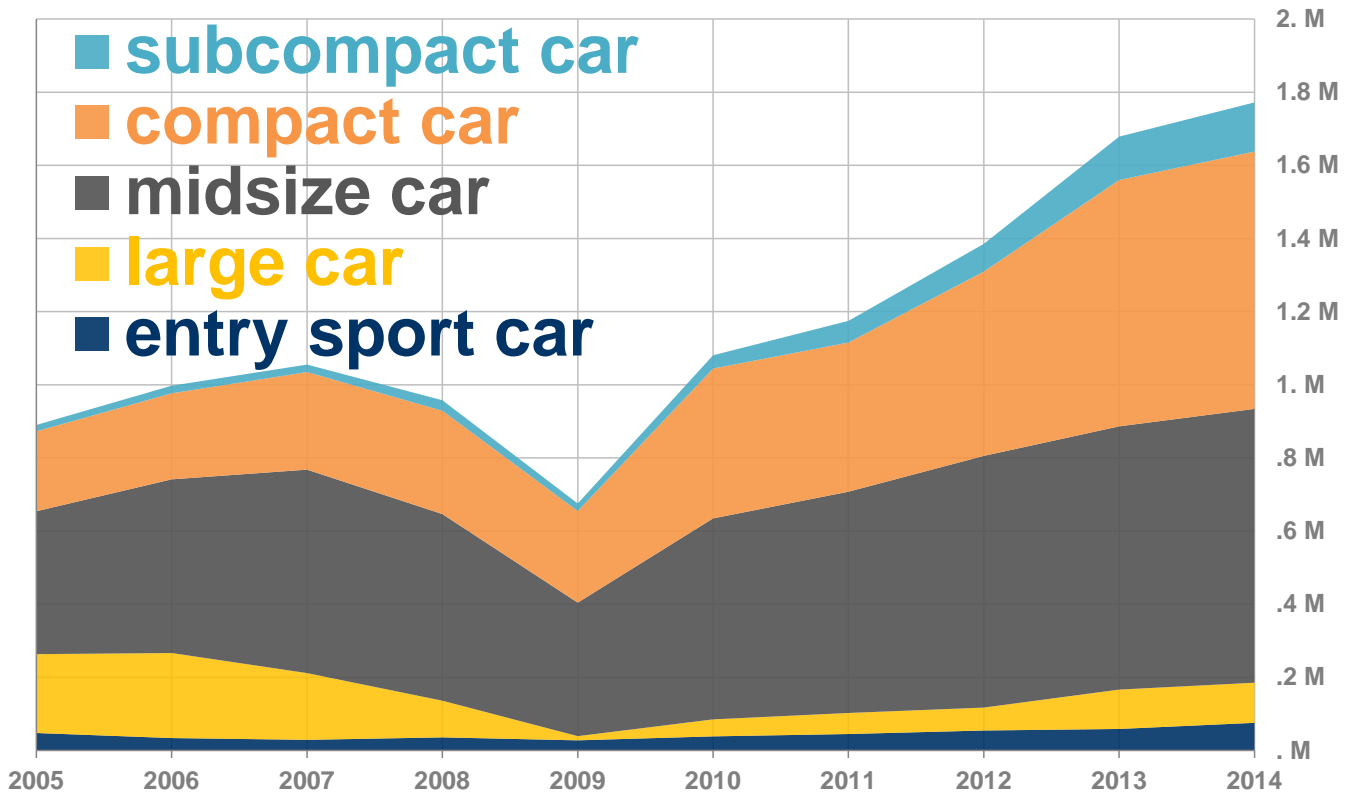
## Interest in Older Used Vehicles Still Evident

### Used Vehicle Sales and Traffic by Model Year



# Looking Ahead: Light Truck Popularity Affects Used Car Pricing

## Annual Number of New Car Leases



One trend that has already emerged from the glut of off-lease vehicles is a dip in prices for near-new used cars. The supply of these vehicles is growing from amplified leasing in these segments. Additionally, demand is softening since market preferences have shifted towards light trucks (pickups, SUVs, vans) in light of low gas prices.

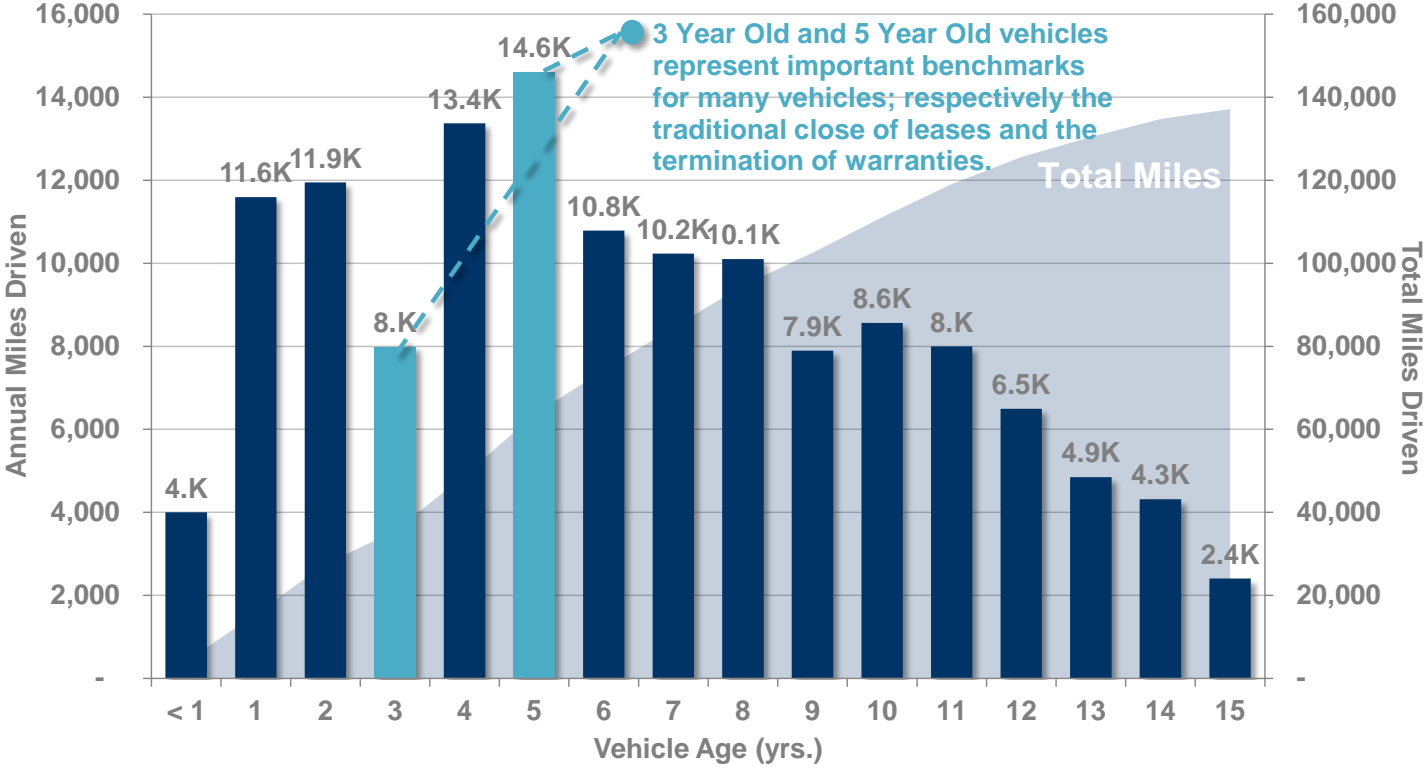
## Soft Demand & Growing Supply Leads to Price Dips for Cars

Used car shoppers stand to benefit from softening prices – particularly as we look toward the future. The sustained growth of leasing will drive down pricing in the most popular categories of cars, and heavy inventory means shoppers will find a better variety of colors, options, and trim levels to choose.

Q1 2015 Retail Pricing		
Car Segment	5 Years & Under	YOY Change
<b>Subcompact Car</b>	<b>\$13,176</b>	<b>-2.8%</b>
<b>Compact Car</b>	<b>\$14,083</b>	<b>-2.0%</b>
<b>Midsize Car</b>	<b>\$16,364</b>	<b>-1.6%</b>
<b>Large Car</b>	<b>\$18,773</b>	<b>-0.5%</b>
<b>Entry Sport Car</b>	<b>\$22,300</b>	<b>-2.1%</b>

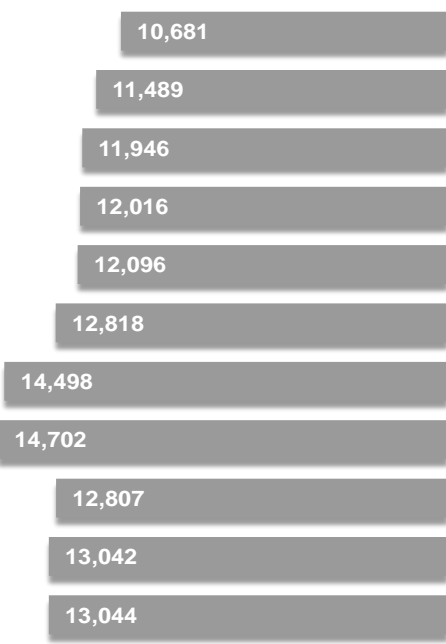
# Looking Ahead: Manufacturers Hedge Bets by Curbing Lease Mileage

## Average Vehicle Miles Driven Each Year

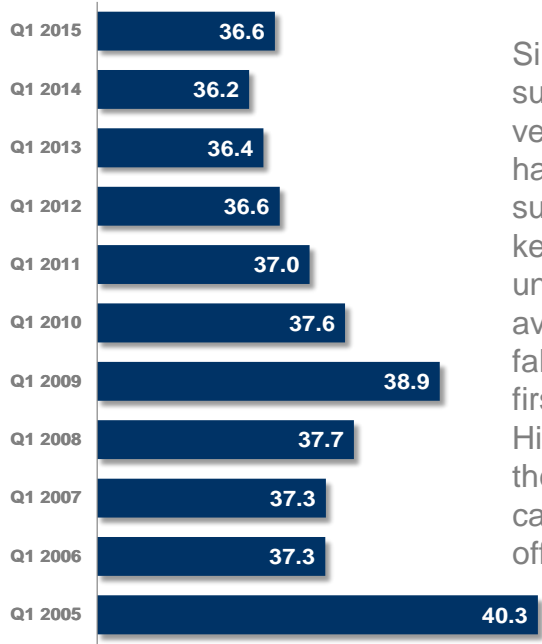


According to a recent Edmunds study, used shoppers consider mileage the most important purchase factor after vehicle condition. Understanding this preference, manufacturers will lean on low mileage to offset the negative effects of ballooning used inventory.

### Average Lease Mileage



### Average Lease Term (months)



Since leasing has become such a bigger part of new vehicle sales, manufacturers have curbed mileage caps to sustain high residuals while keeping lease terms unchanged. Q1 2015 saw the average annual allowed miles fall below 11K miles for the first time. Higher residuals help to curb the risk of weakened prices caused by a higher volume of off-lease vehicles.