

 edmunds

USED VEHICLE REPORT

Q2 2019

Used-vehicles sales summary

| Year | Total Sales | Franchise Used | CPO Sales |
|---------|-------------|----------------|-----------|
| Q2 2014 | 9,099,375 | 2,839,086 | 581,588 |
| Q2 2015 | 9,635,560 | 2,885,039 | 660,672 |
| Q2 2016 | 9,891,090 | 2,906,081 | 678,294 |
| Q2 2017 | 10,170,702 | 2,946,072 | 693,802 |
| Q2 2018 | 10,421,134 | 3,028,734 | 711,270 |
| Q2 2019 | 10,650,781 | 3,089,604 | 726,400 |

Source: Edmunds

EXECUTIVE SUMMARY

The automotive market is evolving at a breakneck pace with changes to every facet of the industry. Consumer buying preferences have shifted toward trucks and SUVs, alternative powertrains are readily available across all segments, technology is packed into everything from entertainment to safety, and the price points for both new and used vehicles keep rising. But there is one caveat: Prices for new cars are steadily outpacing prices for used, even as the used market is more reflective of new due to an influx of newly off-lease vehicles.

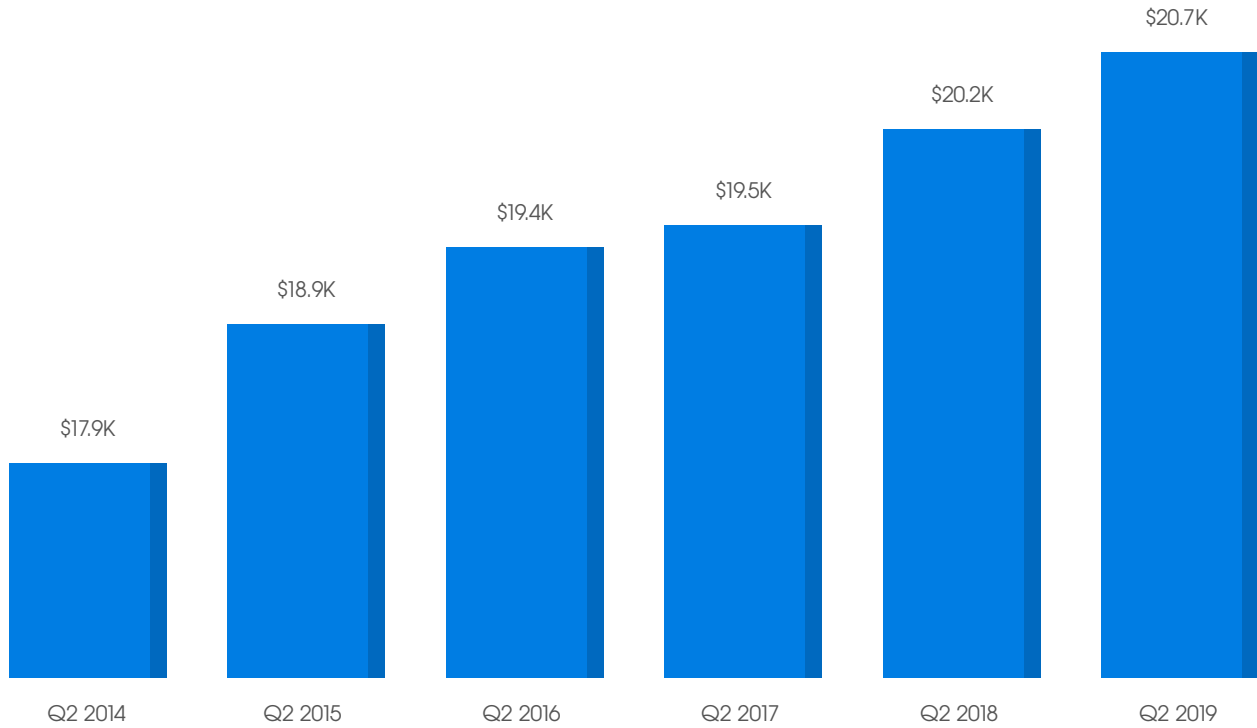
- Q2 2019 used car values of \$20,664 are the highest on record for any quarter.
- New-car transaction prices continue to reach new highs, and the price gap between new and 3-year-old vehicles has widened to \$14,443.
- Content is king and new-car shoppers are opting for higher trim levels and more options on a scale that we have never seen before. The typical new vehicle purchased posts an MSRP of \$10,000 over the entry-level trim; this figure is up from \$6,500 in 2008.
- These increases in content on the new-car side are great for used-market shoppers because these well-optioned trims often don't maintain value any better than a base model.

As long as new-car buyers are willing to spend top dollar and leasing is still a viable option, used-car shoppers are going to inherit vehicles with more content without bearing nearly as much of the cost associated with adding these features in new cars.

10K
above the base
trim level MSRP

Used car prices steadily increase

AVERAGE TRANSACTION PRICE



Source: Edmunds

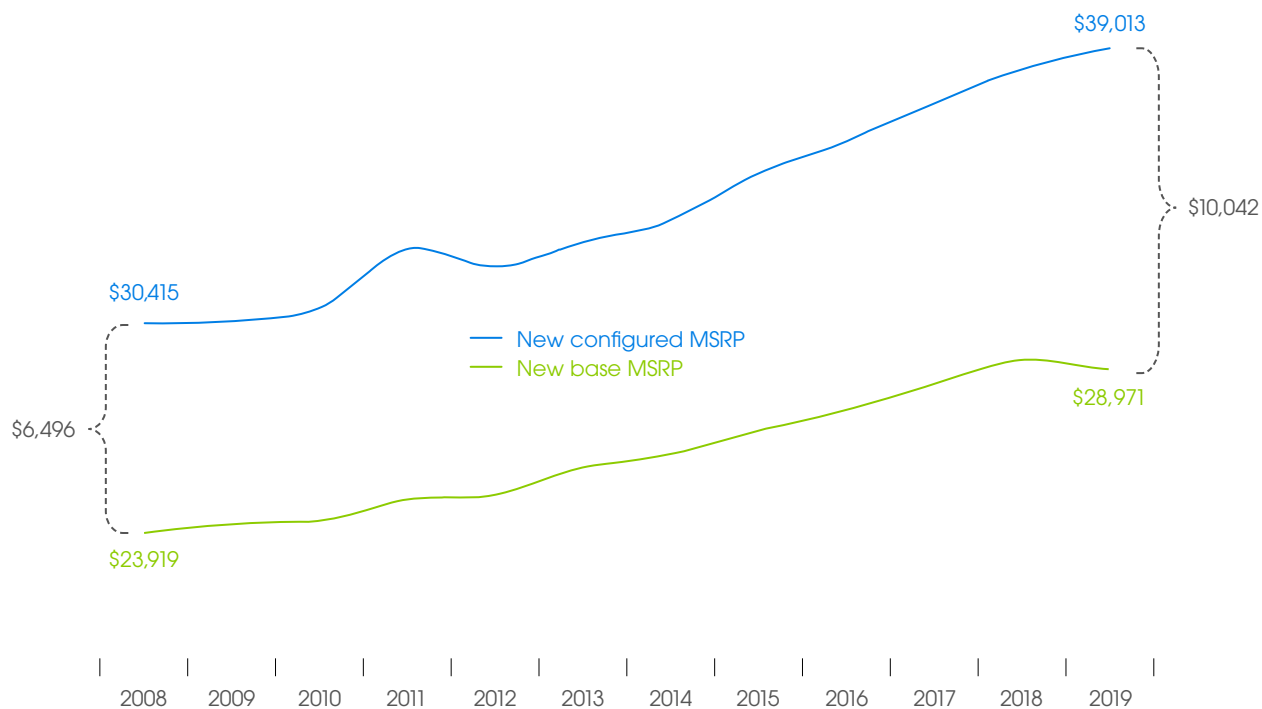
40%
of used sales
were SUVs

Average transaction prices in Q2 2019 hit a record of \$20,664 and involved so many off-lease vehicles that the average vehicle age was exactly 4 years old, the lowest Edmunds has on record for a second quarter. Another contributing factor is the influx of SUVs into the used market. In Q2 2014, SUVs made up only 31% of sales, but in Q2 2019 the number reached 40%.



Additional content contributing to overall MSRP increase

NEW BASE MSRP VS. CONFIGURED MSRP



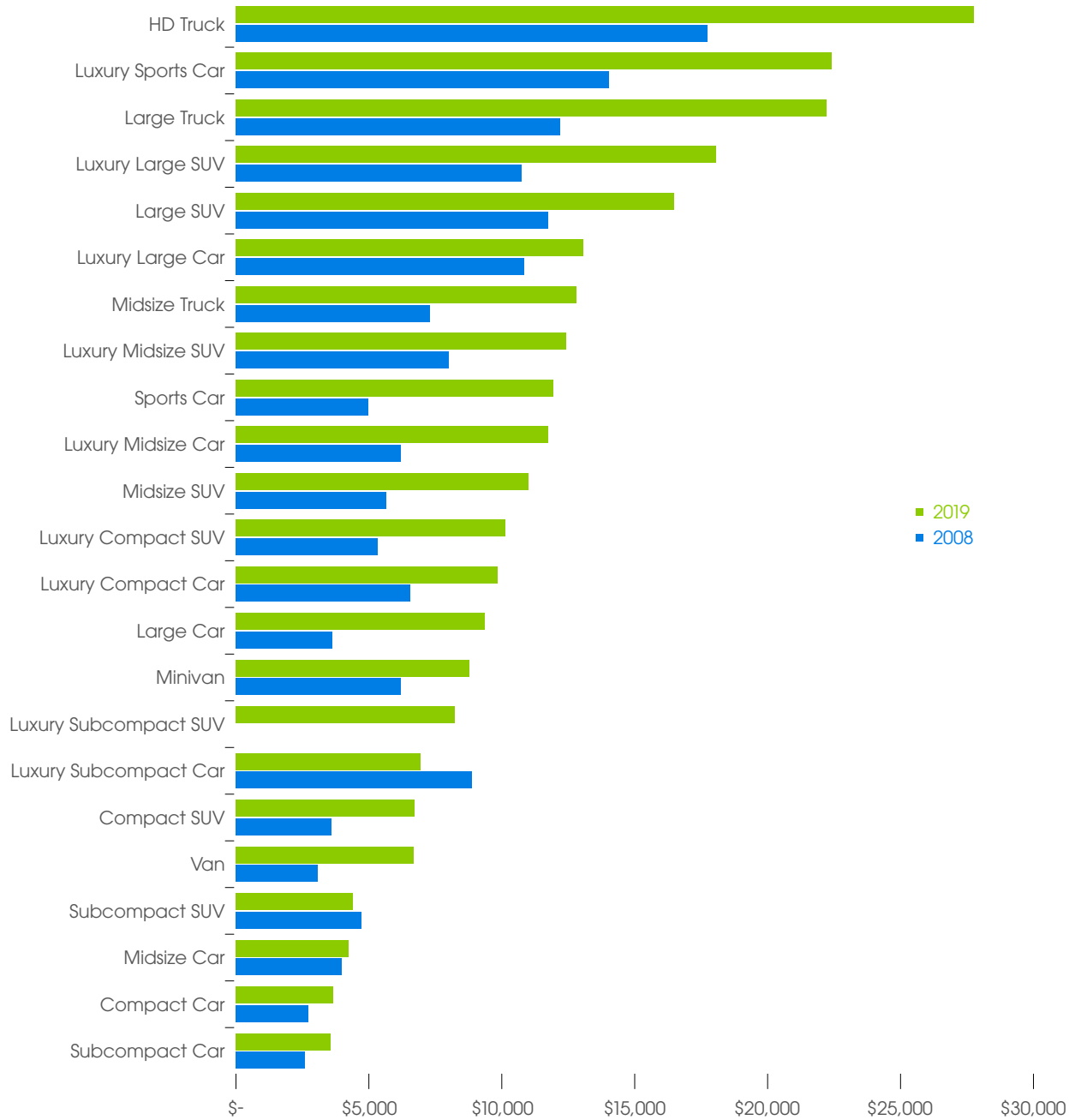
Sources: Edmunds



While a range of factors are driving the increasing cost of new cars, one major determinant is consumers opting for higher trim levels and more options. A decade ago, trim level selection and optional equipment added nearly \$6,500 to a vehicle, but with more consumers migrating toward crossovers with optional all-wheel drive and technology finding its way into every corner of vehicles, the average 2019 model-year vehicle sold for \$10,042 over the base MSRP.

Added content can cost more than another vehicle

CONTENT ABOVE BASE MSRP BY SEGMENT



■ 2019
■ 2008

Sources: Edmunds

Some vehicle categories lend themselves to increasing content and features as automakers have always offered drivetrain choices or specialized trim levels. But the dramatic increase in added options across virtually all vehicle categories shows that the

consumer mind-set has changed. Buyers of heavy-duty trucks or luxury sports cars spend in excess of \$20,000 — and could easily buy another vehicle in place of the added features or equipment.

New more costly options

Even as base-model vehicles arrive from the factory with more standard equipment, there has been an increase in both the share of customers who choose higher trim levels as well as automakers adding trim levels with even more options. This movement upward benefits the automakers that are able to keep customers with their brand by offering options typically found only on luxury vehicles.

These added trim levels are successful sellers and have helped move prices into very high grounds. The Ford Explorer's Platinum trim has a starting MSRP of \$55,260 and bumped the Explorer's average MSRP above \$40,000 and the Challenger's addition of the Hellcat trim not only provided a bump in overall price but also injected new life into an older platform.

TAKE RATE BY TRIM LEVEL

| Pilot | 2014 | 2019 |
|--------------|----------|----------|
| LX | 14% | 6% |
| EX | 12% | 11% |
| EX-L | 51% | 47% |
| Touring | 23% | 25% |
| Elite | N/A | 12% |
| Average MSRP | \$37,157 | \$41,664 |

| Explorer | 2014 | 2019 |
|--------------|----------|----------|
| Base | 13% | 5% |
| XLT | 54% | 64% |
| Limited | 21% | 10% |
| Sport | 11% | 15% |
| Platinum | N/A | 7% |
| Average MSRP | \$36,377 | \$40,138 |

| Accord | 2014 | 2019 |
|--------------|----------|----------|
| LX | 37% | 25% |
| Sport | 27% | 47% |
| EX | 11% | 10% |
| EX-L | 23% | 12% |
| Touring | 2% | 6% |
| Average MSRP | \$26,075 | \$28,204 |

| Challenger | 2014 | 2019 |
|--------------|----------|----------|
| SXT | 53% | 40% |
| GT | N/A | 13% |
| R/T | 42% | 37% |
| SRT8 | 6% | N/A |
| SRT Hellcat | N/A | 11% |
| Average MSRP | \$30,049 | \$37,446 |

Source: Edmunds



As these vehicles make their way onto the used market, shoppers are going to inherit very well-equipped vehicles and only pay a fraction of the original purchase price. Trim levels that mostly consist of added equipment without changes to the drivetrain tend to retain less value, but depreciation takes its toll across the board to one degree or another, making once pricey options much more obtainable in used vehicles. In many instances, a

trim level might cost \$10,000 over the base model when new but command less than half of its original premium on the used market. Factor in brands that have high lease penetration on specific trims due to incentives, or others that supply rental fleets with either a mix or specific trims, and some trim levels reflect even bigger discounts when they reach the used market.

PRICE PREMIUM FOR NEW AND USED TRIM LEVELS

| 2014 Honda Pilot | LX | EX | EX-L | Touring |
|--------------------------------|----------|----------|----------|----------|
| New MSRP in 2014 | \$31,350 | \$33,600 | \$38,050 | \$41,500 |
| Price Walk for Higher Trim | | \$2,250 | \$6,700 | \$10,150 |
| Used Transaction Price in 2019 | \$16,542 | \$17,906 | \$19,614 | \$20,290 |
| Price Walk for Higher Trim | | \$1,364 | \$3,072 | \$3,748 |

| 2014 Ford Explorer | Base | XLT | Limited | Sport |
|--------------------------------|----------|----------|----------|----------|
| New MSRP in 2014 | \$31,910 | \$34,795 | \$39,995 | \$42,570 |
| Price Walk for Higher Trim | | \$2,885 | \$8,085 | \$10,660 |
| Used Transaction Price in 2019 | \$14,512 | \$17,484 | \$18,619 | \$21,275 |
| Price Walk for Higher Trim | | \$2,972 | \$4,108 | \$6,764 |

| 2014 Dodge Challenger | SXT | R/T | SRT8 |
|--------------------------------|----------|----------|----------|
| New MSRP in 2014 | \$27,490 | \$31,490 | \$43,080 |
| Price Walk for Higher Trim | | \$4,000 | \$15,590 |
| Used Transaction Price in 2019 | \$15,245 | \$21,859 | \$26,682 |
| Price Walk for Higher Trim | | \$6,614 | \$11,437 |

| 2014 Honda Accord | LX | Sport | EX | EX-L | Touring |
|--------------------------------|----------|----------|----------|----------|----------|
| New MSRP in 2014 | \$24,023 | \$24,935 | \$26,323 | \$31,350 | \$34,300 |
| Price Walk for Higher Trim | | \$913 | \$2,300 | \$7,327 | \$10,278 |
| Used Transaction Price in 2019 | \$12,610 | \$13,084 | \$13,752 | \$14,889 | \$17,011 |
| Price Walk for Higher Trim | | \$475 | \$1,143 | \$2,280 | \$4,402 |

Source: Edmunds



Looking ahead

With more new-vehicle buyers willing to spend significant premiums on feature-packed vehicles, automakers have a golden opportunity to provide customers with amenities and technology that go beyond the basics of leather seats and moonroofs.

However, as equipment becomes more tech-focused, shoppers face the prospect of purchasing a vehicle that quickly becomes out-of-date. But for those who aren't in need of the latest and greatest, there will be even more value in buying used.

