



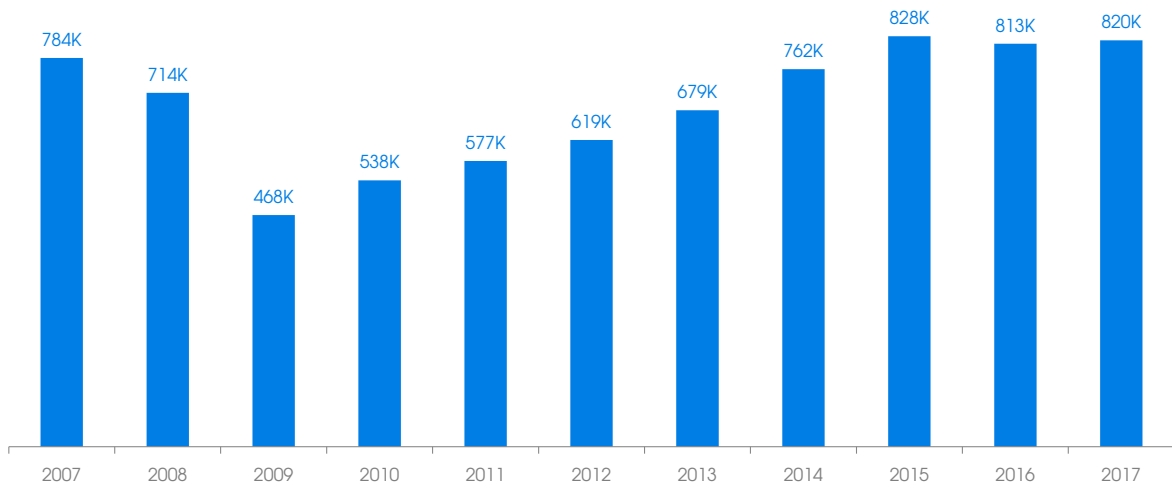
LUXURY MARKET REPORT

JULY 2017

Changing Dynamics in the Luxury Market

Accessibility Trumps Exclusivity in New Luxury Landscape

Jan-May Luxury Sales



Source: Edmunds; Jan-May data

LUXURY MARKET WEATHERS INDUSTRY DECLINE

Although the industry has seen a drop-off in sales from record highs set in 2016, the luxury segment has grown in both sales volume and market share from last year.

SUVs CONTINUE TO RESHAPE LUXURY

Luxury SUVs continue to be a growing force in the luxury market. Not only have they reached a new high in sales and market share in 2017, but they also garner more traffic from shoppers, sell more quickly, reach a more diverse audience, and lease less.

INCOMING PRODUCTS CHALLENGE TRADITION

Compelling debuts, including many smaller SUVs, and the introduction of new brands have shaken up the segment. Not only are new offerings luring shoppers away from luxury leaders, they're also helping the luxury segment penetrate markets that had previously eschewed the segment.

MOVE DOWNSTREAM FUELS SALES GROWTH

Luxury's move downmarket, specifically with subcompact SUVs, has bolstered the segment's sales. These models represent a new tier of affordability for the segment, and the more inclusive leanings of the historically exclusive category have been a boon for sales.

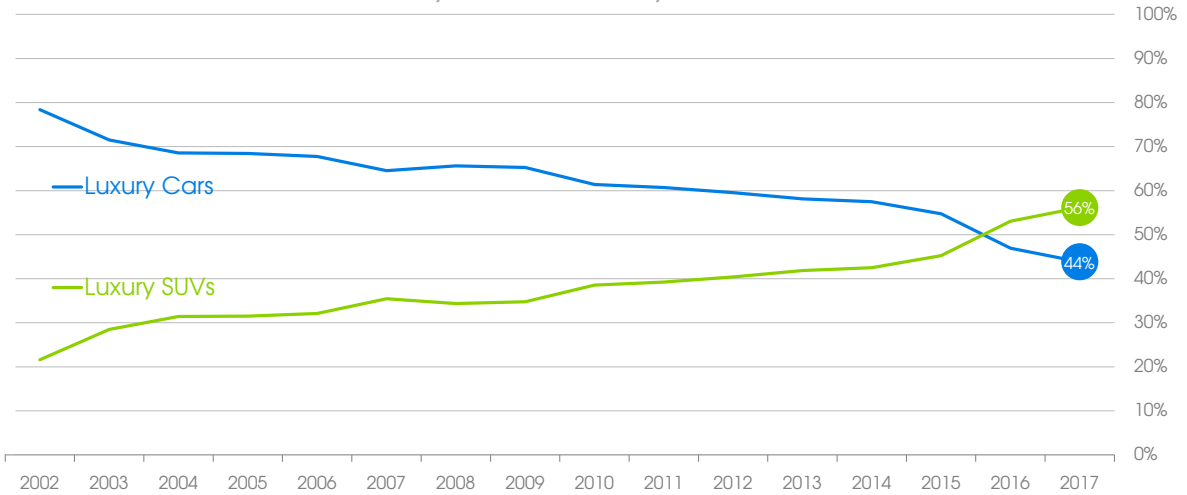
LOOKING AHEAD

Today's advancing technology is continually redefining the automotive market. The luxury segment has long been an incubator for emerging automotive technology. In 2017 luxury vehicles now account for the majority of EV and plug-in offerings. Similarly, there has been a push from luxury automakers to increase their autonomous feature offerings. As the luxury market evolves, cutting-edge technology will continue to supplant lavish appointments as the luxury hallmark.

Luxury SUVs: From Niche to Majority

Automakers Pivot to SUVs to Meet Market Demand

Luxury Car vs. Luxury SUV Sales



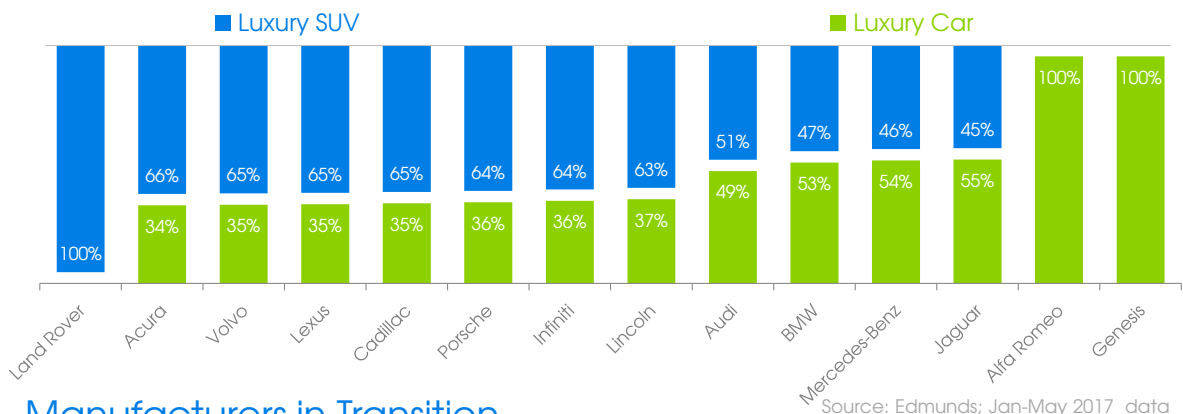
Source: Edmunds; Jan-May data

SUVs Bolster Luxury Sales

The luxury SUV market share continued to expand in 2017, and SUVs now account for 56% of all luxury purchases. **While luxury cars have foundered, dropping 6% in sales year over year, luxury SUVs have been able to sustain the segment, growing by 7% across that period.**

The transition away from cars and toward SUVs in the luxury market, a segment founded on iconic cars with big engines, has eroded tradition and reopened competition in this famously brand-loyal segment. With their current popularity, luxury SUVs have not only disrupted loyalty but they have also presented the opportunity to win new shoppers who are coming from mainstream brands at record levels.

Luxury Car vs. Luxury SUV Sales by Brand



Source: Edmunds; Jan-May 2017 data

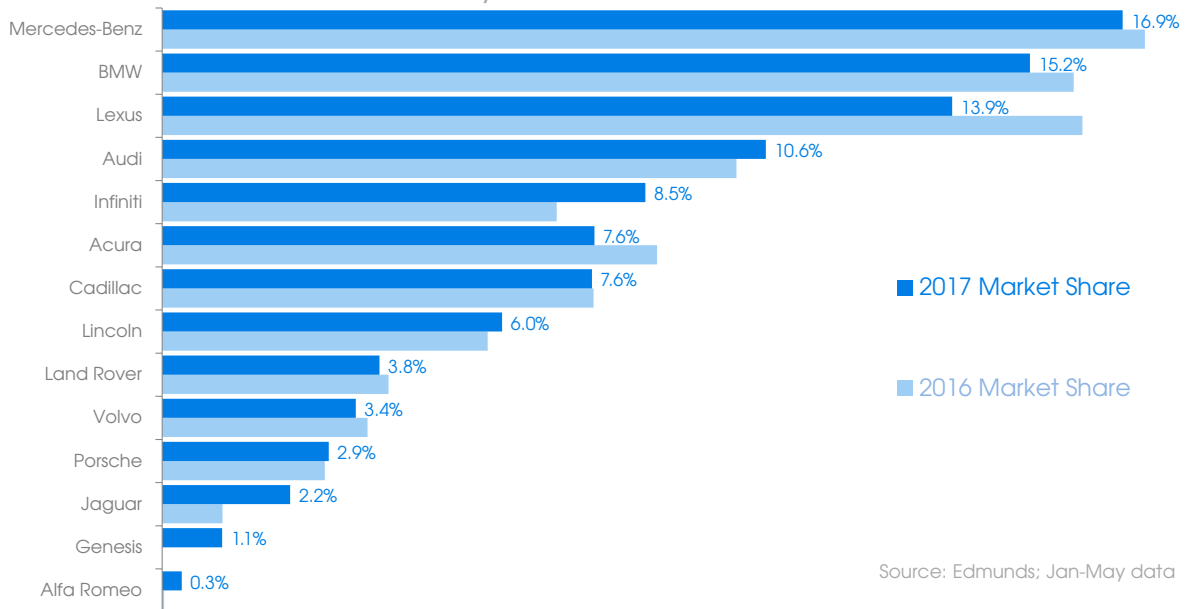
Manufacturers in Transition

Luxury manufacturers are embracing the market's evolution and trying to respond to the change in shopper demand and preferences. **Three-quarters of luxury automakers have seen a lift in their proportion of SUV sales from last year, and in 2017 the best-selling model for 10 of 14 luxury automakers is now a SUV.**

Fresh Faces Challenge Stalwarts

New Luxury Players Fight for Piece of the Pie

Luxury Brand Market Share

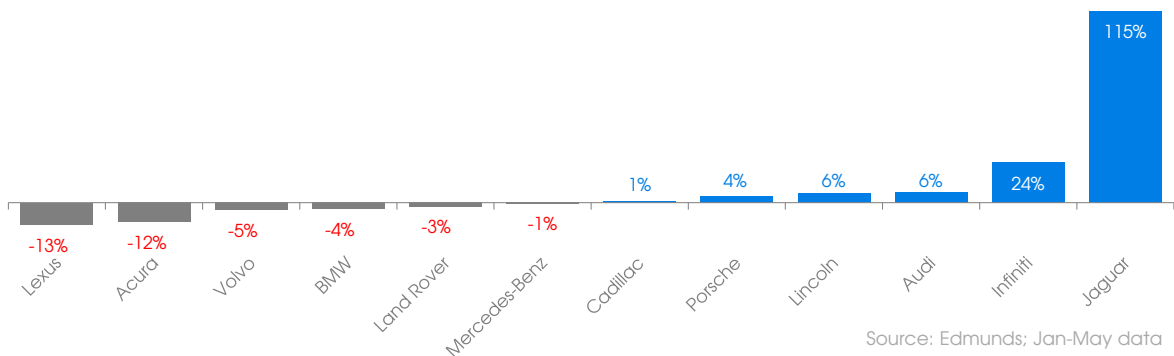


Source: Edmunds; Jan-May data

More Players Heat Up Competition

The best-selling and better established brands have conceded some market share as the segment transitions. They maintain loyal bases of more traditional luxury buyers but risk buyer defection as brands proliferate in the segment. Hyundai released the stand-alone Genesis brand while FCA reintroduced Alfa Romeo. **With the advent of these brands, and compelling offerings from smaller players in the space, we've seen less concentration of sales this year than in years past.**

2017 vs. 2016 Sales Change



Source: Edmunds; Jan-May data

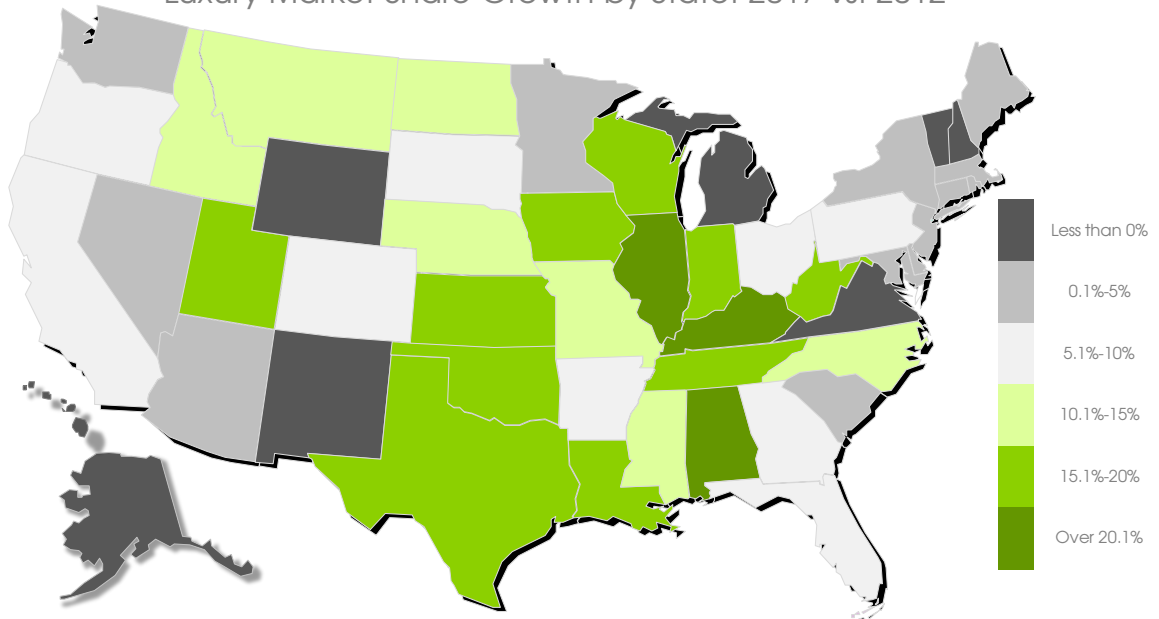
New Debuts Yield Results

The biggest market-share beneficiaries have been the makers with compelling new products. Jaguar hit a home run with its first SUV, the F-Pace, which hit the market at the perfect time and now makes up nearly half the maker's sales. Infiniti similarly has captured lightning in a bottle with the QX30, its subcompact SUV.

Luxury Gains Steam in New Markets

New Models Help Penetrate Historically Non-Luxury States

Luxury Market Share Growth by State: 2017 vs. 2012



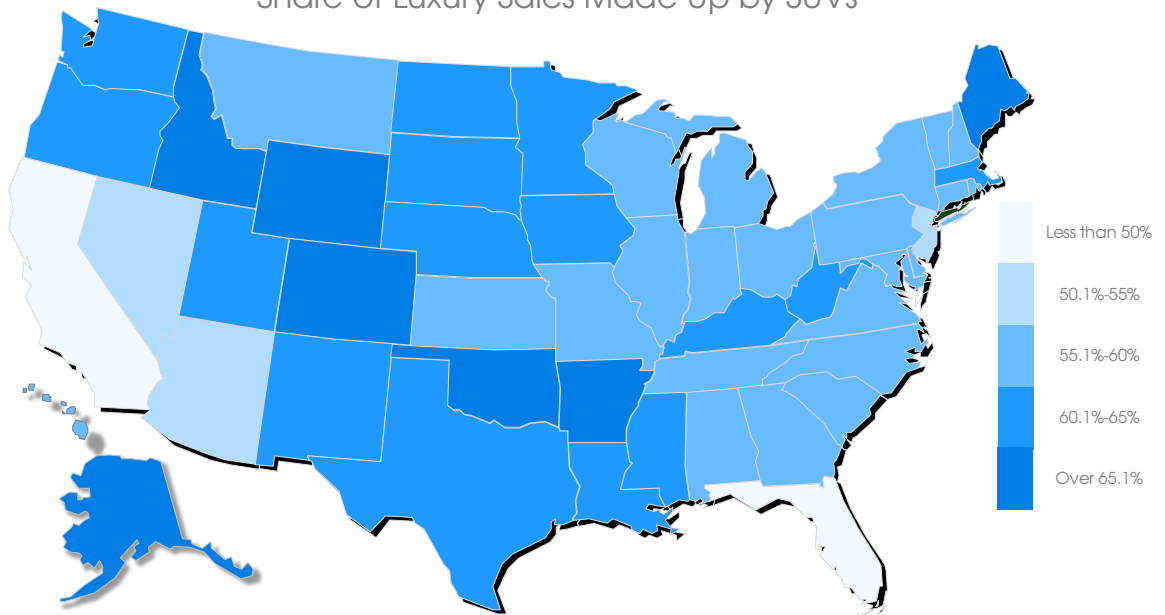
Source: IHS Markit; Jan-Apr data

Luxury Appeal Spreads

Comparing 2017 to 2012, all but eight states have experienced growth in their luxury market share. **More affordable models and the expansion of AWD SUVs have enabled the segment to make inroads in markets where luxury has struggled in the past.**

In fact, luxury SUVs are now outselling cars in 48 states – all but California and Florida, the two largest luxury markets that together account for 31% of all luxury sales.

Share of Luxury Sales Made Up by SUVs

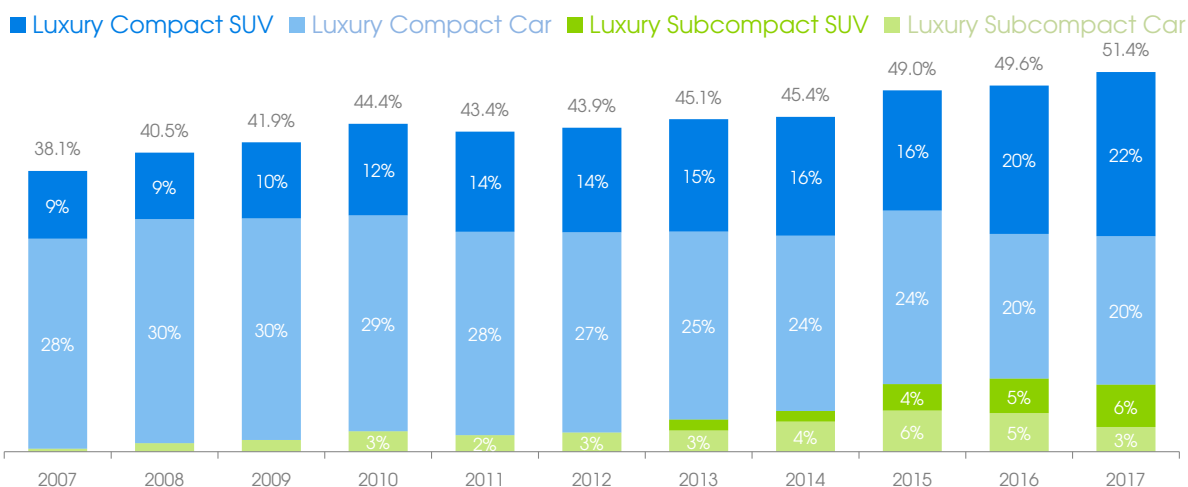


Source: IHS Markit; Jan-Apr 2017 data

Luxury on Any Budget

Luxury and Non-Luxury Pricing Is Closer Than Ever

Compact & Subcompact Models Now Make Up Majority of Luxury Sales



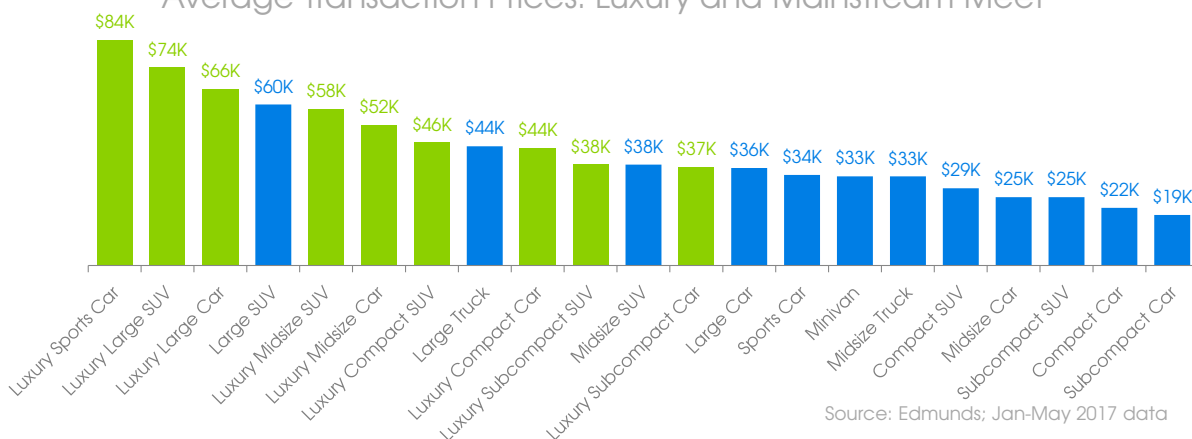
Source: Edmunds; Jan-May data

Narrowing Price Facilitates Luxury Leap

While the luxury segment has been shifting to SUVs, it has simultaneously made efforts to make entering the segment more economical and more accessible than ever. The segment has expanded the availability of lower MSRP offerings with compact and subcompact models, which shoppers have flocked to. **In 2017, for the first time, these models make up more than half of the segment's sales.** The migration to these more affordable luxury offerings, combined with soaring sales of pricier light trucks in the mainstream market, have caused luxury and non-luxury transaction prices to converge.

Luxury's elevated lease penetration also contributes to the segment's affordability. As the industry lease rates remain near record highs, luxury leasing stays at a level double that of the mainstream market. Heavily subsidized luxury lease offerings further dilute high MSPRs and provide another avenue into the segment for payment-focused shoppers.

Average Transaction Prices: Luxury and Mainstream Meet

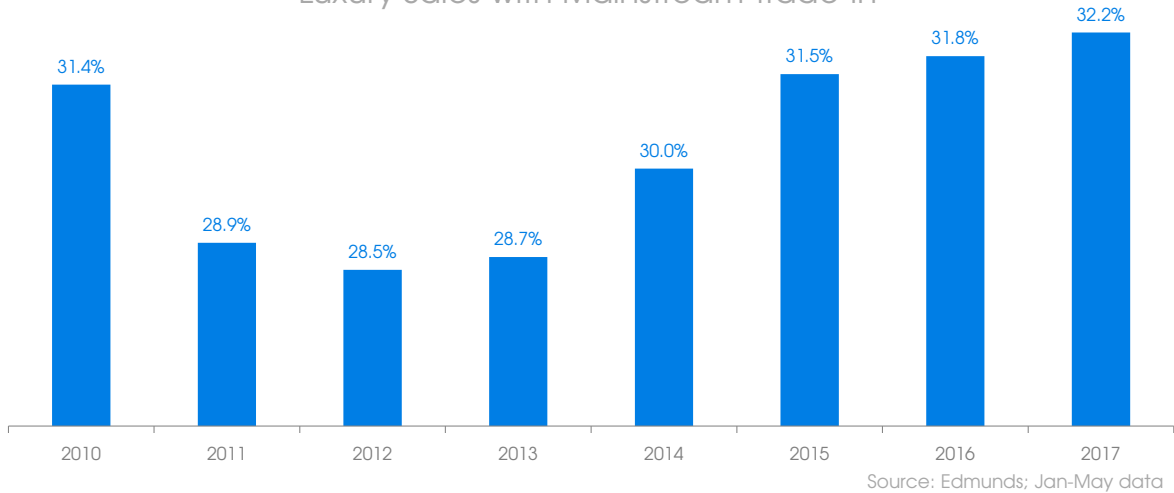


Source: Edmunds; Jan-May 2017 data

Luxury Attracts More Mainstream Buyers

Lower Pricing Floor Brings in New Blood to Luxury

Luxury Sales with Mainstream Trade-In

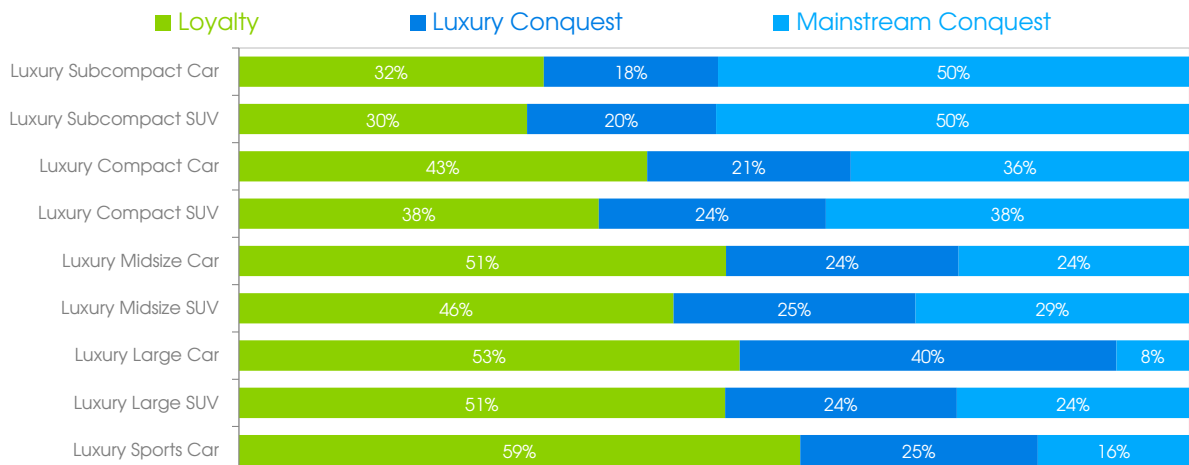


Record Share of Trade-Ins Make the Luxury Jump

The proliferation of SUVs and more affordable options has made the luxury segment a popular landing spot for buyers looking to trade up. In 2017, 32% of people who bought a luxury vehicle with a trade-in did so with a non-luxury model. **The segment's most affordable tier, subcompacts, gets a full half of its trade-ins from outside the segment,** while the compact luxury segment garners over one-third of its trade-ins from mainstream shoppers.

As the segment turns a page to a more inclusive chapter, these more affordable models are poised to attract a new wave of luxury buyers and will play a large role in bolstering the segment's sales as luxury invests in future automotive technologies aimed at dramatic changes in the industry ahead.

Luxury Loyalty & Conquest

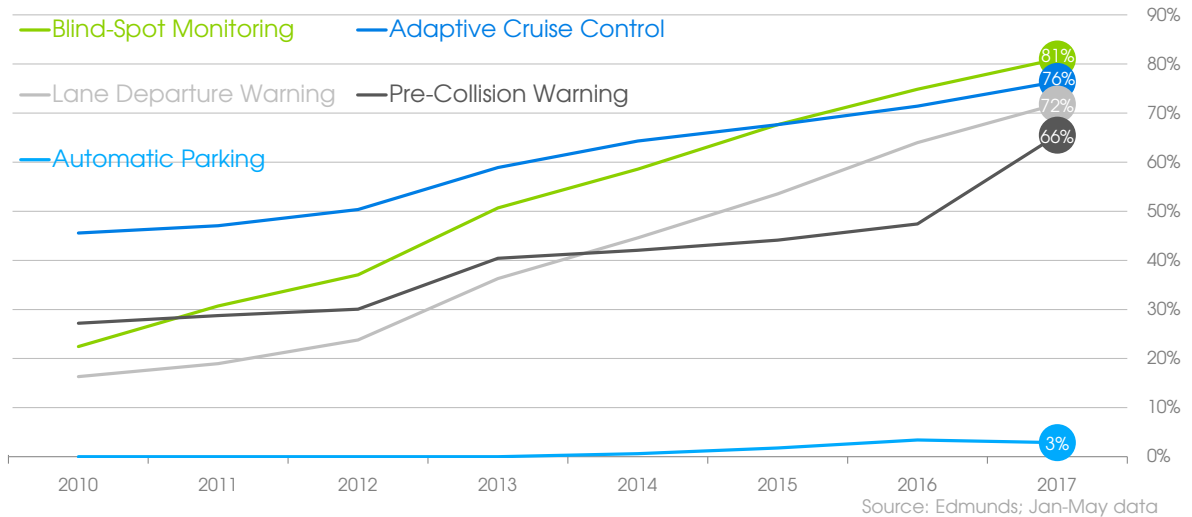


Source: Edmunds; Jan-May 2017 data

Luxury Pushes Envelope on Technology

Segment Preparing for an Autonomous, Electric Future

Expansion of Advanced Driver Assist Features Available on Luxury Models



The Luxury Segment Adapts to Thrive

With wider margins and the pursuit of differentiators, the luxury segment has long been the industry’s incubator for automotive technology. While performance, styling and upscale touchpoints will remain pillars of the segment, luxury shoppers now more than ever look to the segment for emerging technology. **Advanced driver assist features, largely technological precursors to autonomous driving, have become available on the majority of luxury models in a matter of years.** The luxury segment is also forging ahead with electrification. **The majority of plug-in and EV models on sale today are luxury vehicles.**

As the industry envisions an autonomous future, the luxury segment spearheading the transition will be vital. Already luxury makers such as Tesla, Mercedes-Benz and Cadillac are implementing semi-autonomous models. Staying on top of these trends is pivotal for the segment as pioneering technology becomes increasingly central to the luxury identity.

Plug-In & EV Sales & Available Models

