



LUXURY MARKET REPORT

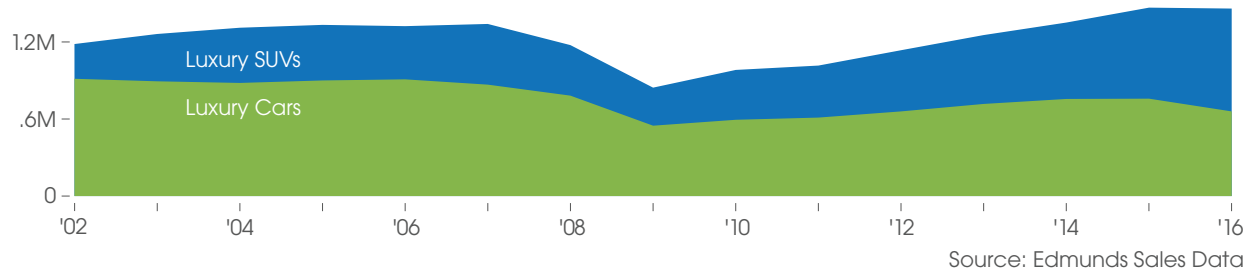
The New Face of Luxury

SUVs are Changing the Current and Future Landscape of the Luxury Market

SUVS ARE BRIGHT SPOT FOR FLAT LUXURY SALES

Through the first three quarters of 2016, luxury market sales are flat year-over-year. However, SUVs are witnessing a 13.0% sales increase over 2015, while cars are down 13.1%.

Q1 - Q3 LUXURY SALES



LUXURY SUVs OUTSELLING CARS

For the first time ever, luxury SUVs have outsold luxury cars thus far in 2016. The rise of the luxury SUV mirrors the surging popularity of utilities across the automotive market but has also shaken up the typically predictable luxury landscape.

SUV INTRODUCTIONS HAS MADE SMALLER LUXURY PLAYERS RELEVANT

Lower volume luxury automakers with compelling SUV debuts have leapt to relevance, wrangling market share from the more established brands.

WOMEN DRIVING LUXURY SUV TREND

At the same time luxury SUVs have also attracted more women to the segment which has added some needed diversity to the homogeneous luxury buyer base.

LUXURY SUV BUYERS REPEAT PURCHASES

When compared to luxury cars, luxury SUVs have the highest level of buyer loyalty. Retaining these buyers is key to future growth.

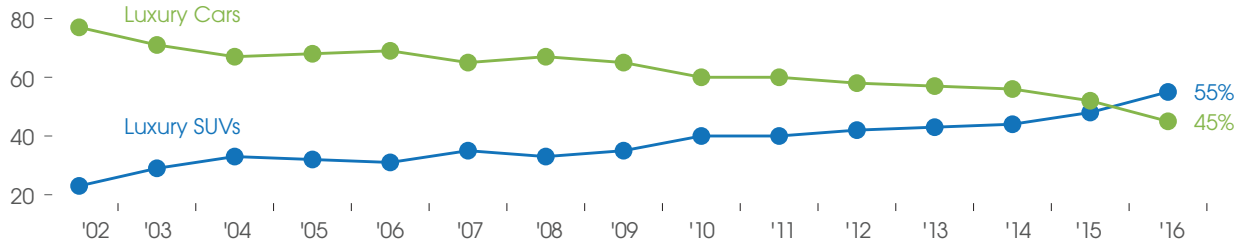
A LOOK AHEAD TO 2017

We expect luxury SUVs to increase market share to 60% in the coming year. With shoppers' sensibilities more focused on size and utility than ever before, the luxury SUV is redefining the luxury segment—now and for the foreseeable future.

SUVs: The New Luxury Norm

It was less than a decade ago that luxury car sales outnumbered luxury SUV sales over 2 to 1. With new product offerings we have witnessed a decline over time. Combine that with low gas prices and cheap credit and **SUVs have surpassed car sales for the first time ever in the luxury market.**

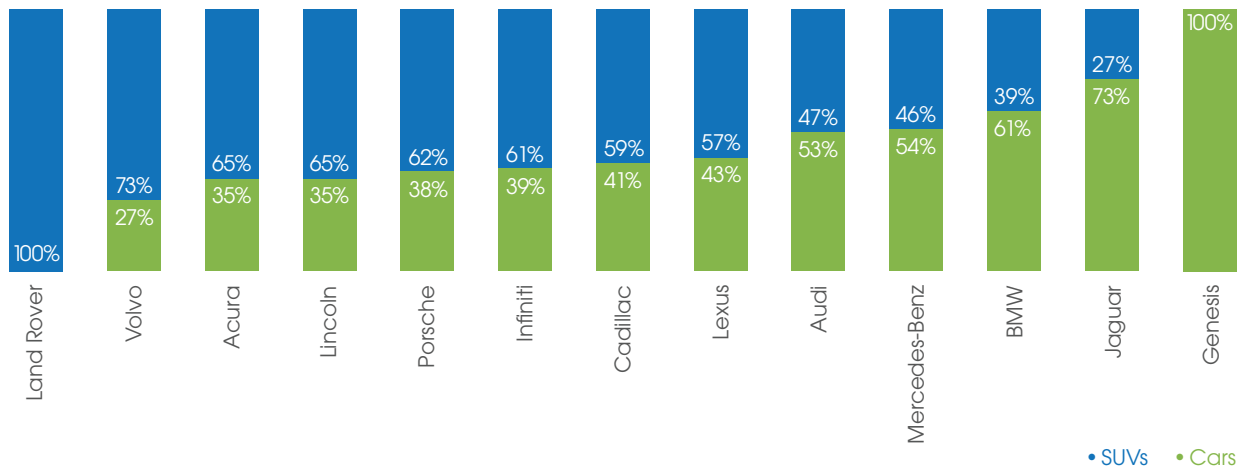
Q1-Q3 SHARE OF LUXURY SEGMENT BY CARS & SUVs



Source: Edmunds Sales Data

In a market where three players comprise nearly half of all sales, it has been hard for some of the lower volume luxury players to gain traction. SUVs have changed that and many smaller automakers have used all new SUV debuts to catapult their sales, gain more shoppers, and refresh their image.

Q1-Q3 JAN-SEP 2016 LUXURY SALES BY VEHICLE TYPE

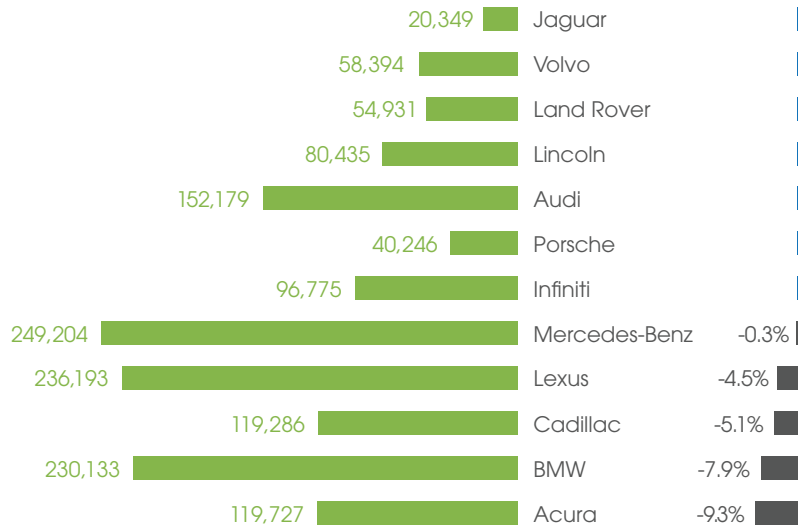


Source: Edmunds Sales Data

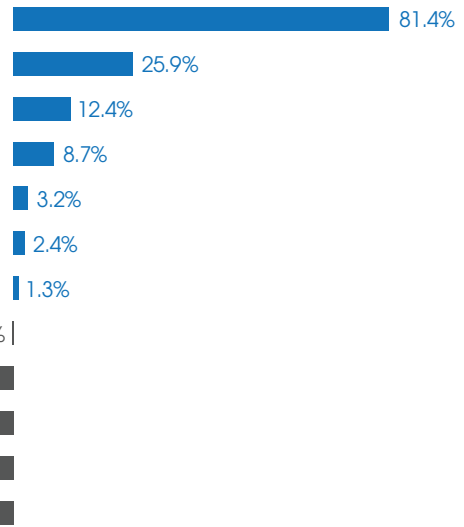
SUVs Breathe New Life into Brands

Automakers such as Jaguar and Volvo have benefited from America’s renewed appetite for SUVs. The F-Pace and XC90 have hit an amenable audience and have quickly become the automakers' best sellers. On the backs of these debuts, Jaguar and Volvo have both seen massive growth in a luxury market that’s tracking a hair behind last year’s sales.

2016 Q1-Q3 TOTAL SALES



2016 VS. 2015 Q1-Q3 SALES GROWTH

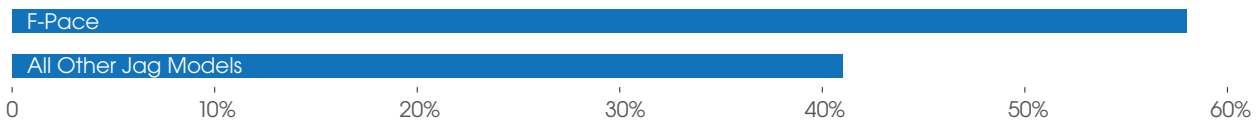


Source: Edmunds Sales Data

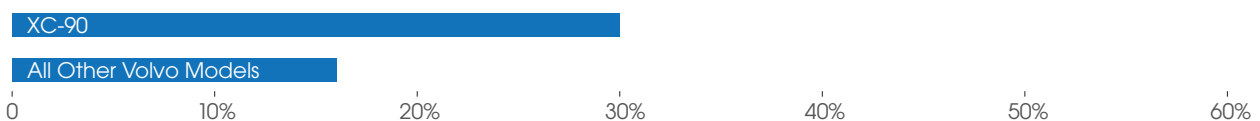
New SUVs: High Level of Conquest

What makes these new SUVs such a powerful change agent is their propensity to attract shoppers from competitive luxury makes. The F-Pace and XC90 conquest luxury trade-ins at much higher rates than their respective brands, which is an invaluable asset in a traditionally very loyal luxury segment.

TRADED-IN A LUXURY COMPETITOR TO BUY A JAGUAR



TRADED-IN A LUXURY COMPETITOR TO BUY A VOLVO



Source: Edmunds Transaction Data

Loyalty Levels Highest for Luxury SUVs

Although luxury SUV nameplates are generally newer than cars, the luxury market witnesses a high degree of loyalty. **SUVs are showing themselves to have more buyer loyalty than cars, on average.**

LUXURY LOYALTY BY SEGMENT				
SEGMENT	2013	2014	2015	2016
Luxury Subcompact SUV	74.4%	72.6%	74.2%	71.9%
Luxury Midsize SUV	60.4%	61.0%	63.5%	65.2%
Luxury Compact SUV	61.7%	62.8%	63.8%	65.2%
Luxury Large Car	60.9%	64.4%	64.3%	64.4%
Luxury Large SUV	57.7%	58.4%	61.5%	62.2%
Luxury Sports Car	61.5%	64.4%	64.9%	62.2%
Luxury Subcompact Car	49.5%	51.9%	55.9%	56.1%
Luxury Compact Car	52.7%	53.4%	52.8%	50.9%
Luxury Midsize Car	49.8%	50.9%	49.2%	49.4%

Source: Edmunds Transaction Data

Non-Luxury SUVs: A Gateway to Luxury

With increased content in mainstream branded vehicles, luxury automakers do not appear to be losing ground to their non-lux competitors. In fact, mainstream brand trade-ins going toward the purchase of a luxury vehicle has increased to 4.2% from 3.6% five years ago. **SUVs are helping drive this trend as they are the most popular segments leaving the mainstream for a luxury vehicle.**

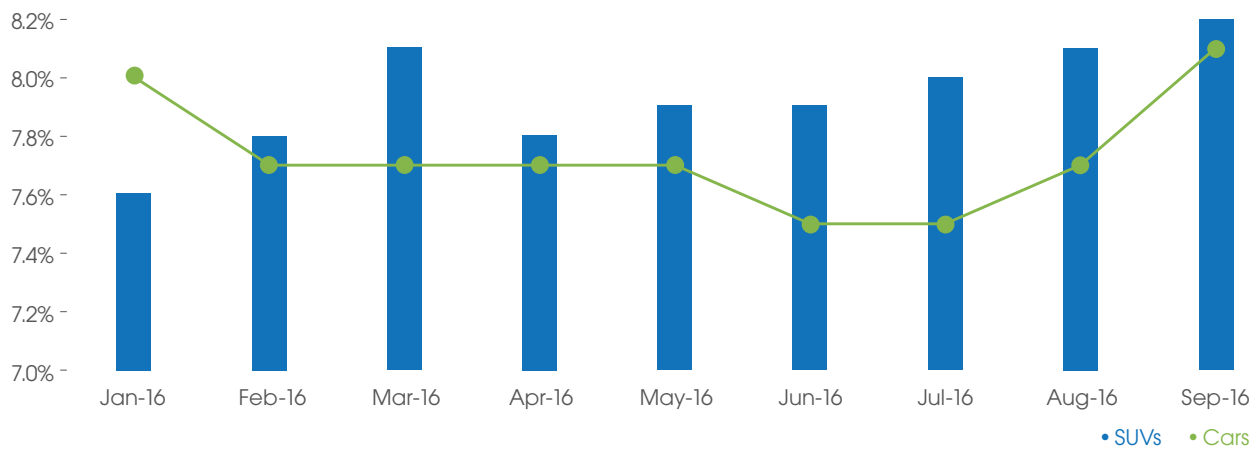
PERCENTAGE OF NON-LUX TRADE-INS GOING TOWARD PURCHASE OF A LUXURY BRAND				
SEGMENT	2013	2014	2015	2016
Large SUV	9.4%	9.4%	9.6%	9.7%
Sports Car	7.3%	8.2%	7.7%	7.3%
Midsize SUV	5.7%	6.3%	6.7%	7.0%
Large Car	4.8%	5.4%	5.3%	5.4%
Subcompact SUV	3.7%	4.7%	5.9%	4.9%
Midsize Car	4.0%	4.3%	4.8%	4.5%
Compact SUV	3.2%	3.5%	3.9%	3.8%
Minivan	2.9%	3.3%	3.4%	3.7%
Compact Car	2.4%	2.7%	2.8%	2.7%
Subcompact Car	2.1%	2.2%	2.3%	1.9%
Large Truck	1.6%	1.8%	1.7%	1.7%
Midsize Truck	1.3%	1.7%	1.6%	1.5%
Compact Truck	0.5%	0.7%	1.5%	0.3%

Source: Edmunds Transaction Data

Online Traffic: Luxury SUVs Higher than Luxury Cars

In terms of online traffic on Edmunds, entry luxury cars—and their well established nameplates—benefit from consumer awareness. Additionally, they often advertise very compelling lease deals; a call to action for consumers that drives online shopping. **Entry SUVs have neither the benefit of a significant amount of deal advertising nor the same level of name recognition, yet see similar levels of online traffic.**

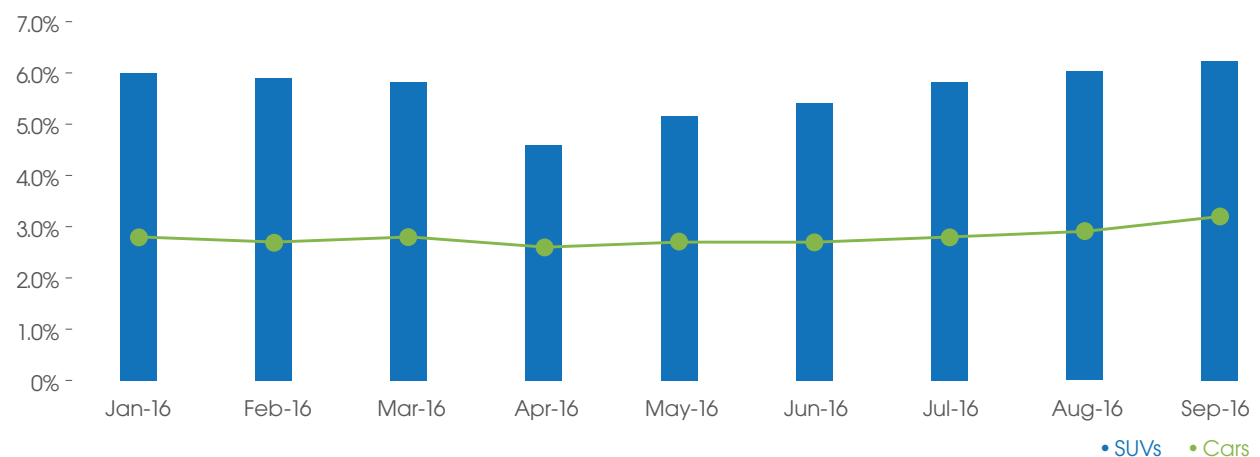
ENTRY LUXURY TRAFFIC ON EDMUNDS.COM



Source: Edmunds Traffic Data

In the midrange luxury category the trend fluctuates less, and midrange SUVs generally see twice as much traffic as their car counterparts.

MIDRANGE LUXURY TRAFFIC ON EDMUNDS.COM

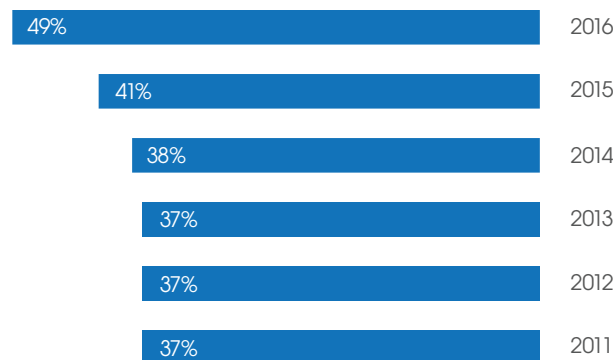


Source: Edmunds Traffic Data

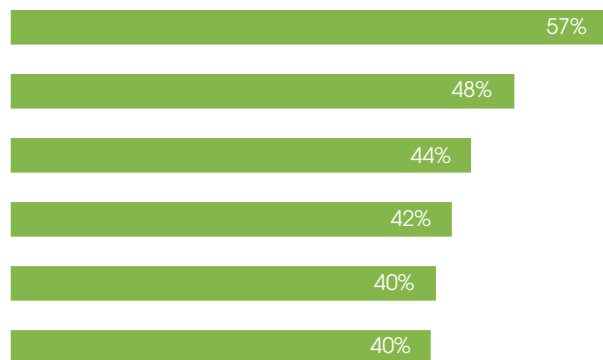
Women Fueling Luxury Growth

While luxury SUVs have proven to have broad appeal, they have been particularly effective in attracting women to the luxury segment. **Through the first three quarters of 2016 SUVs have accounted for 57% of women's luxury purchases compared to just 49% of men's.**

MENS' SUV SHARE OF LUXURY SALES



WOMENS' SUV SHARE OF LUXURY SALES



Source: Polk

Women have become an increasingly larger portion of luxury buyers, with the greatest growth occurring in the luxury SUV segment. **In the past 5 years women's share of luxury SUV purchases has increased by 14% which has led to an 11% lift in their share of luxury purchases overall.**

Rapid growth in this previously untapped demographic means that luxury automakers again have the rare opportunity to vie for new customers and—eventually—cultivate a loyal base.

2016 VS. 2011 GROWTH IN SHARE OF FEMALE BUYERS

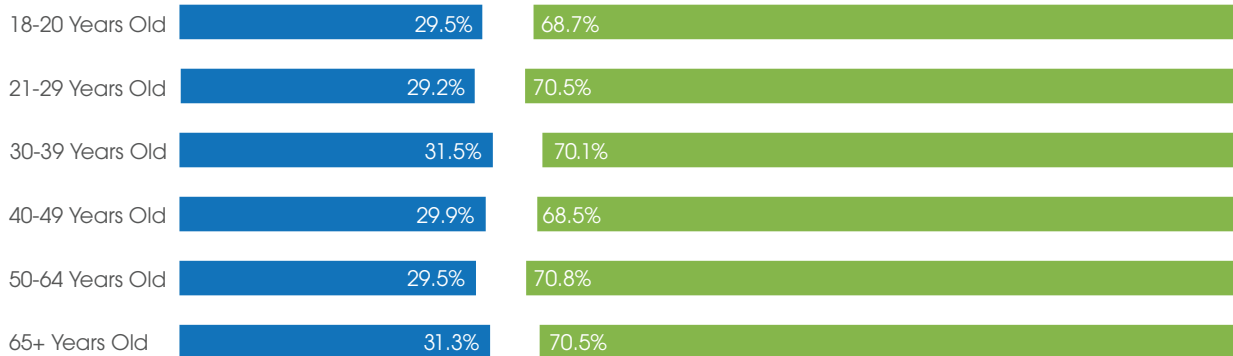


Source: Polk

Will Millennials Carry the Torch?

Millennials may only make up 9% of total luxury sales, but their online shopping and researching levels mirror that of other age groups. Although the interest is there, budgets are not, and many Millennials who go the luxury route lease entry sedans.

SHARE OF LUXURY VS. NON LUXURY RESEARCH ON EDMUNDS.COM

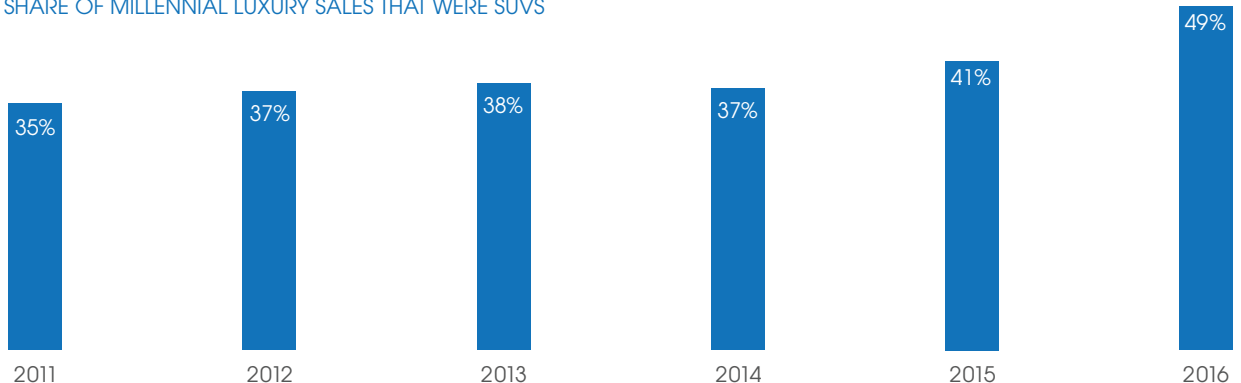


Source: Edmunds Traffic Data

Millennials buy the lowest proportion of luxury SUVs compared to different age groups, but the numbers have been on the rise. Besides their price sensitivity and fewer demands on space, the availability of lease deals plays a major role in their lack of demand.

Millennials have embraced leasing and lease the highest proportion of luxury vehicles of any age group. Lease penetration for luxury SUVs is currently far less than that of cars, but should grow as SUVs cement their status as the predominant luxury segment. This will coincide nicely with the aging Millennial population and their increased demand for larger vehicles as they replace Generation X (who currently buy the most luxury SUVs) as the growing family demographic.

SHARE OF MILLENNIAL LUXURY SALES THAT WERE SUVs



Source: Polk