



Blue Book MARKET REPORT

THIRD QUARTER 2016

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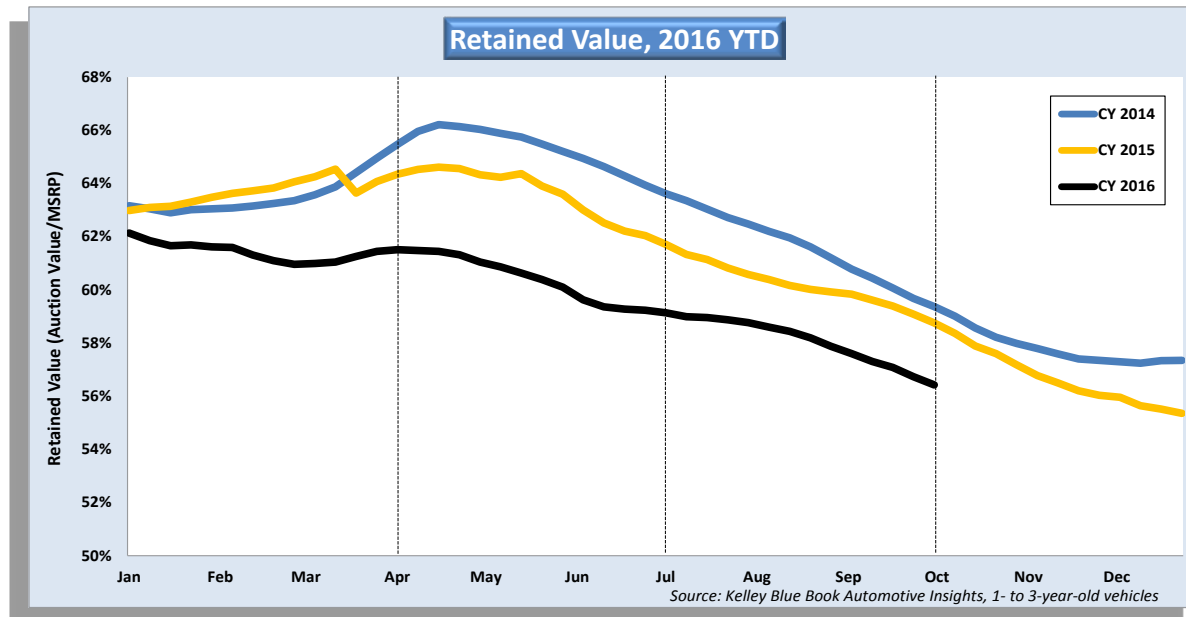
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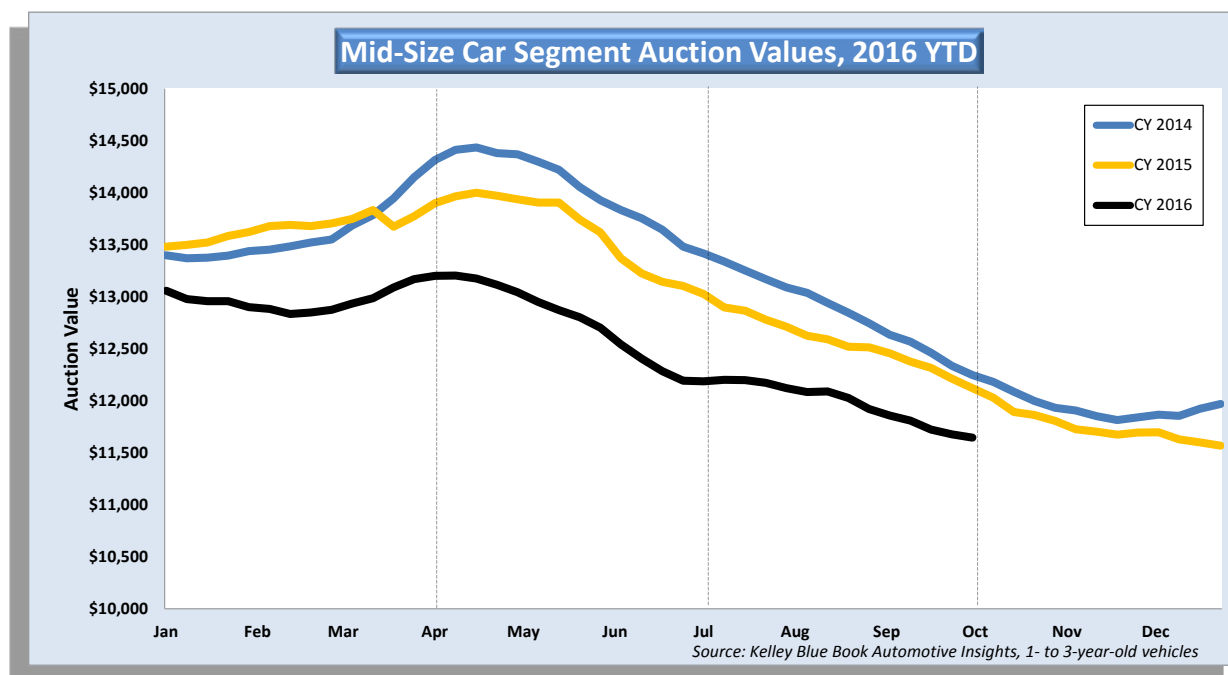
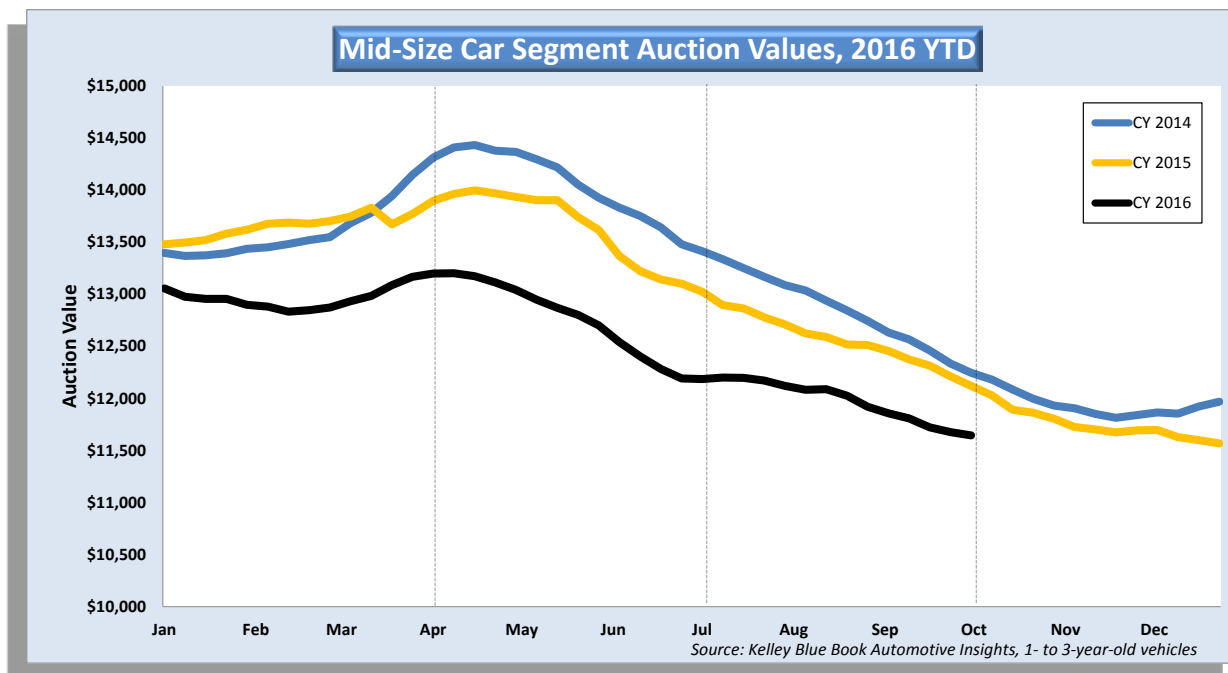
Rising MSRPs Not Translating into Higher Retention for 1- to 3-Year-Old Vehicles



...THE MARKET IS NOT WILLING TO PAY A PREMIUM FOR THESE VEHICLES, DESPITE THEIR HIGHER INITIAL COSTS AND POTENTIALLY BETTER-QUALITY FEATURES...

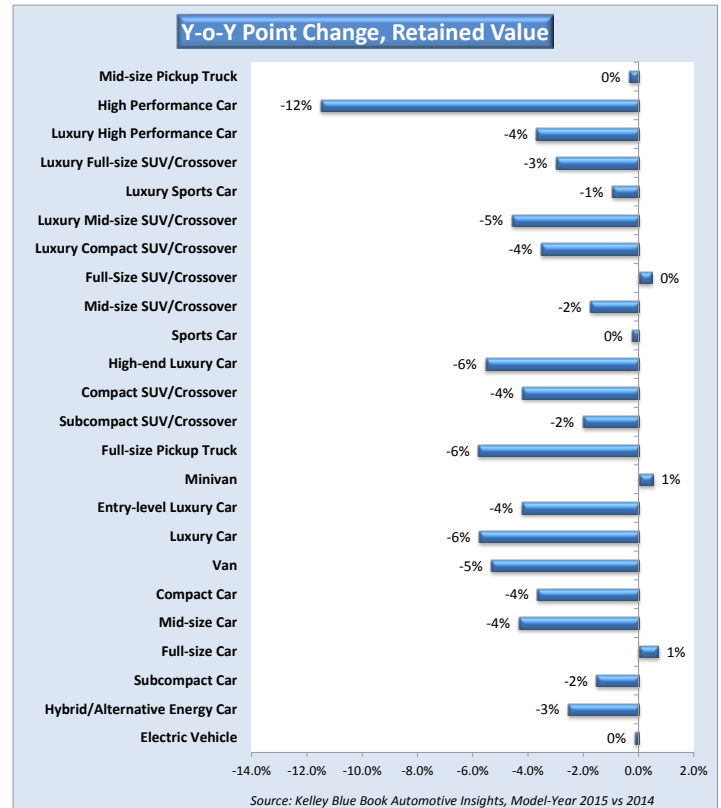
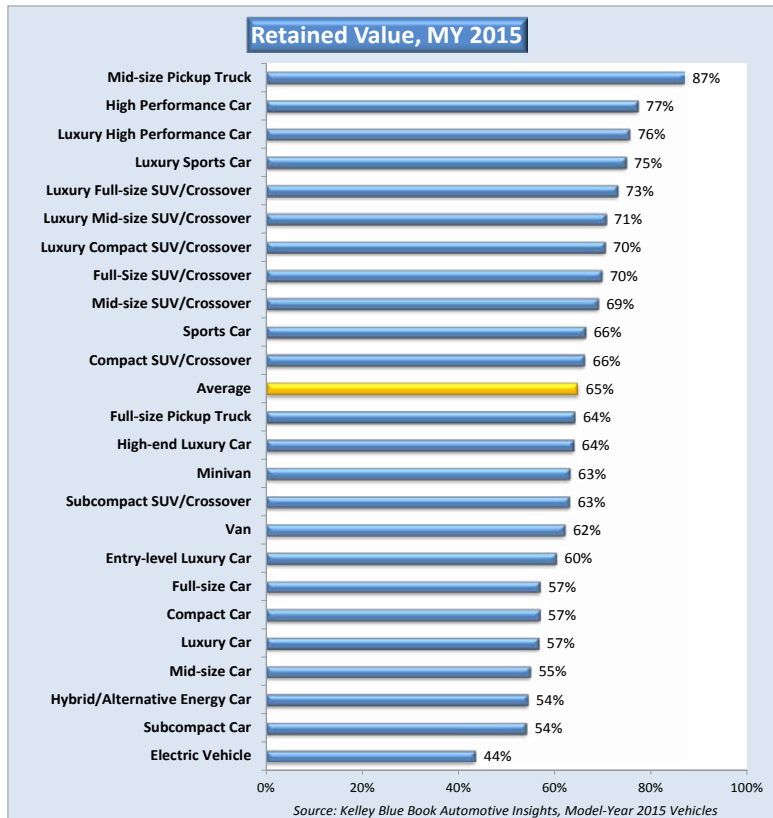
SEAN FOYIL, KELLEY BLUE BOOK ANALYST

- Despite the average cost of a 1- to 3-year-old vehicle at auction remaining relatively unchanged over the past few years, retained value for 1- to 3-year-old vehicles continues to trend lower.
- The average retention (Auction Value/MSRP) of a 1- to 3-year-old vehicle fell to 56 percent at the end of the third quarter of 2016 compared to 59 percent at the same time last year, roughly a 4 percent decrease year-over-year.
 - Average Retained Value (2014): 59.4 percent
 - Average Retained Value (2015): 58.8 percent
 - Average Retained Value (2016): 56.4 percent
- Rising MSRPs are not converting into higher retention for 1- to 3-year-old vehicles when they return to the market. In fact, values for vehicles have changed very little year-over-year from a dollar perspective. This tells us that the market is not willing to pay a premium for these vehicles despite their higher initial costs and potentially better-quality features, such as added packages and technology upgrades, given the surplus of vehicles available in the market.



- The compact car and mid-size car segments have both underperformed the overall market from a year-to-date perspective, declining 9.7 percent and 10.8 percent respectively.
- At the end of the third quarter of 2016, the average auction value for a 1- to 3-year-old compact and mid-size vehicle was \$9,931 and \$11,645 respectively.
- One- to three-year-old compact and mid-size cars are performing at their lowest levels than in previous years. Increased lease return volume and additional competition from compact SUV/crossover segments has been putting downward pressure on both of these segments.

Mid-Size Pickup Trucks Continue to Lead the 2015 Model-Year Vehicle Retention by Segment



- When comparing 2015 model-year vehicles at the segment level, mid-size pickup trucks remain strongest with an average value retention rate of 87 percent, 10 percent higher than the next best segment – high performance cars. The 2015 model-year saw all-new models for both the Chevrolet Colorado and the GMC Canyon which contributed to the high average value retention rate.
- The 2015 mid-size pickup truck segment is led by the Chevrolet Colorado (85 percent retention), GMC Canyon (80 percent retention), Nissan Frontier (69 percent retention) and the Toyota Tacoma (96 percent retention).

Top 10 2015 Model-Year Vehicles by Value Retention:

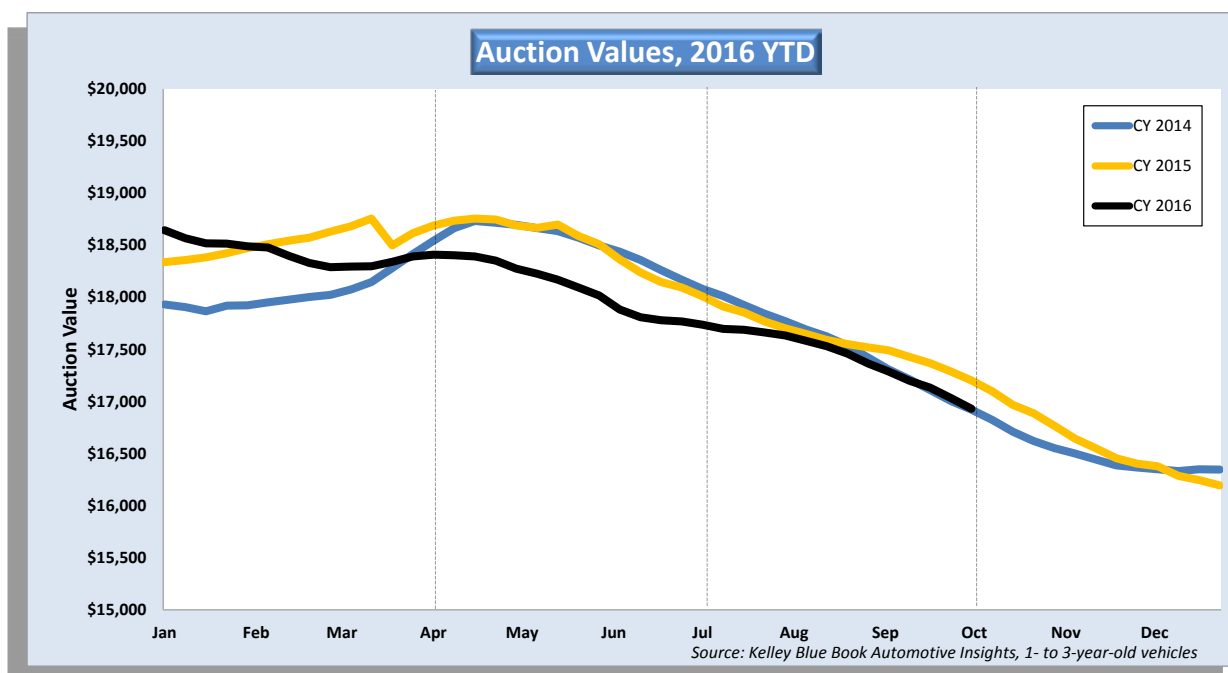
VEHICLE SEGMENT	MANUFACTURER	MODEL	RETENTION (%)
Luxury High Performance Car	Mercedes-Benz	SLS-Class	105%
Mid-Size Pickup Truck	Toyota	Tacoma Double Cab	96%
Compact SUV/Crossover	Jeep	Wrangler	93%
Luxury Compact SUV/Crossover	Porsche	Macan	92%
Luxury Sports Car	Alfa Romeo	4C	90%
Luxury Mid-size SUV/Crossover	Land Rover	Range Rover Sport	87%
Luxury Sports Car	Porsche	Cayman	86%
Compact SUV/Crossover	Nissan	Xterra	86%
Mid-size Pickup Truck	Chevrolet	Colorado Crew Cab	85%
Luxury Full-size SUV/Crossover	Land Rover	Range Rover	84%

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Bottom 10 2015 Model-Year Vehicles by Value Retention:

VEHICLE SEGMENT	MANUFACTURER	MODEL	RETENTION (%)
Compact Car	Mitsubishi	Lancer	47%
Electric Vehicle	Chevrolet	Volt	46%
Mid-Size Car	Chrysler	200	46%
Electric Vehicle	Mercedes-Benz	B-Class	46%
Entry-Level Luxury Car	Volvo	S60	45%
Subcompact Car	Mitsubishi	Mirage	45%
Subcompact Car	FIAT	500	44%
Hybrid/Alternative Energy Car	Ford	C-MAX Hybrid	44%
Subcompact Car	smart	fortwo	41%
Electric Vehicle	Nissan	LEAF	29%

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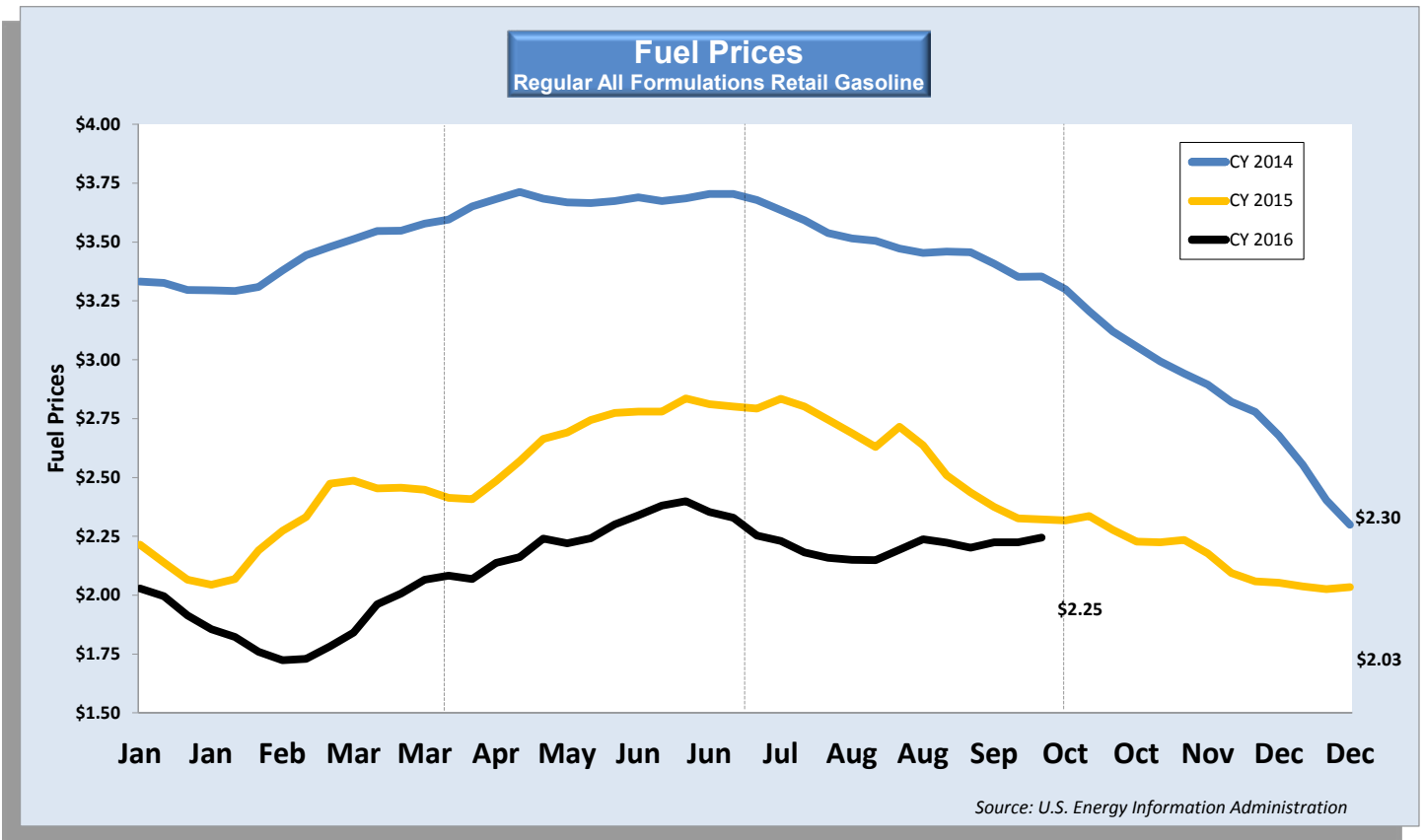


...VALUES IN THE THIRD QUARTER CAUGHT BACK UP WITH HISTORICAL AVERAGES FINISHING JUST 0.1 PERCENT HIGHER THAN IN 2014 AND A MERE 1.6 PERCENT LOWER THAN IN 2015.

SEAN FOYIL, KELLEY BLUE BOOK ANALYST

- Auction values for 1- to 3-year-old vehicles fell 4.6 percent, or \$807, in the third quarter of 2016.
- Year-to-date, average auction values are down 9.2 percent, or roughly \$1,700 per unit, compared to the third quarter of last year when average auction values dropped only 6.2 percent, or roughly \$1,100.
- Average auction volume continues to maintain at higher levels than in previous years with volume in the third quarter of 2016 averaging roughly 11 percent higher than in the third quarter of 2015, due to a continued high level of lease returns.
- While 1- to 3-year-old vehicles may be better-equipped than in previous years, the large influx of off-lease vehicles available in the market has caused features that may typically command a premium, to lower auction values.
- Despite the disparity in average auction values seen in the second quarter, values in the third quarter caught back up with historical averages finishing just 0.1 percent higher than in 2014 and a mere 1.6 percent lower than in 2015.

Fuel Prices Remain Flat Through Third Quarter of 2016



		Average Fuel Prices By Month (\$)												
Year	Chart (Hi/Lo)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
2016		\$1.98	\$1.76	\$1.93	\$2.11	\$2.25	\$2.36	\$2.21	\$2.18	\$2.22				
2015		\$2.14	\$2.22	\$2.46	\$2.47	\$2.72	\$2.80	\$2.79	\$2.67	\$2.41	\$2.29	\$2.18	\$2.04	
2014		\$3.32	\$3.36	\$3.53	\$3.66	\$3.67	\$3.69	\$3.61	\$3.49	\$3.42	\$3.17	\$2.91	\$2.54	

- Fuel prices ended the third quarter relatively flat with an overall change of a 1 cent increase for the national average from July through September 2016.
- Year-to-date, the average price per gallon of fuel is up 11 percent, or \$0.22.
- Year-over-year, the average price per gallon of fuel is down 3 percent, or only \$0.08, compared to a difference of 17 percent, or \$0.47 cents lower, at the end of the second quarter.
- Historically, fuel prices begin to trend downward in the third quarter and throughout the remainder of the year; however, that trend has not been evident thus far and stagnation of fuel prices has brought the cost of fuel within 3 percent of where it was this time last year.
- This is due to the continued low price of fuel is being driven by sustained high output of global crude oil as well as an increase of domestic, U.S.-based oil production. Both increased production at the global and domestic level are helping to create downward pricing pressure.

Top 5 Performing Segments:

SEGMENT	Third Quarter 2016 Change (%)
Full-Size Pickup Truck	-0.6%
Mid-Size Pickup Truck	-0.9%
Van	-1.2%
Minivan	-3.4%
Subcompact Car	-3.5%

MY 2013-2015, Kelley Blue Book® Auction Value

Bottom 5 Performing Segments:

SEGMENT	Third Quarter 2016 Change (%)
Electric Vehicle	-9.1%
Sports Car	-8.9%
High-End Luxury Car	-7.8%
Luxury Car	-7.7%
Hybrid/Alternative Energy Car	-7.1%

MY 2013-2015, Kelley Blue Book® Auction Value

Top 5 Performing Brands

SEGMENT	Third Quarter 2016 Change (%)
Ram	3.1%
FIAT	-1.8%
smart	-3.0%
Ford	-3.1%
Land Rover	-3.3%

MY 2013-2015, Kelley Blue Book® Auction Value

Bottom 5 Performing Segments:

SEGMENT	Third Quarter 2016 Change (%)
Electric Vehicle	-9.1%
Sports Car	-8.9%
High-End Luxury Car	-7.8%
Luxury Car	-7.7%
Hybrid/Alternative Energy Car	-7.1%

MY 2013-2015, Kelley Blue Book® Auction Value

Top 10 Performing Models:

MAKE	MODEL	Third Quarter 2016 Change (%)
GMC	Canyon Crew Cab	3.2%
GMC	Sierra 1500 Ext	2.8%
Chevrolet	Silverado 1500 E	2.8%
Nissan	Xterra	2.5%
Mazda	MAZDA2	2.3%
Suzuki	Equator Crew Cab	1.8%
Cadillac	ELR	1.7%
Nissan	Titan Crew Cab	1.4%
Ram	1500 Quad Cab	1.4%
Infiniti	QX50	1.0%

MY 2013-2015, Kelley Blue Book® Auction Value

Bottom 10 Performing Models:

MAKE	MODEL	Third Quarter 2016 Change (%)
Mitsubishi	Galant	-17.8%
Infiniti	Q60	-14.7%
Ford	C-MAX Hybrid	-14.7%
Lexus	HS	-14.6%
Acura	RDX	-14.3%
Honda	Insight	-13.9%
Nissan	LEAF	-13.9%
Scion	xD	-13.7%
BMW	Z4	-13.3%
Acura	RLX	-13.1%

MY 2013-2015, Kelley Blue Book® Auction Value

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