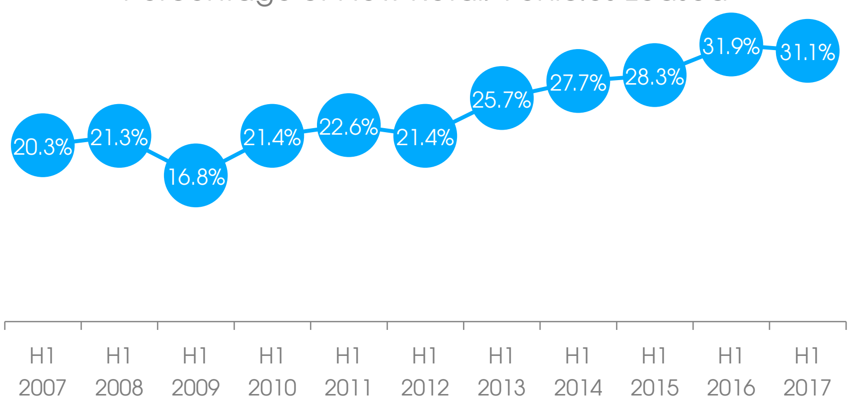
LEASING PLATEAUS AFTER 4 YEARS OF GROWTH

- In the first half of 2017, 2.1 million vehicles were leased, representing a 4.4 percent decline from the first half of 2016. Total new-vehicle sales are off 2.2 percent year over year.
- Leasing made up 31.1 percent of retail new-vehicle sales in the first half of 2017, which is slightly off 2016's record high of 31.9 percent.

Percentage of New Retail Vehicles Leased

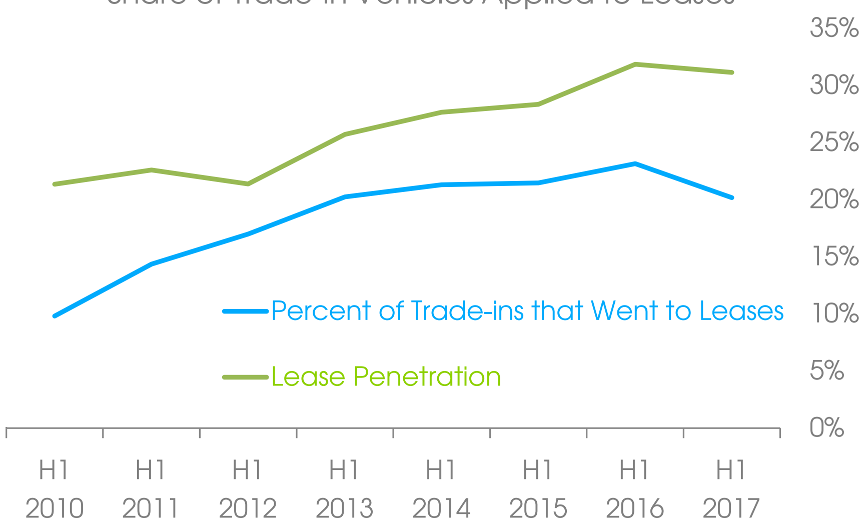


Source: Edmunds

LEASE DEMAND IS LEVELING OFF

Since 2012, leasing has grown as a percentage of new-car sales. A part of that growth can be attributed to the increasing percentage of trade-ins applied toward a leased vehicle, which has expanded in parallel.

Share of Trade-In Vehicles Applied to Leases



Source: Edmunds

In the first half of 2017, lease penetration plateaued and the percentage of trade-ins dropped off, creating a divergence in the pattern we've seen for years. **This suggests leasing is attracting fewer new-to-leasing car buyers, and its sustainability is more reliant on consumers already in the leasing cycle and first-time car buyers.** Millennials — many of whom are first-time new-car buyers — continue to have the highest proportion of leasing among all age groups.

DECLINING USED VALUES CAUSE STAGNATION

The depreciation curve is growing steeper for used vehicles. **In the first half of 2017, 3-year-old vehicles lost 35.6 percent of their original value on average. By comparison, in 2014, 3-year-old vehicles only lost 31.8 percent.** This increase in depreciation indicates leasing is becoming a more expensive endeavor for automakers. In order to offer consumers low monthly lease payments, automakers must increase their incentive spend to offset the drop-off in used values.

While an increased incentive spend usually stimulates sales, automakers are seeing less return on their investment since their added cash is not necessarily creating more attractive deals for the consumer. Instead, the outlay is merely mitigating the predicted decline of a vehicle's future value.

Average Lease Incentives

Source: Edmunds

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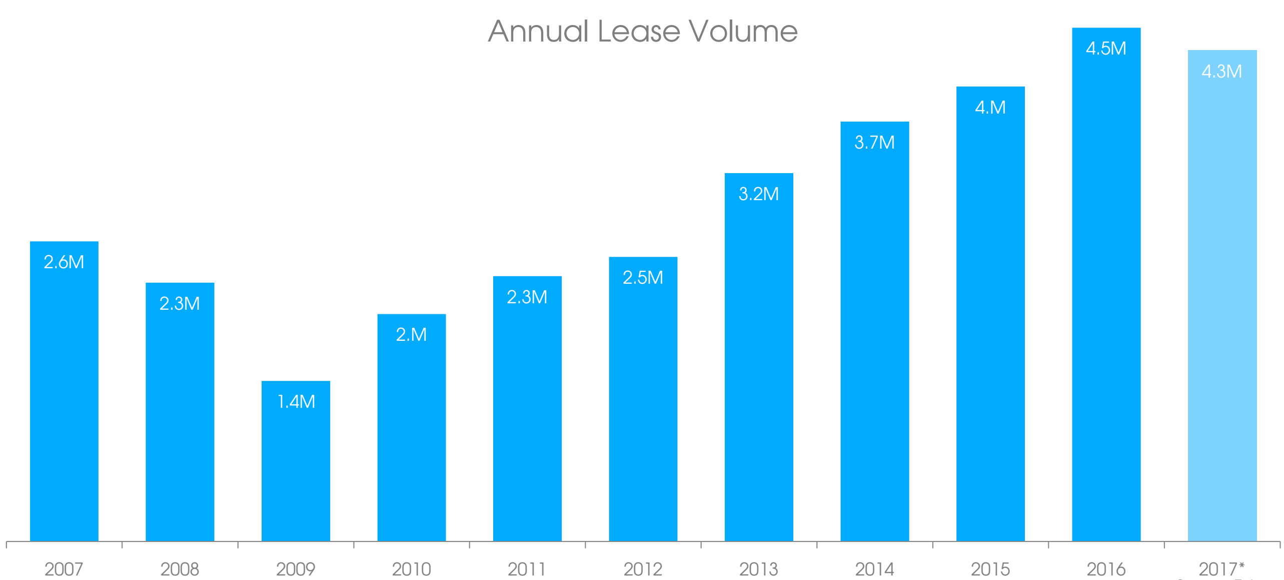
COMPELLING LEASE DEALS SUSTAIN MARKET

The lease explosion may be calming but continues to be propped up by compelling deals — particularly for vehicles with a high residual value. Pickup truck lessees see considerable savings compared to owners who finance. As a result, more trucks are leased now than ever before. **For buyers who prioritize low monthly payments over long-term ownership, leasing can offer significant savings.**

Make	Model	Average Finance Payment	Average Lease Payment	Lease vs. Finance Payment
RAM	1500	$622	$392	-36.9%
Chevrolet	Silverado 1500	$653	$419	-35.8%
Honda	Civic	$388	$266	-31.5%
Acura	MDX	$863	$595	-31.0%
Ford	F-150	$662	$470	-29.1%
Cadillac	XT5	$738	$524	-29.1%
Toyota	Camry	$390	$282	-27.7%
Nissan	Rogue	$441	$330	-25.1%
BMW	X5	$1,045	$853	-18.4%
Mercedes-Benz	E-Class	$905	$747	-17.5%

Source: Edmunds

LEASING MAY HAVE HIT CEILING BUT VOLUME REMAINS HIGH



Source Edmunds
*2017 figures are forecasted

While there are certainly challenges ahead for the leasing market – and the new-car market as a whole – the volume expected this year is still expected to be near record. **Edmunds predicts 4.3 million vehicles will be leased in the entirely of 2017, a 4.4 percent decline from last year.** This drop-off is more than the decline in the overall new-car market, which we predict will be 2 percent.

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