



USED VEHICLE REPORT

Q1 2019

Used cars look a lot like new cars

USED-VEHICLES SALES SUMMARY

Year	Total Sales	Franchise Used	CPO Sales
Q1 2014	9,623,024	2,783,454	551,807
Q1 2015	9,482,306	2,819,642	615,012
Q1 2016	10,322,931	2,927,771	646,390
Q1 2017	10,407,210	2,918,374	647,338
Q1 2018	10,617,195	2,965,489	674,297
Q1 2019	10,452,599	3,111,934	677,204

Source: Edmunds

:Certified pre-owned is a subset of franchise used

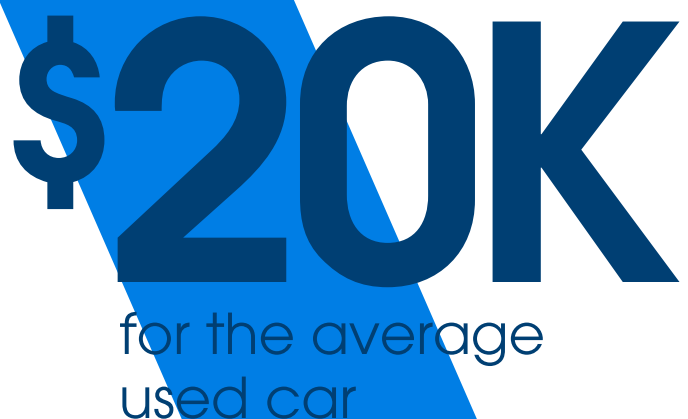
EXECUTIVE SUMMARY

Used inventory on franchise dealer lots is redefining the used market — and used vehicles today look a lot like new vehicles. With a scarcity of older cars sold in the recession, and record sales and leasing during the recovery, the typical franchise used vehicle has become a late model-year vehicle rich in features and low on mileage. This transition from deeply to lightly used inventory, combined with the increased cost of buying new in 2019, means the used market could appeal to a larger number of shoppers in 2019.

- Used vehicle values are on the rise, eclipsing the \$20K mark on average. But buying a used vehicle still reflects significant savings over a new alternative, which carries an average price of \$36K.
- Days to Turn indicates that, even as prices rise, the value proposition of a used vehicle is so appealing that buyers are moving faster on used inventory than ever before.
- With nearly every automaker having hit double-digit lease penetration rates, there is an abundance of vehicle types to choose from and lower-mileage inventory is easier to find.

- The industry's transition to SUVs really got rolling in 2015, and this preferred body style is now starting to reshape the used market.
- Many features (e.g., Bluetooth, backup cameras, keyless ignition) that were scarcely seen in the used market five years ago are now readily available.

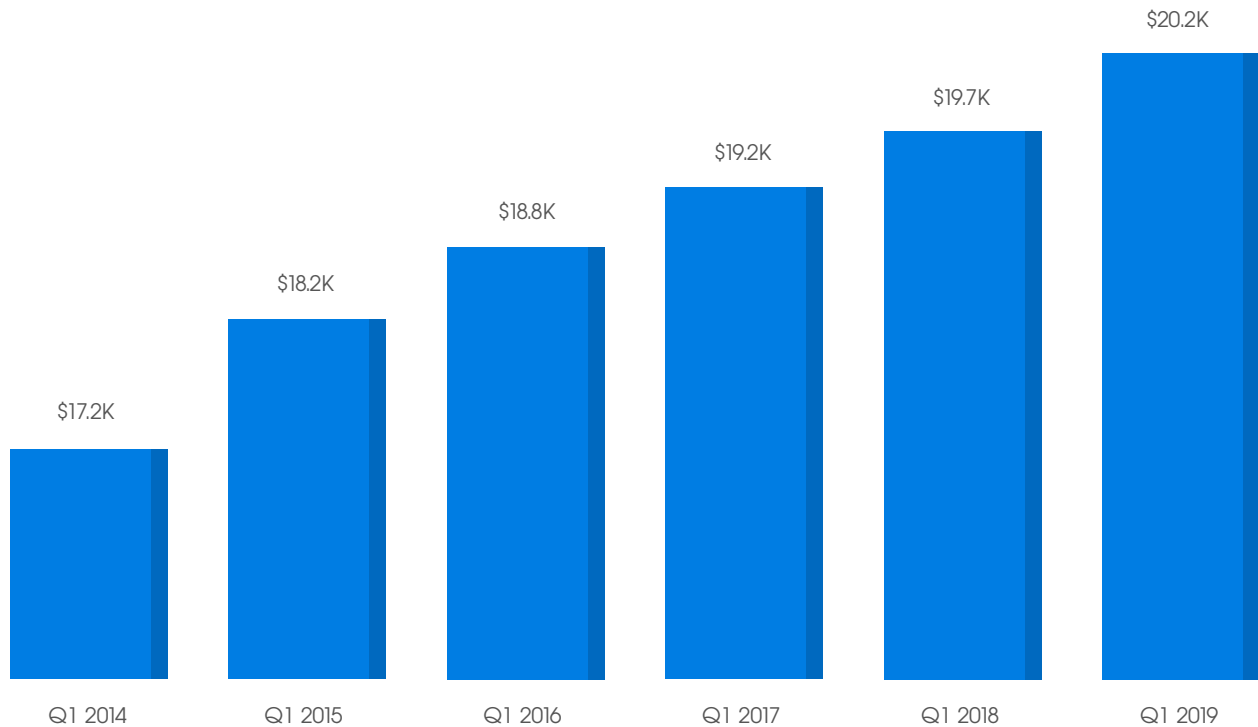
Buying a used vehicle no longer represents a compromise over buying a new one. As the used market evolves and sheds its image as only a place to find cheap transportation, shoppers will now more than ever benefit from shopping both new and used.



\$20K
for the average
used car

Used car prices reflect an evolving market

AVERAGE TRANSACTION PRICE



Source: Edmunds

Average transaction prices in Q1 2019 hit a Q1 record of \$20,247 as used inventory continues to be fueled by the return of a record volume of vehicles leased in 2016. Used vehicle prices have increased 17.4% in the last five years, outpacing the 14.7% price growth for new vehicles across that period. The increase reflects shifting dynamics in the used market. Typical used vehicles are newer and have lower mileage than before, and the inventory increasingly skews to SUVs.



Demand rising for higher-priced used vehicles

DAYS TO TURN BY VEHICLE PRICE RANGE

Price Range	Q1 2014	Q1 2019	Q1 2019 vs Q1 2014
\$5K or Less	29.8	26.8	-10.3%
\$5K to \$10K	33.1	30.9	-6.5%
\$10K to \$15K	42.6	39.6	-7.2%
\$15K to \$20K	46.7	42.5	-9.1%
\$20K to \$25K	48.5	43.7	-9.9%
\$25K to \$30K	46.8	45.5	-2.7%
\$30K to \$35K	49.5	46.3	-6.6%
\$35K to \$40K	48.9	52.0	6.5%
\$40K to \$45K	46.8	47.9	2.5%
\$45K to \$50K	47.4	47.9	1.0%

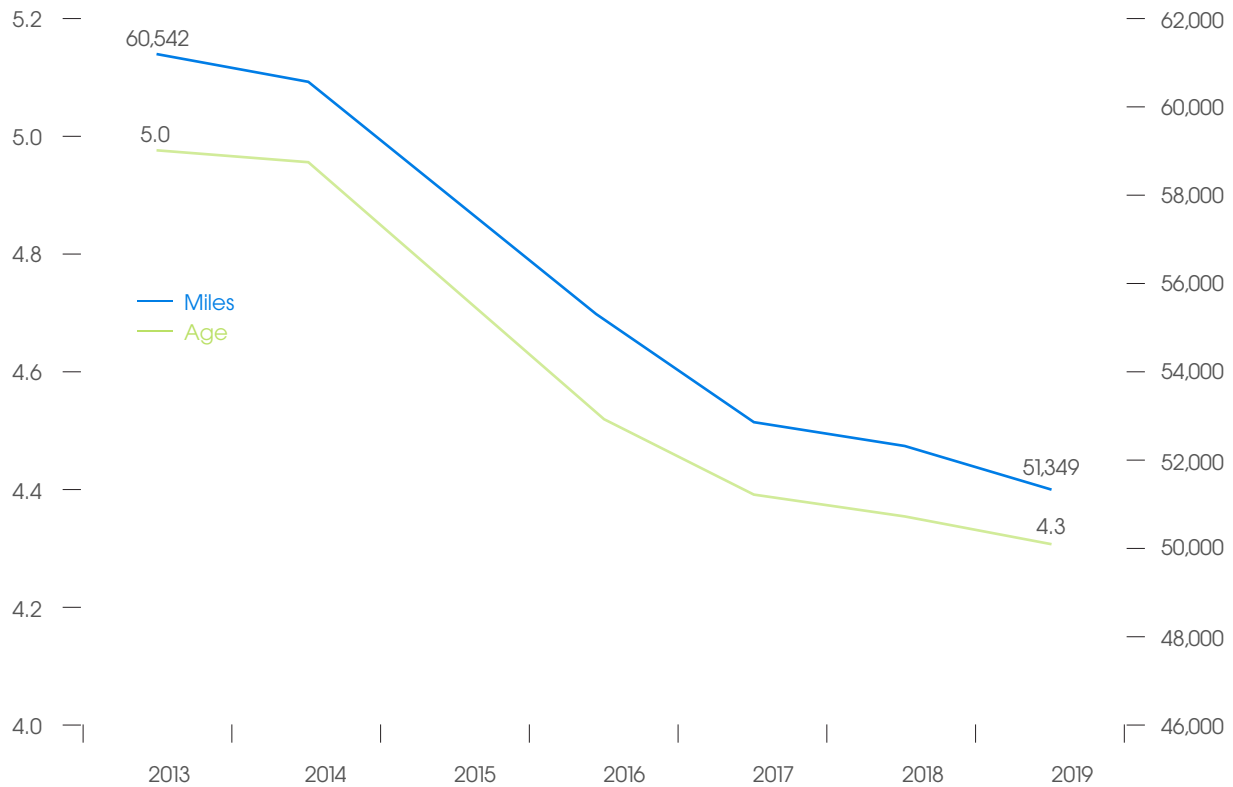
Source: Edmunds

Although transaction prices are rising, demand for used vehicles remains high and the average number of days that vehicles sit on franchise dealer lots is dropping. As expected with high demand and low supply, the most affordable models spent the fewest days on the lot. But days to turn also decreased significantly for models that cost far more than the used average (\$20,247). In Q1 2019, days to turn for vehicles under \$35K, which represent 92% of the used market, was the lowest for any Q1 on record.



2 out of 3 of used cars sold are 4 years old or newer

AGE VERSUS MILES



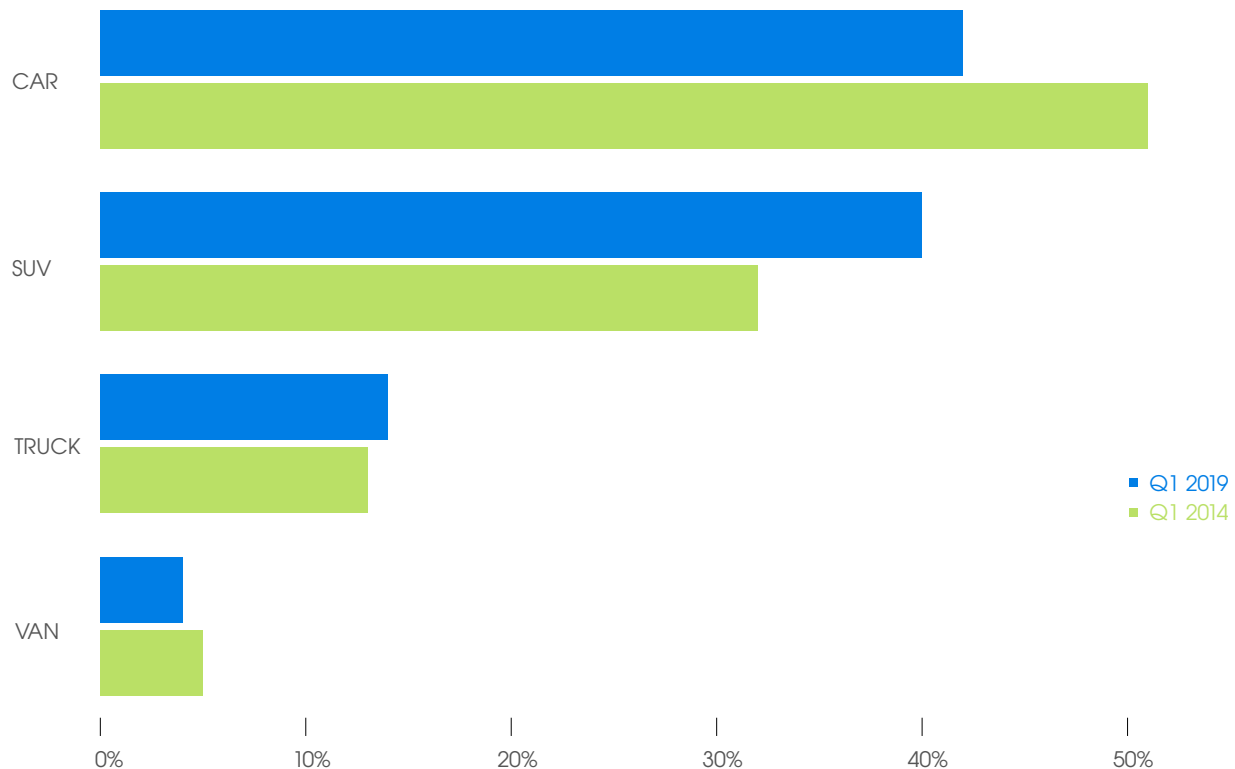
Source: Edmunds

As off-lease vehicles come to dominate the franchise used market, these near-new units are naturally pulling down the average age of a used car closer to 3 years old. And the additional element of stricter mileage allotments accelerated the drop in mileage on the average vehicle. Additionally, the proliferation of lower-mileage leases resulted in nearly 300 fewer miles per year on the average vehicle. Increased availability of younger inventory as well as vehicles with fewer miles is helping to push values upward.

9.8K
miles less on the
average used car

Used market mirrors new market

PERCENTAGE OF SALES BY VEHICLE TYPE



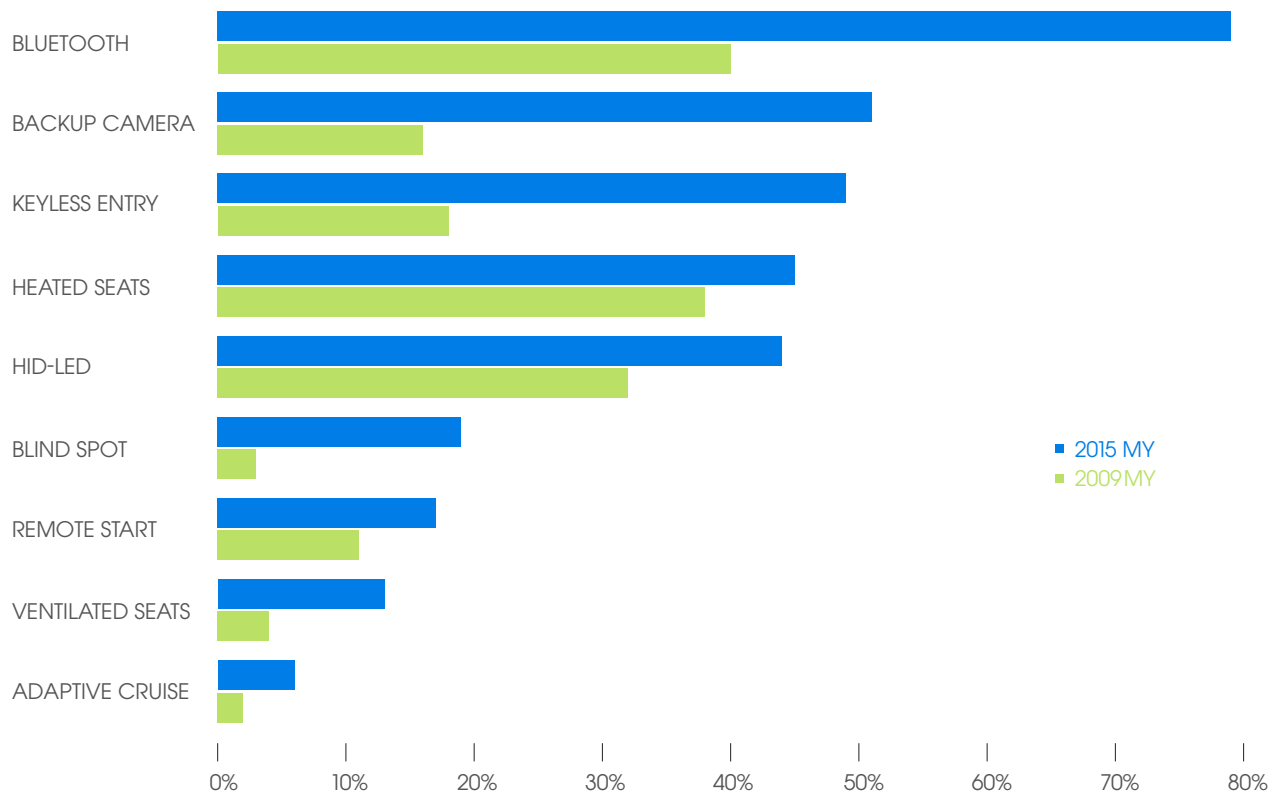
Source: Edmunds

The popularity of SUVs is overwhelming in the new car market, where they constituted 48% of sales in Q1. Likewise, 2019 will be the year that SUVs dominate the used market. The return of SUVs leased in 2016 will also push average values even higher since SUVs have better residual values compared to the used market as a whole. Having finally overcome the natural lag between new sales, used inventory now reflects America's preference for SUVs.



Used cars, new features

AVAILABILITY OF STANDARD FEATURES BY MODEL YEAR



Source: Edmunds

Popular vehicle technology has proliferated across the spectrum of vehicles in the past decade and an increasing number of features are now available on the used market. These features that focus on connectivity and convenience have been big selling points for consumers while cutting-edge technology revolving around electrification and automated driving hasn't yet struck a chord with the masses. The wider availability of features such as Bluetooth integration and backup cameras on used vehicles reduces the differentiation between the two markets and further lessens the advantage of buying new.

GOLDEN AGE FOR USED CARS

While the new vehicle market languishes after years of prolific sales, used vehicle sales remain high. New sales were bolstered by an unprecedented period of elevated leasing that is feeding the used market with a deluge of late-model inventory. This constant influx is causing an oversupply that is putting downward pressure on used pricing at a time of record transaction prices and lower incentives on new vehicles. With used inventory starting to mirror new in terms of available features, body types and mileage — all while presenting tremendous savings to shoppers — used vehicles are a more compelling alternative than they've ever been.



