

Q2 2016
USED
VEHICLE MARKET
REPORT



Used Vehicles Sales Summary

Quarter	Total Sales	Franchise Used	CPO
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	9,635,560	2,885,997	660,766
Q2 2016	9,804,421	3,001,857	678,169

Certified Pre-Owned is a subset of Franchised Used

Key Takeaways

Best Q2 Since 2007: Q2 of 2016 closed with 9.8M vehicles sold in the used market, an increase of 1.8% over the previous year. Franchise used sales showed a 4.0% increase over 2015 and had its best Q2 ever.

CPO Sales Set Q2 Record : Certified Pre-Owned sales enjoyed a 2.6% lift in sales over Q2 2015 and accounted for 22.6% of all franchise used sales. Franchise used sales go beyond the 3M mark for this first quarter ever.

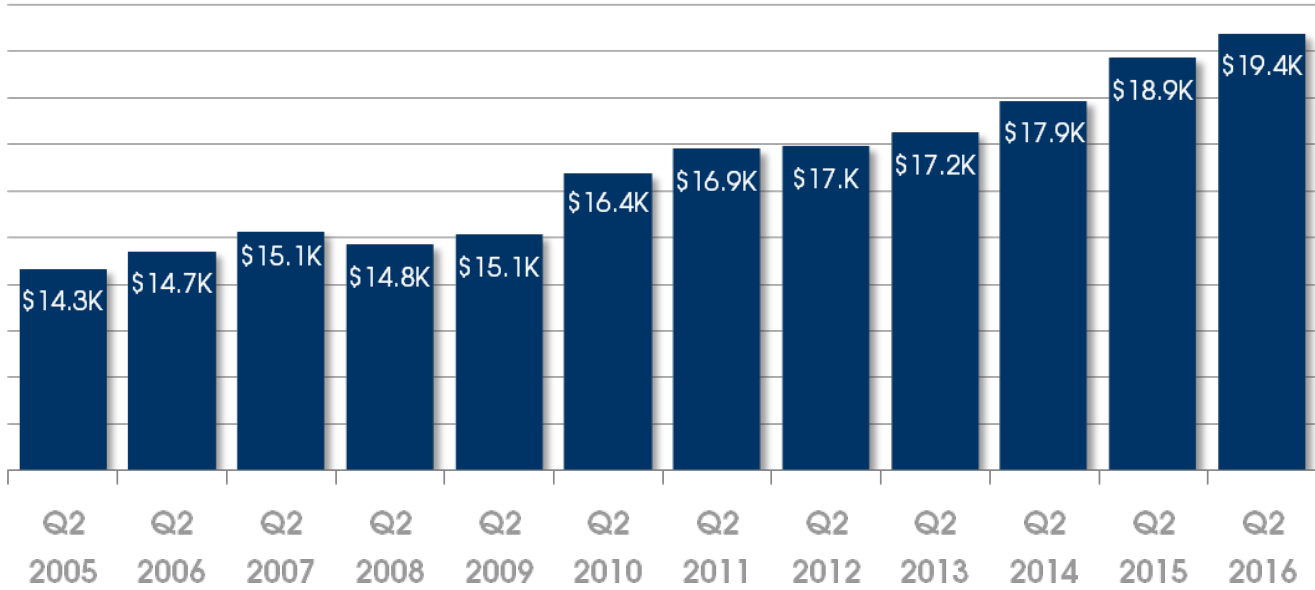
Average Used Prices Reach a High: The average retail used vehicle sold for \$19,367 in Q2 2016 - the highest for any quarter in history. Higher prices are influenced by newer used models (three-year-old and younger vehicles comprised 58% of franchise used sales) and a heavier light truck mix. SUVs and pickup trucks are contributing to a larger percentage of used sales, thus driving the average used vehicle price up.

Credit Counteracts Higher Prices: Maintaining affordability with ever increasing vehicle prices has consumers electing for lengthier loan terms - 67 months on average. Consumers are helped by low interest rates which have fallen from last year.

Residual Values Dipping: Leasing has been a major force in elevating new car sales for the past three years. But as we begin to see a higher number of lease returns enter the used car market, residual values are beginning to dip, which will likely mean higher prices for lessees.

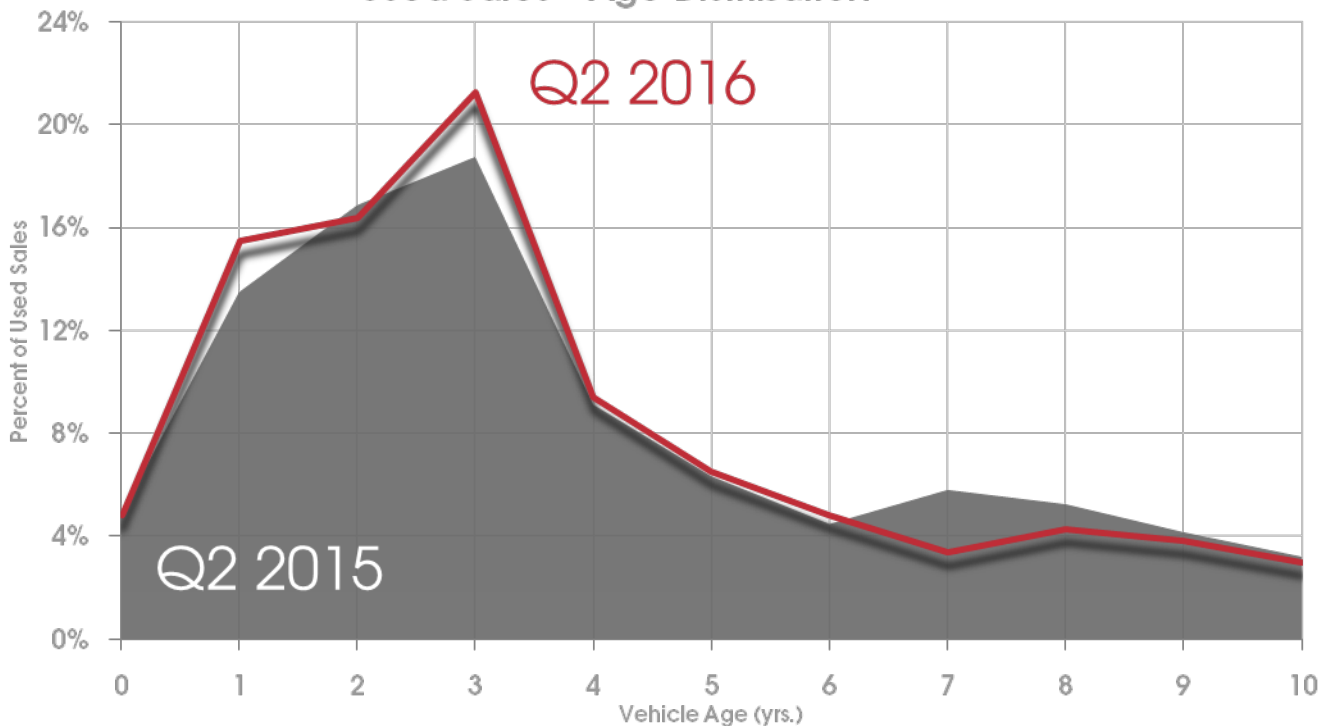
Retail Used Prices Reach All-Time High

Annual Transaction Prices



Last year, retail used prices passed the \$18K threshold for the first time ever and in 2016, we've eclipsed the 19K threshold with a 2.7% increase year-over-year. The average price continues to ascend as near-new vehicles are now the majority of franchise dealers sales and the demand for pickups and SUVs has helped to buoy residual values for these already expensive vehicles.

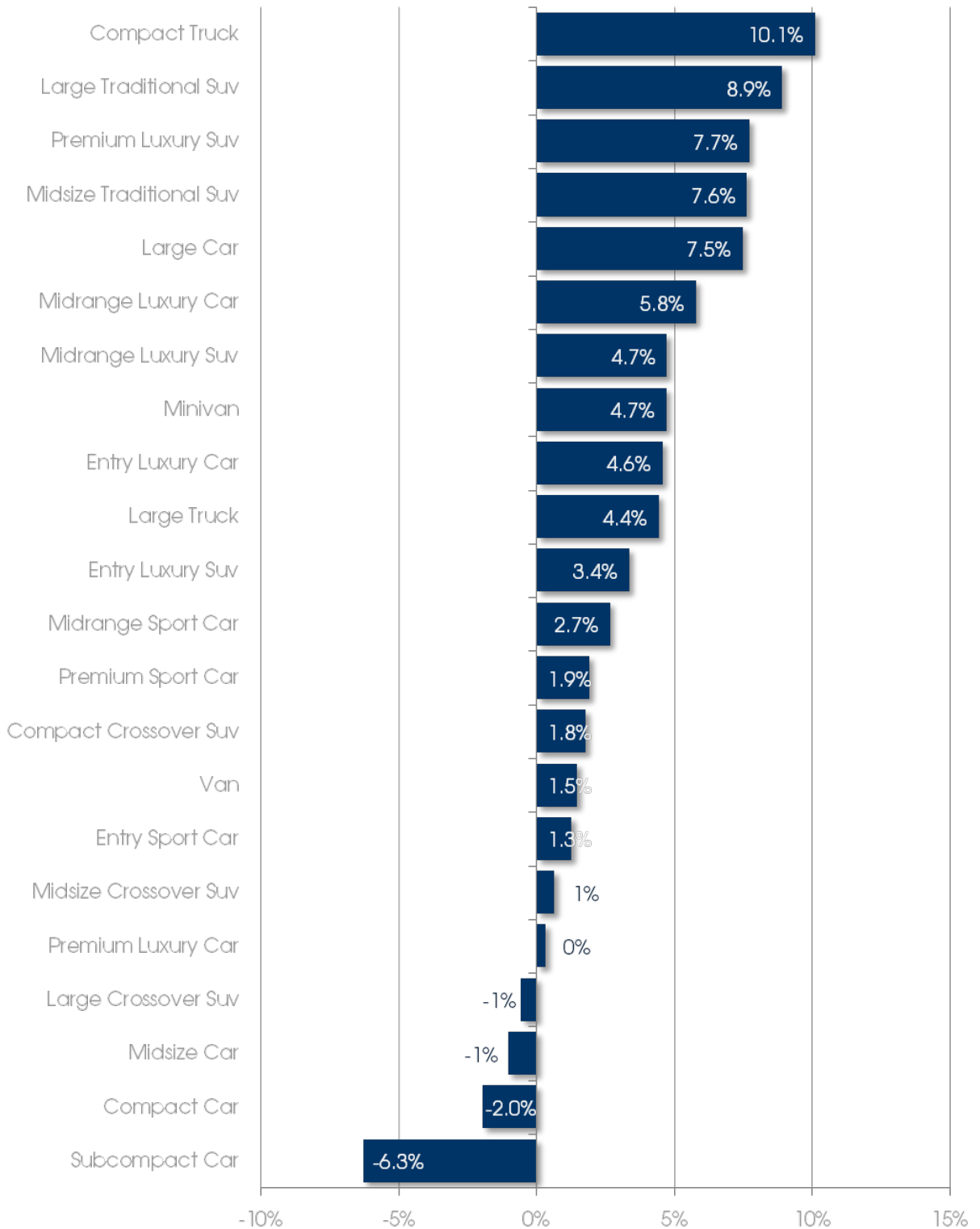
Used Sales - Age Distribution



The average age of retail used vehicles sold during Q2 2016 was 4.2 years, down from 4.4 last year. Years of high lease volumes has materialized into near-new used inventory being readily available. In fact, 58% of franchise used sales were three years old or younger.

Used Prices: Trucks Up, Cars Down

Q2 2016 vs. Q2 2015 Average Transaction Price



With the price of gasoline dropping by nearly 40 cents compared to the second quarter of last year, it shouldn't be a surprise that we're seeing values for many pickups and SUVs leading the industry in terms of price increases. The high volume car categories continue to experience an overall decrease in value despite the average age going down - from 4.0 to 3.8 years old.

2016 Poised to Be a Big CPO Year

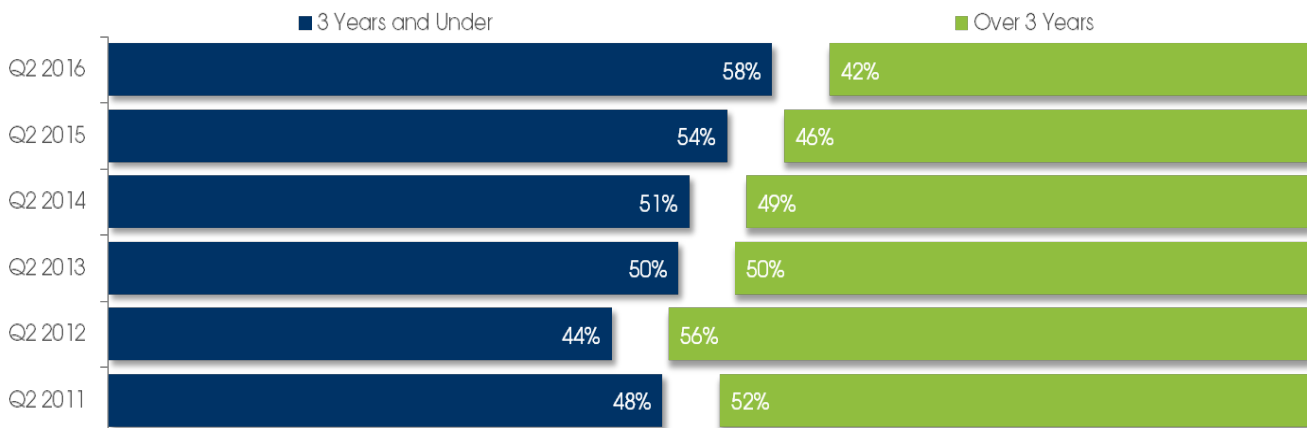
CPO % of Franchise Used Sales



A record 678K CPO vehicle sales in the second quarter of 2016 represented a 2.6% increase over last year's 660K units. CPO vehicles made up 22.6% of the retail used market, which is in-line with last year's sales mix. We do expect CPO units to increase in sales, but so far this year the mix with standard used sales has stayed flat with last year.

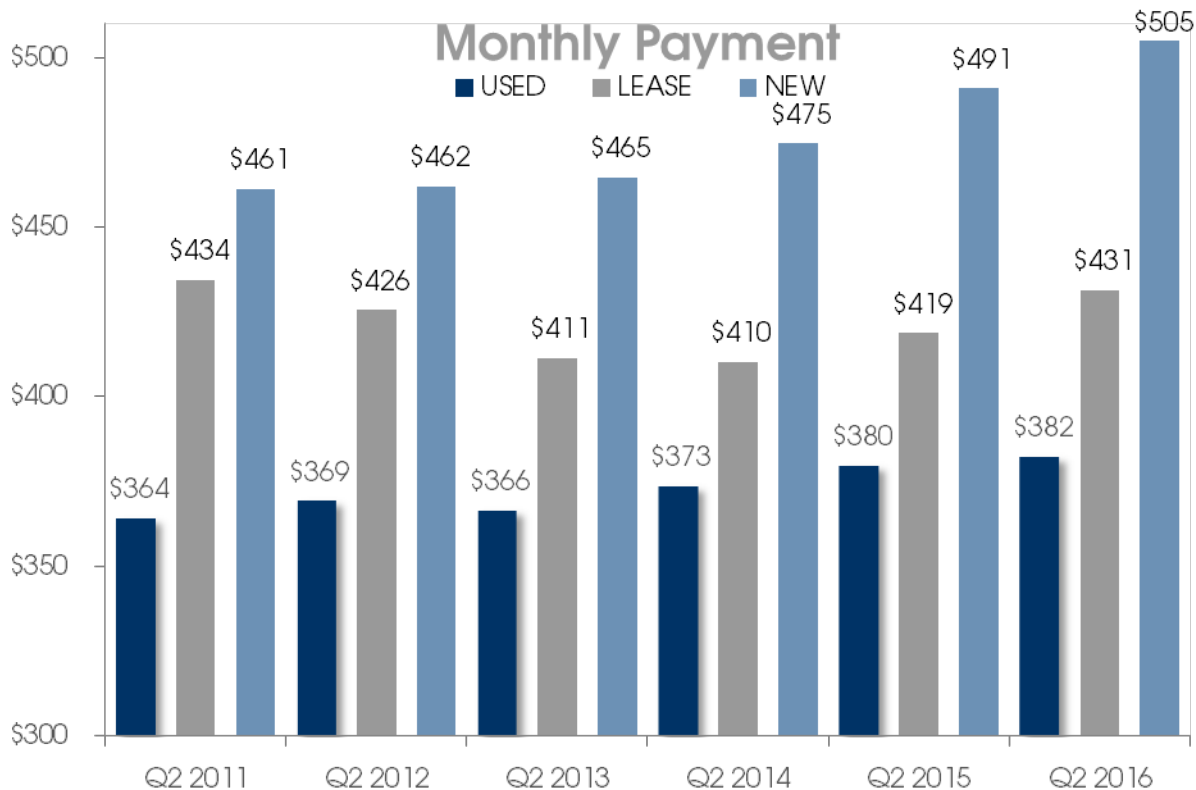
Franchise Dealer Inventory Skewing Newer

Near New vs. Older Used Sales



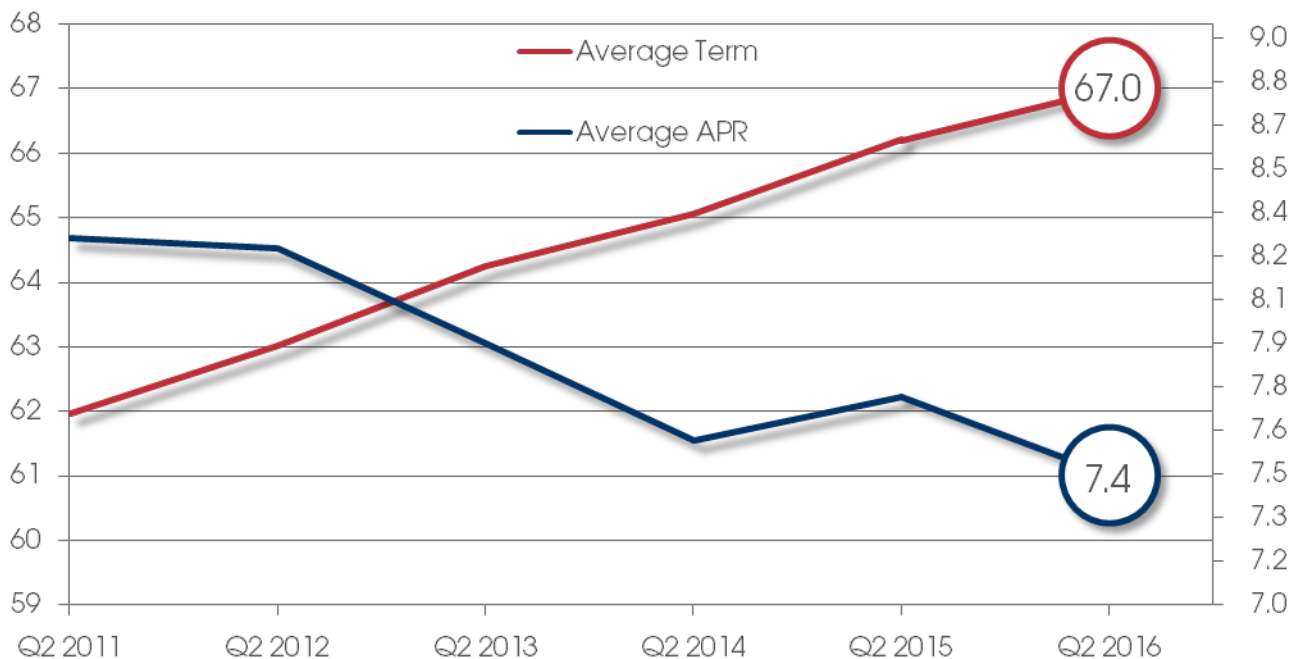
As the influx of lease returns impacts the market, we see that the share of three years old or younger vehicles sold at dealerships continues to pace well above 50%. At this rate, we should expect to see the share of near-new vehicles hit 60% by the end of the year.

Used Payments Maintain Affordability



Out of the three types of vehicles financed (new, used, CPO), used vehicles experienced the lowest increase in monthly payment, a mere \$2 increase over last year, while consumers financing a brand new vehicle have eclipsed the \$500/month mark.

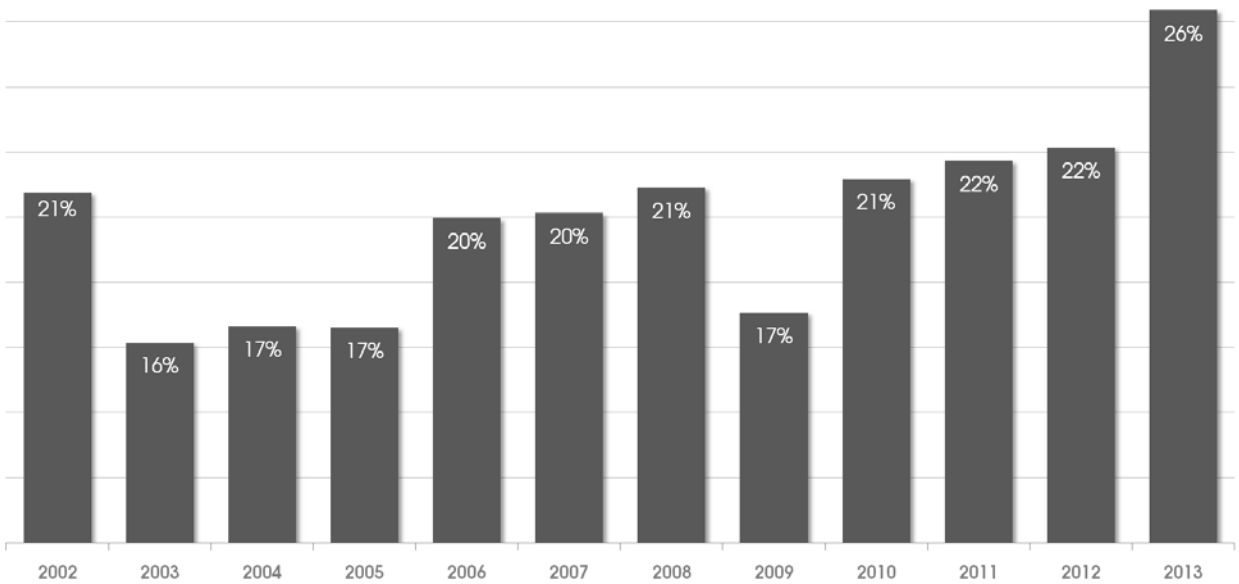
Downward APRs Mitigate Higher Values



Average term lengths have surpassed the five and a half year mark, all in the effort to keep monthly payments for pricier used vehicles at more affordable levels.

Leasing Highs Are Affecting Residuals

Lease Penetration - Model Year



As the new vehicle market dynamics begin to change with the surging popularity of leasing, the fallout from altering one of the major supply side channels of the used market is beginning to unfold.

While the popularity of trucks and SUVs is helping to keep residuals afloat, the unpopularity of cars coupled with the volume of lease returns in the segment is beginning to take its toll.

Softening Residual Values

Residual Value (Percent of New MSRP) of 3 Year Old Used Vehicles

