


# Wholesale Market Insights *Through December 2018*

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## *Manheim Used Vehicle Value Index*

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### **Concept:**

A single measure of used vehicle price change that is independent of underlying segment shifts in the characteristics of vehicles being sold

### **Steps:**

All Manheim U.S. sales

Classify by market segment

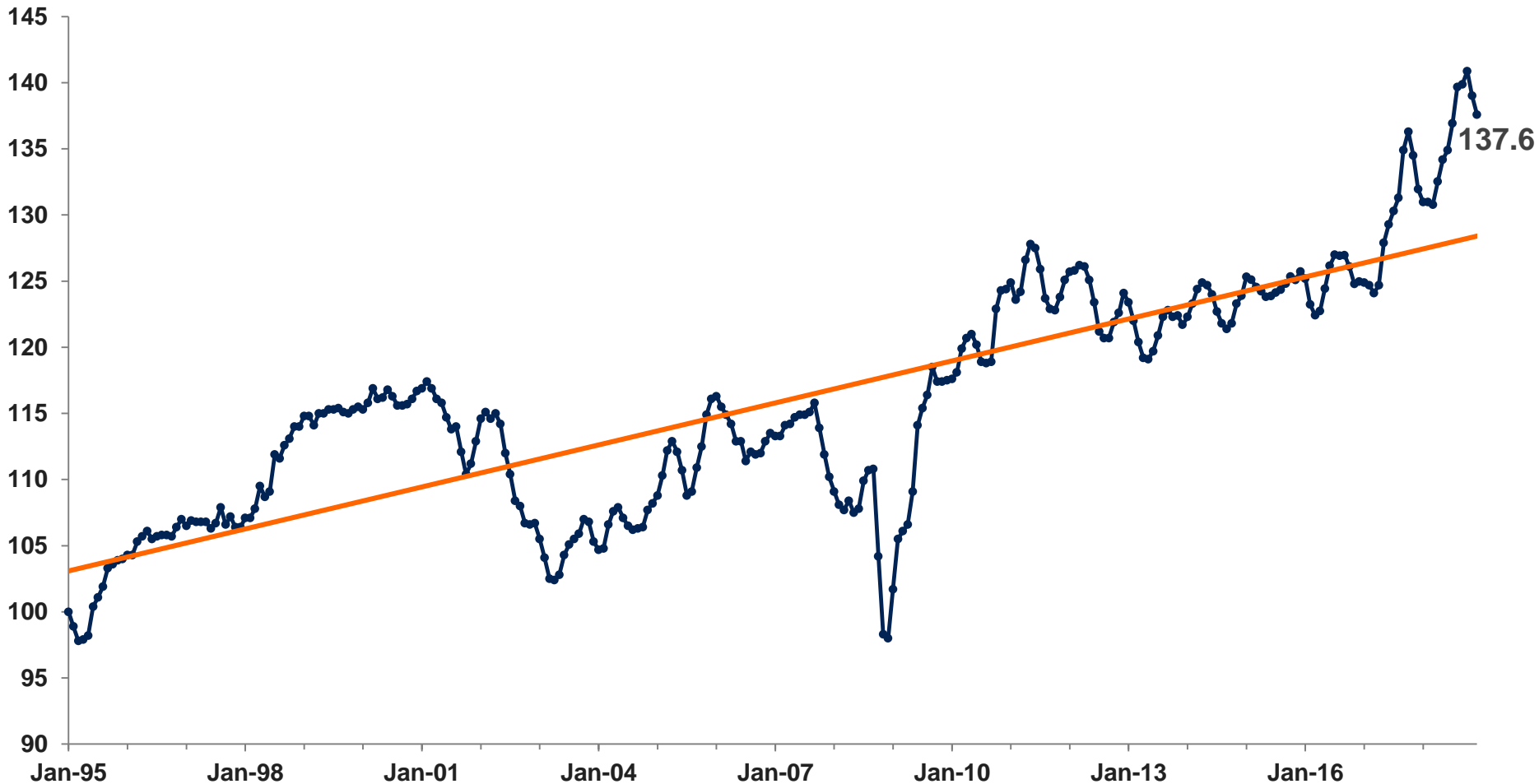
Account for differences in mileage

Weight to provide smoother segment mix

Seasonally adjust

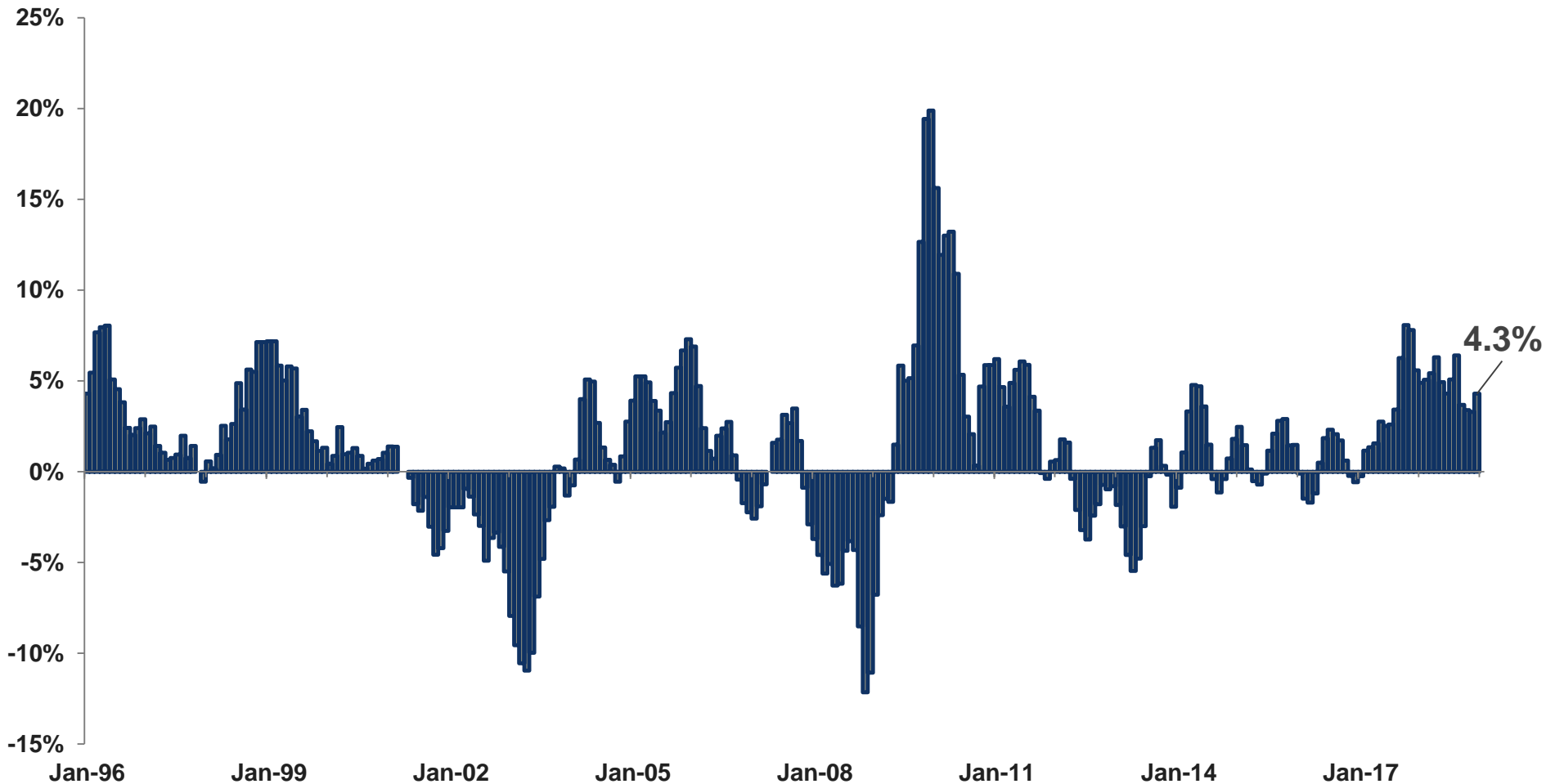
# Used Vehicle Values Continue To Fade From Record High

Prices in December decreased 1.03% versus November 2018 and were up 4.3% compared to December 2017



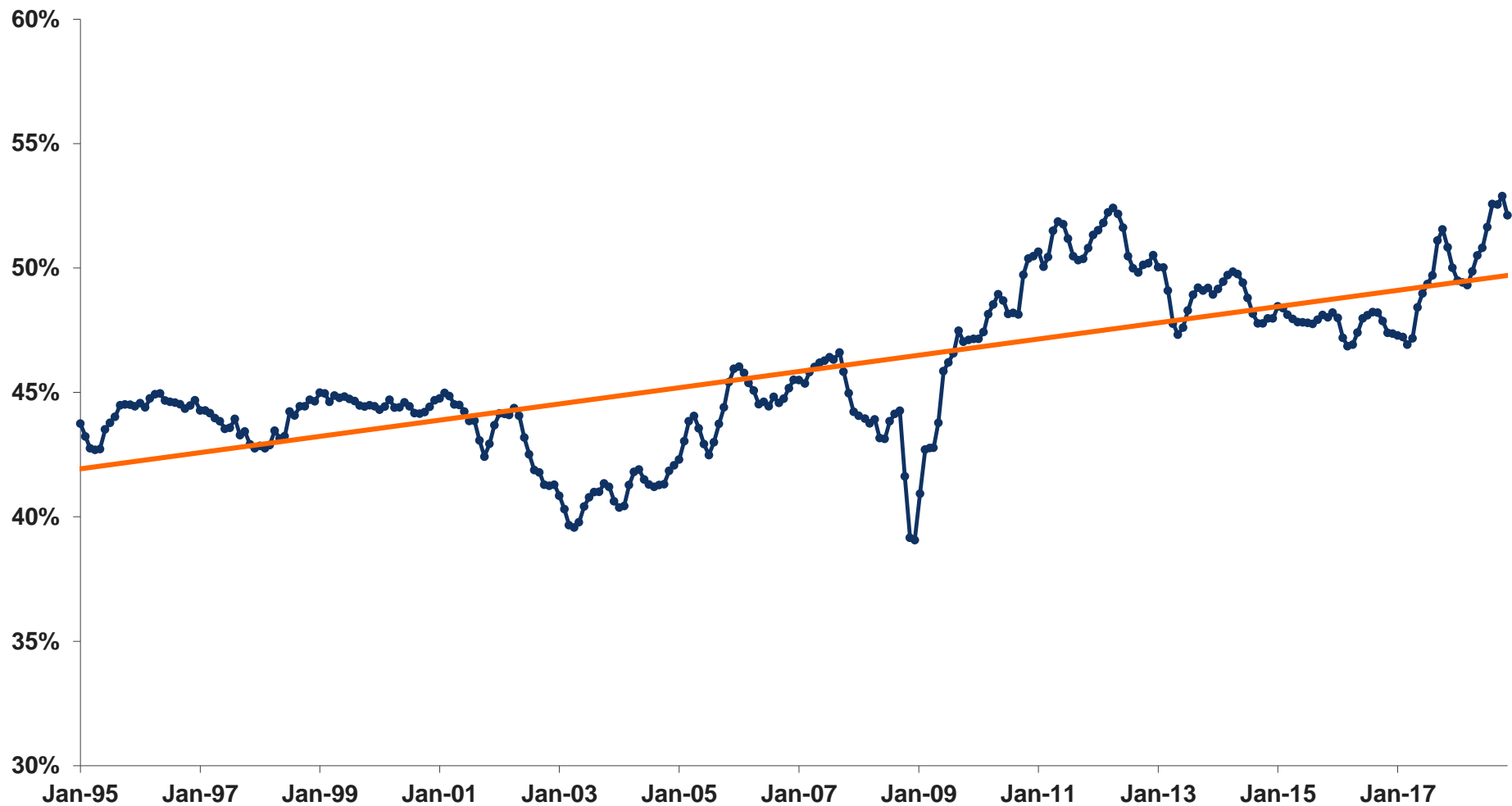
# Used Vehicle Values Saw Another Above Average Year

Year-over-year price performance has been much stronger than average over the last 12 months

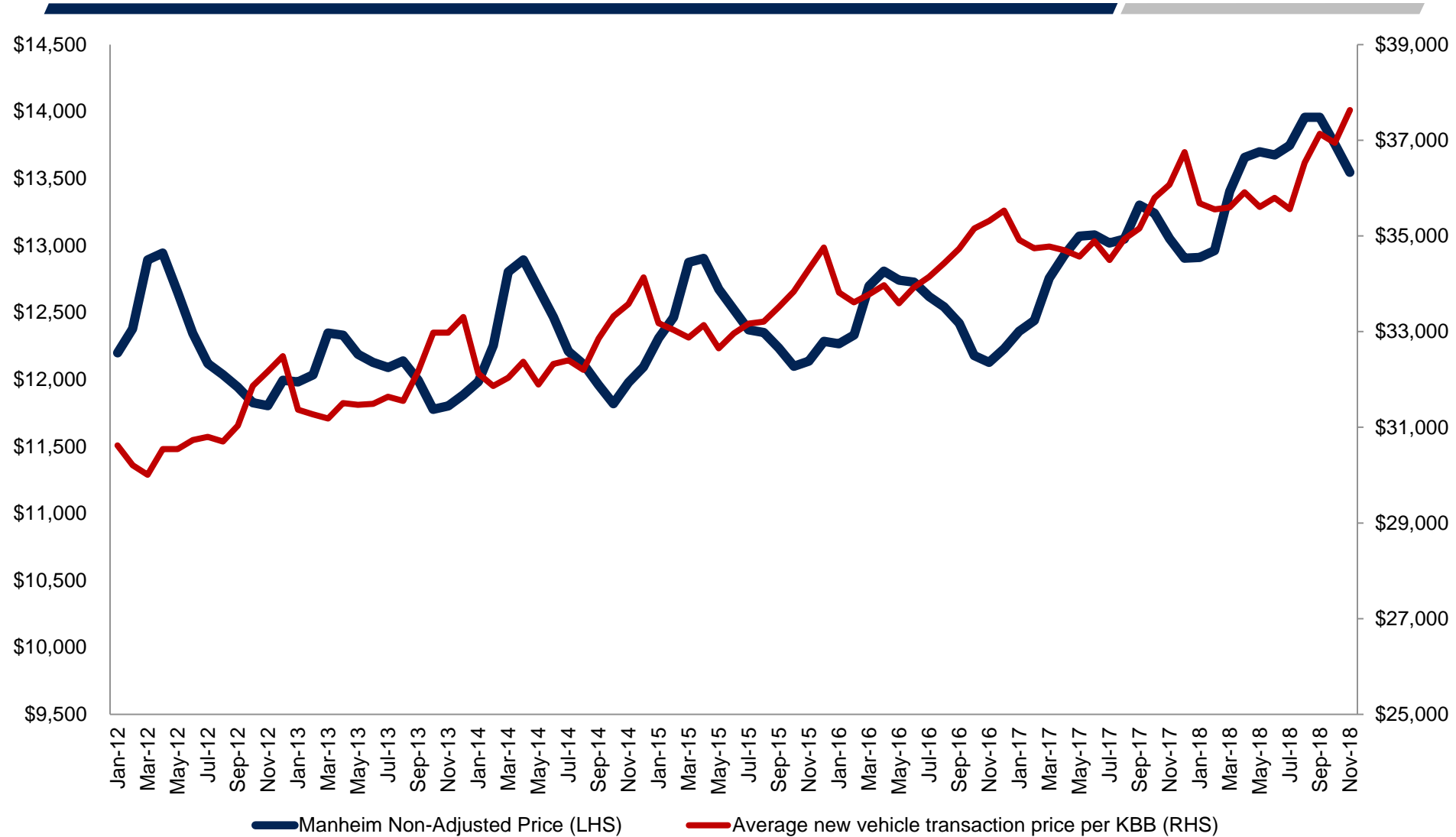


# Manheim Index versus Mix & Quality Adjusted New Vehicle Price with 3 ½ year Lag

After recent increases, used prices have shifted above the new vehicle price trend



# Wholesale Used Vehicle Prices vs. New Vehicle Prices



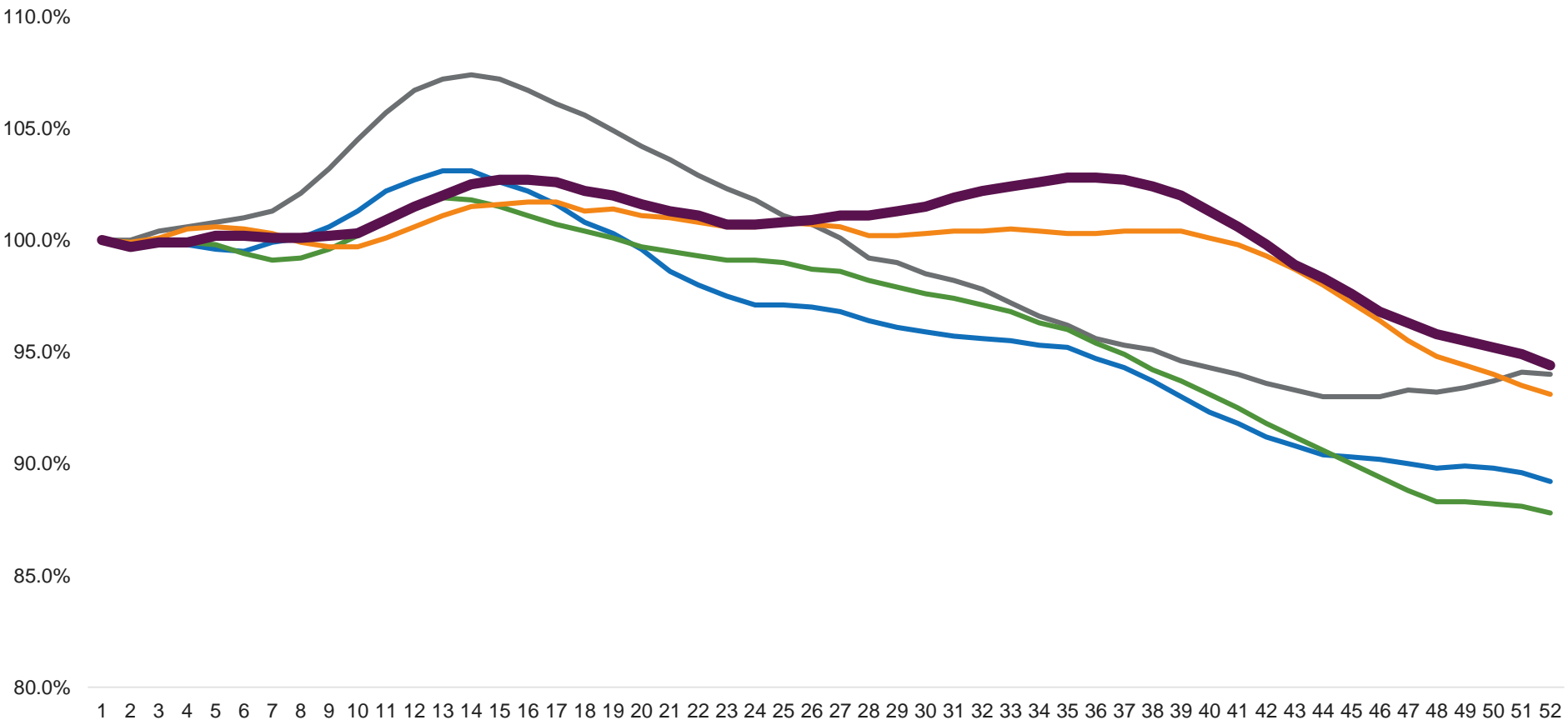


# An Abnormal Summer of Price Appreciation in Wholesale Vehicles

11 weeks of appreciation in the summer brought prices to a new equilibrium reflecting an average 2% increase in value

3-Year-Old Model MMR Index by Week

— 2014 — 2015 — 2016 — 2017 — 2018



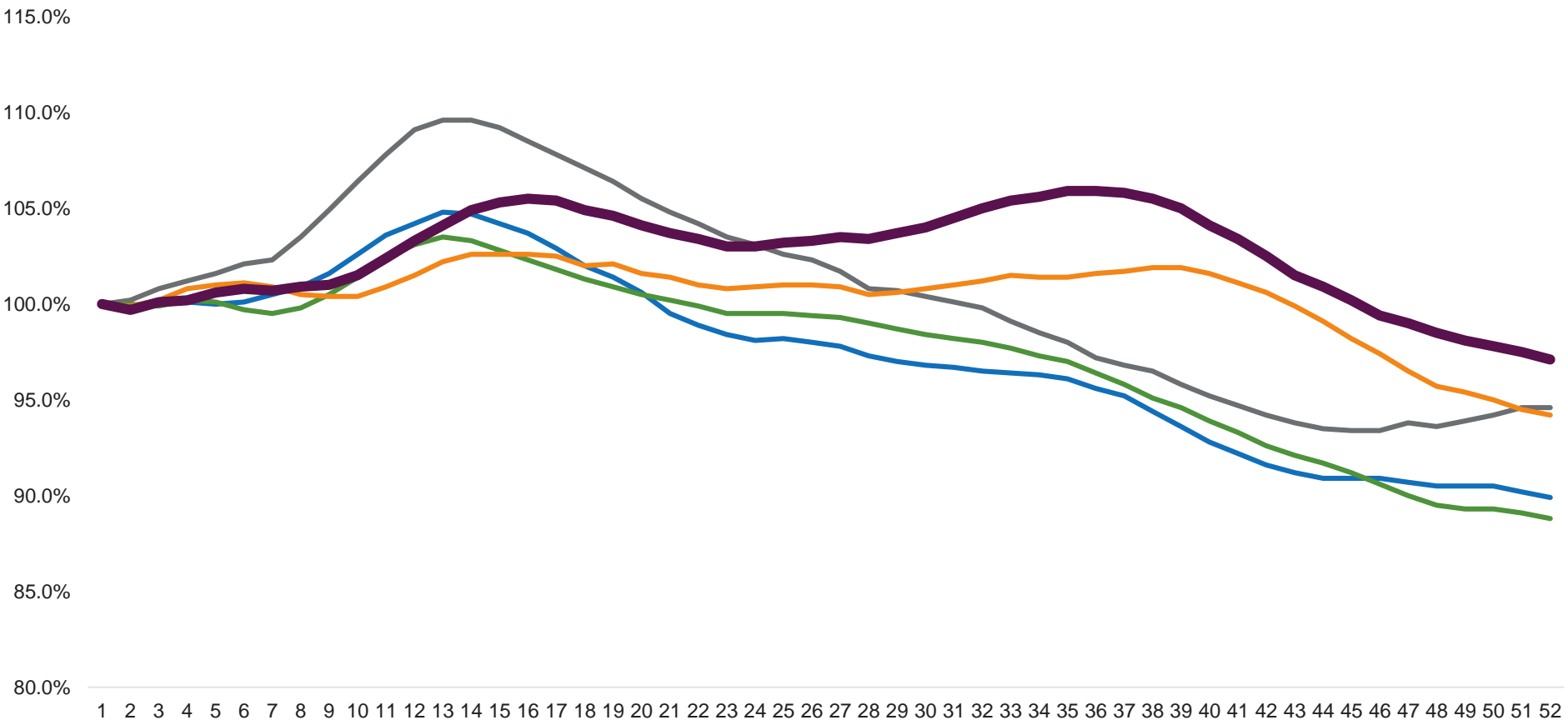


# Price Move Was Most Pronounced in Non-Luxury

2018 spring bounce stronger than last 3 years followed by summer ramp up

Non-Luxury 3YO Model MMR Index by Week

— 2014 — 2015 — 2016 — 2017 — 2018

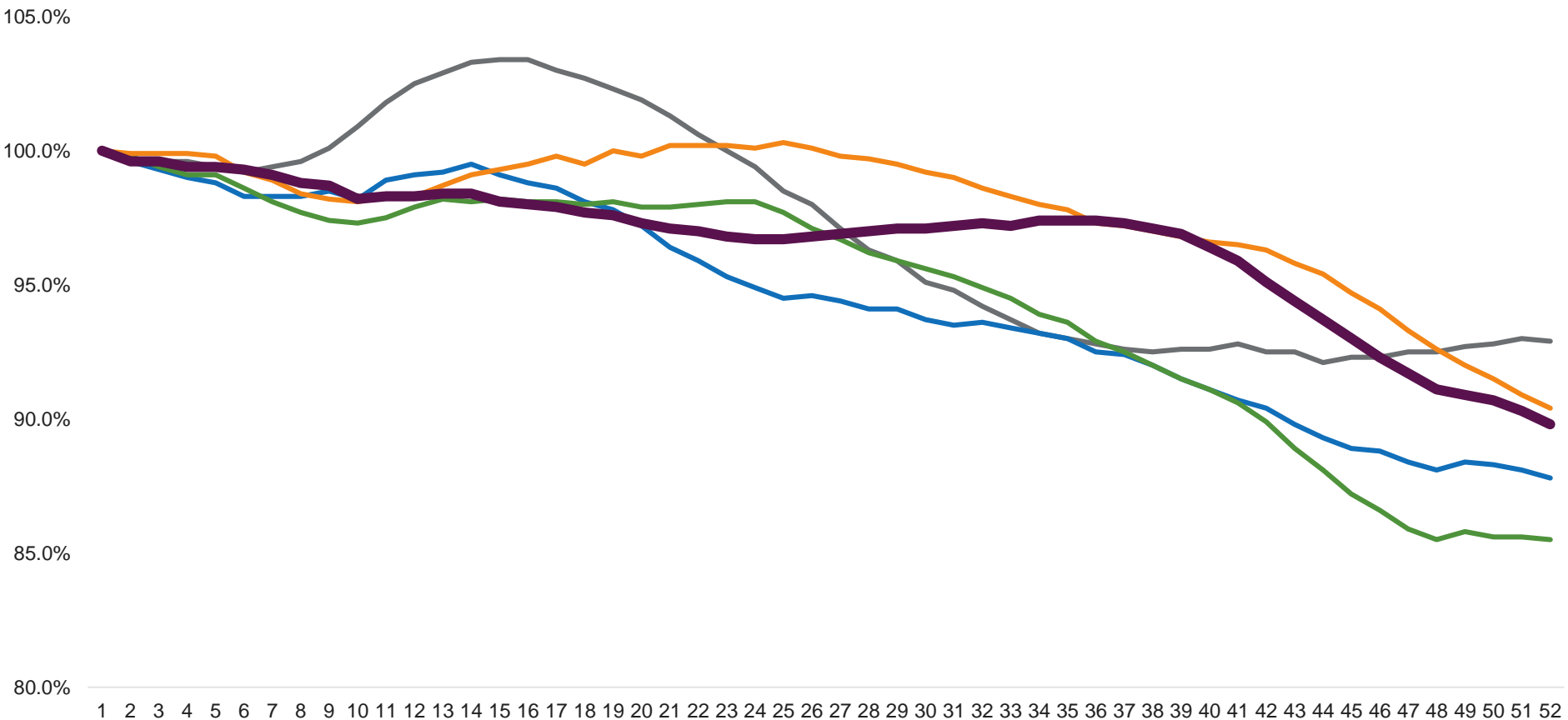


# Luxury Saw Less of a Bounce But Lower Depreciation Left Prices Higher

Luxury vehicle prices moved later and saw a slightly lower increase in values

Luxury 3YO Model MMR Index by Week

— 2014 — 2015 — 2016 — 2017 — 2018

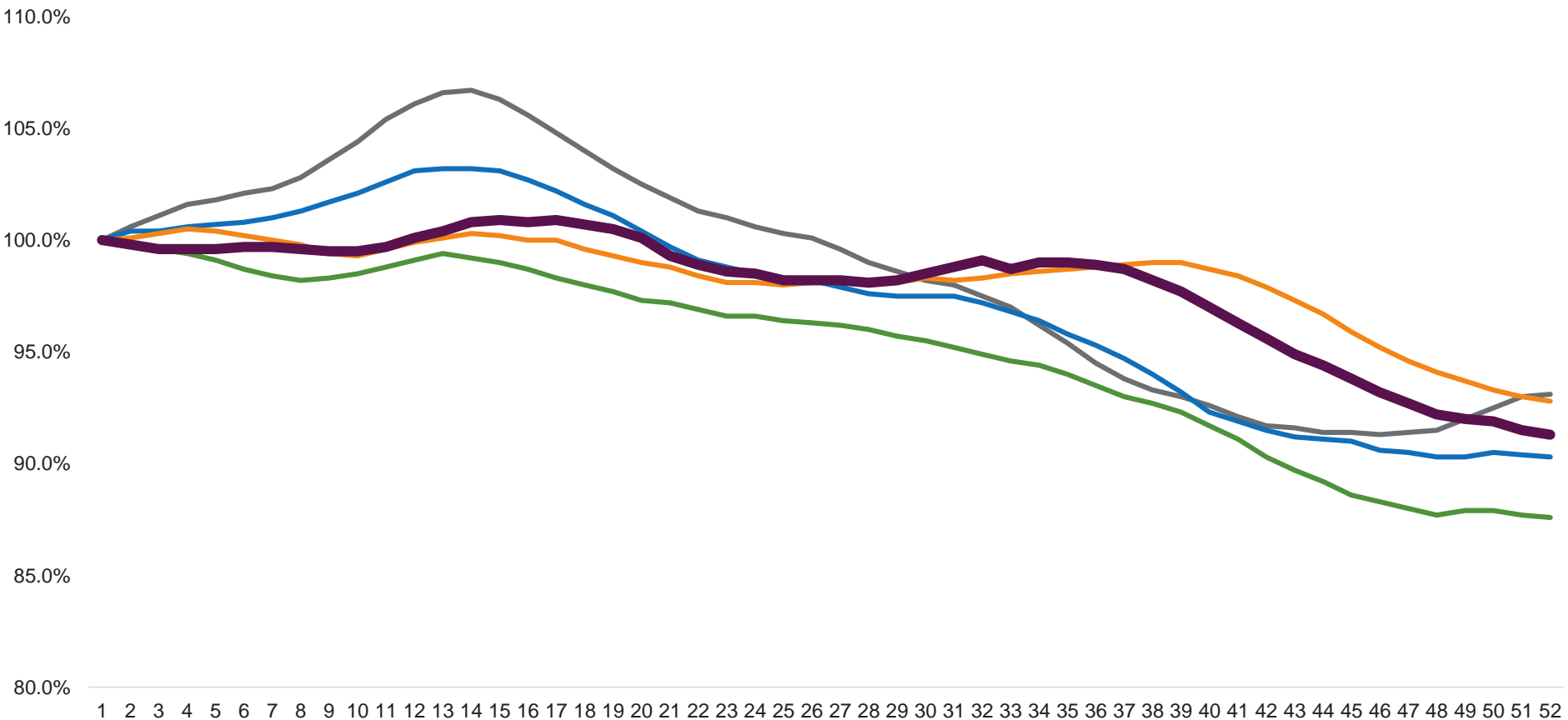


# One-Year-Old Vehicles Saw Less Depreciation Until the Fall

One-year-old vehicles ended up lower than 2017 but still saw less depreciation than normal

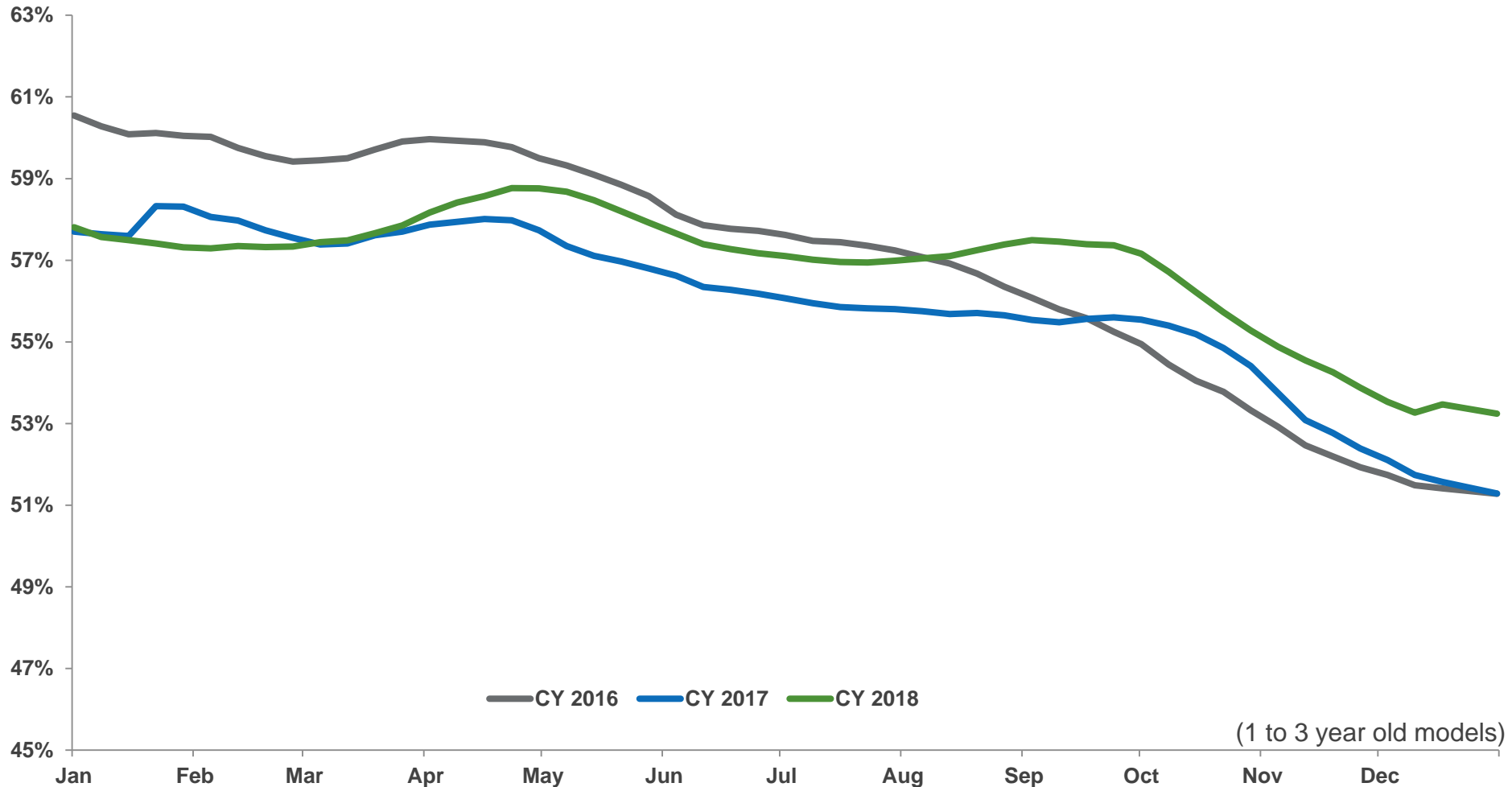
1-Year-Old Model MMR Index by Week

— 2014 — 2015 — 2016 — 2017 — 2018



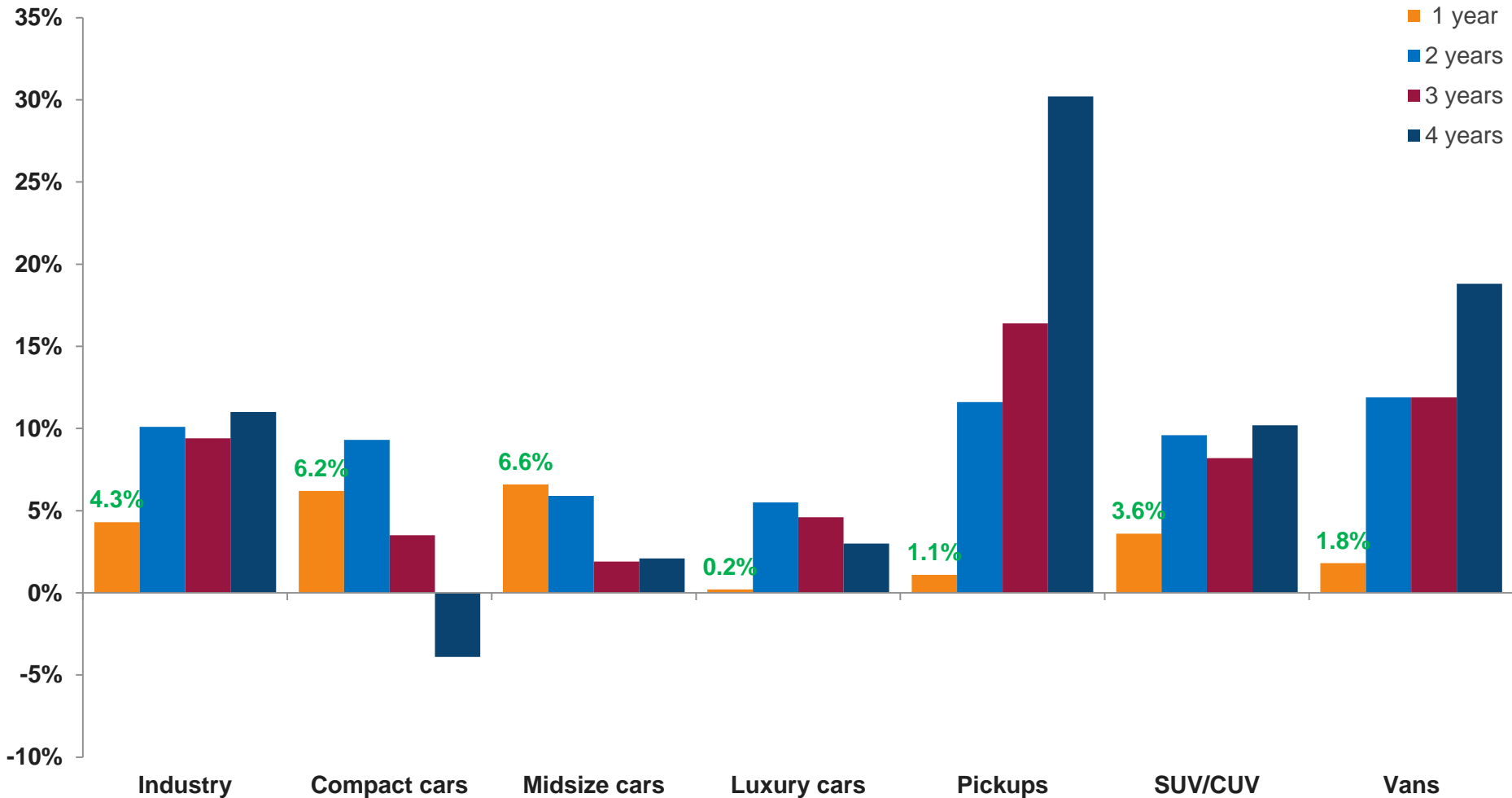
# Retention Values Trended Higher This Year After Q1

Adjusting for MSRP and fixing the basket of vehicles by what was sold now 2% over last year



# Percent Change in Wholesale Prices for Major Market Segments

All major segments saw year-over-year gains in December

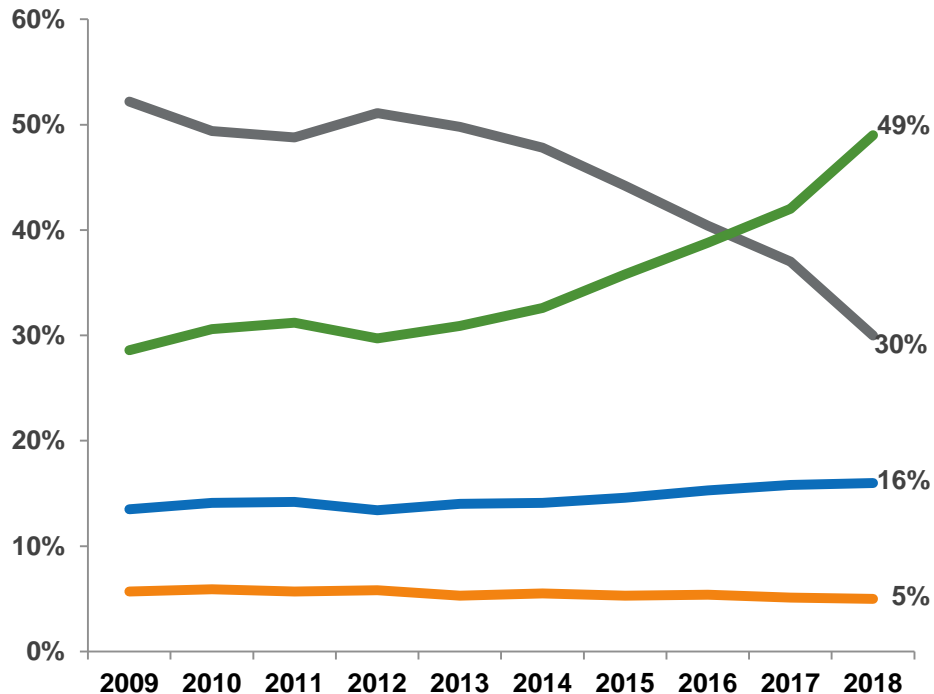


# Shifting Consumer Preferences Not Reflected in Wholesale Market Volumes

The SUV reigns supreme in new vehicle sales while cars still dominated the used car market

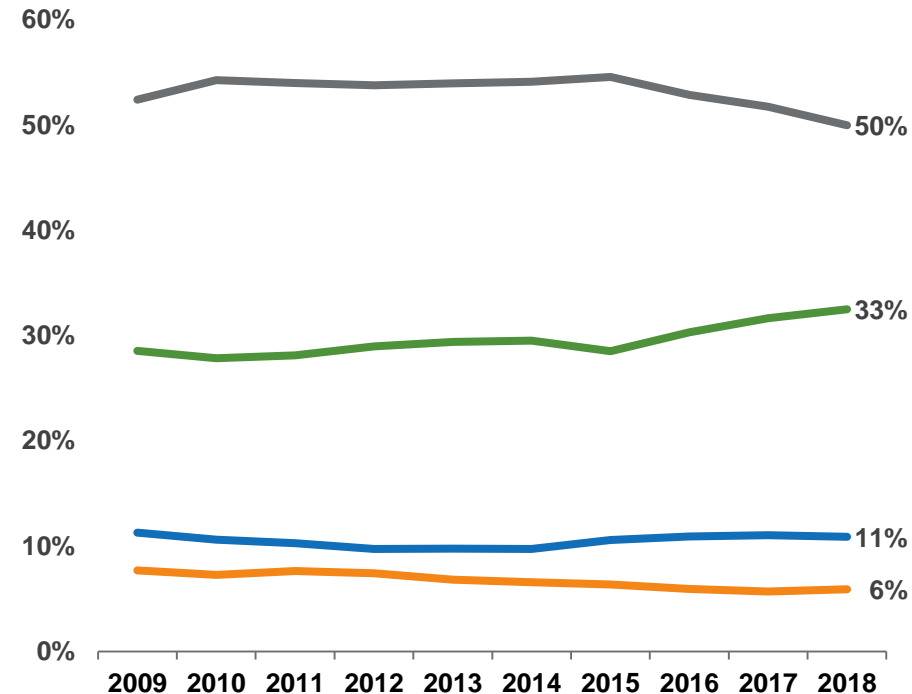
### New Vehicle Sales by Category

CAR PICKUP SUV VAN



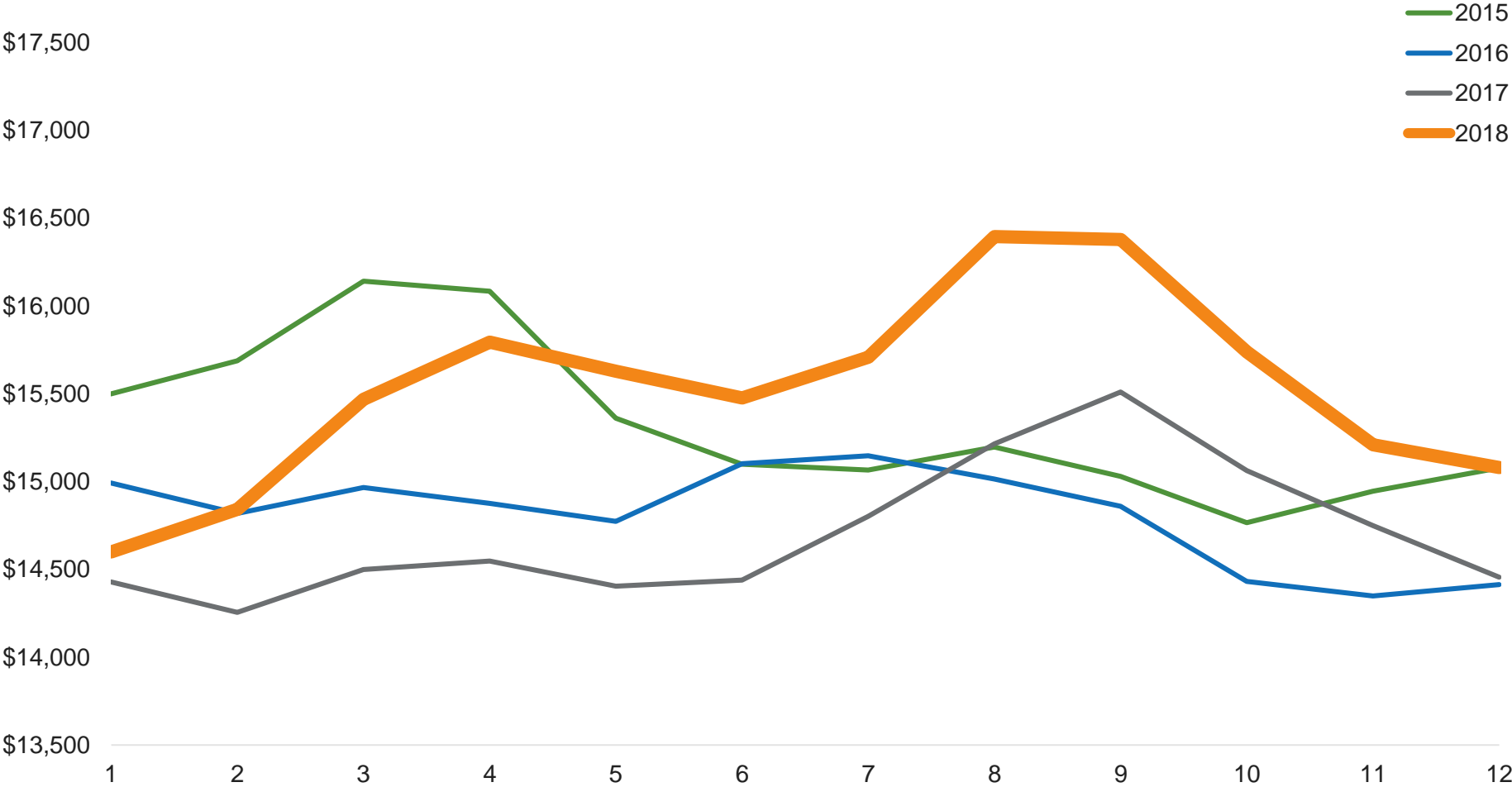
### Manheim Sales by Category

CAR PICKUP SUV VAN



# Average Auction Price – Rental Risk Units

Average price for rental risk units sold in December up 4% y/y and down 1% m/m





# Average Mileage – Rental Risk Units Sold at Auction

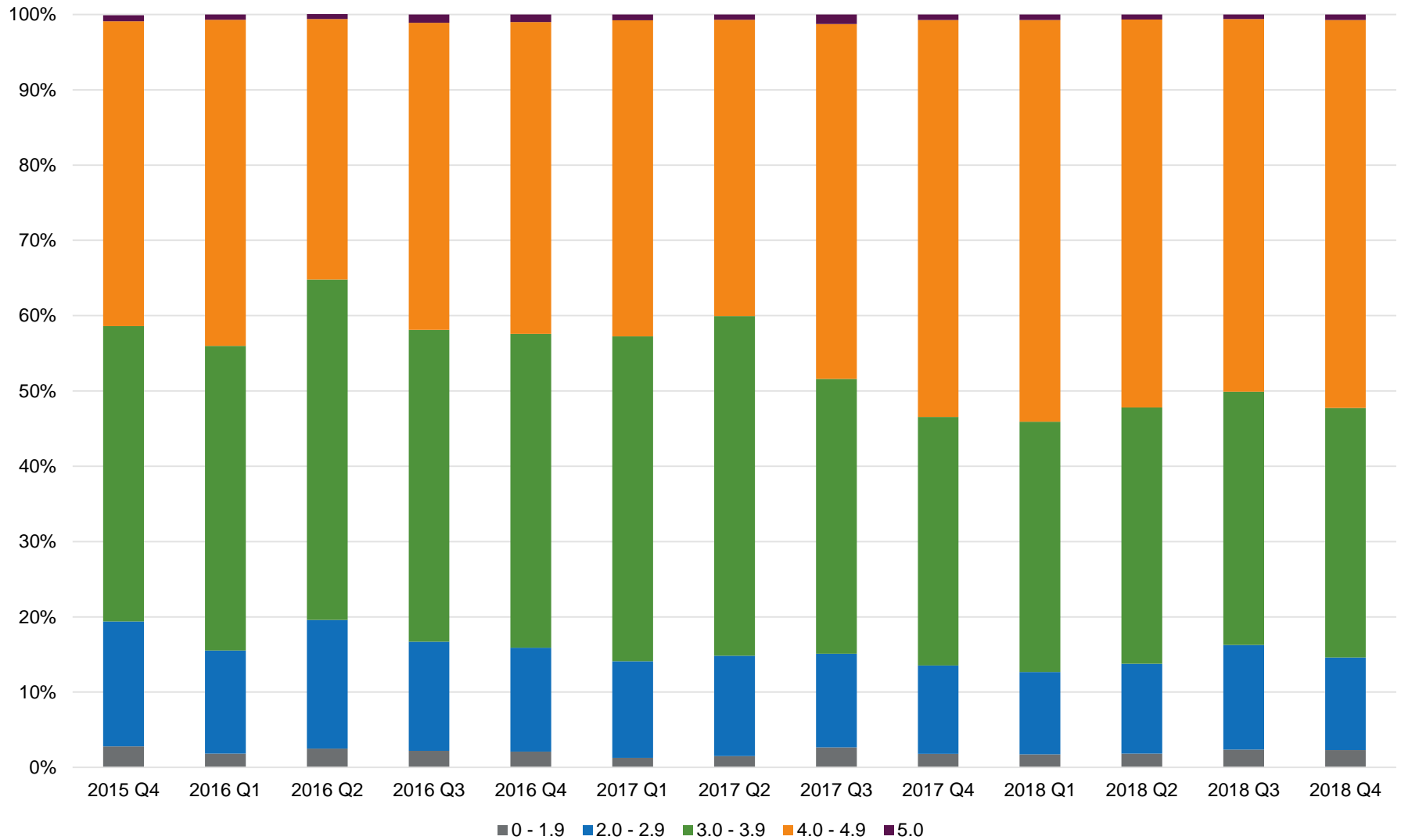
Average mileage for rental risk units in December was down 3% compared to a year ago and up 3% m/m



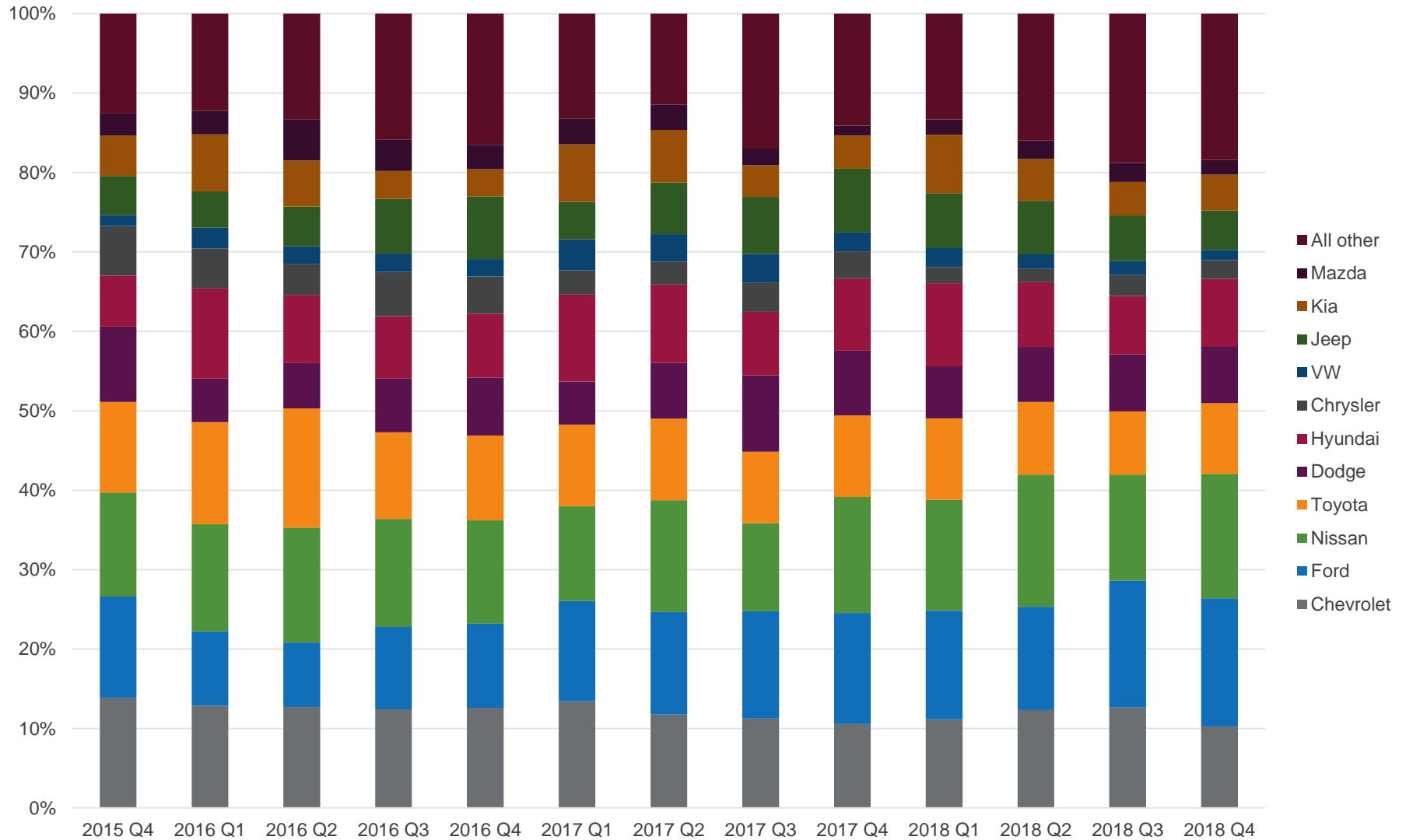
## *Distribution of Rental Risk Vehicles*

	2016 Q4	2017 Q4	2018 Q4
Number of unique year, make, model, body configurations sold	3,026	3,014	2,623
Share accounted for top 10 YMMB	14.0%	11.9%	12.0%
Share accounted for top 25 YMMB	24.8%	22.5%	23.7%
Number of YMMB to reach 50% share	97	110	112

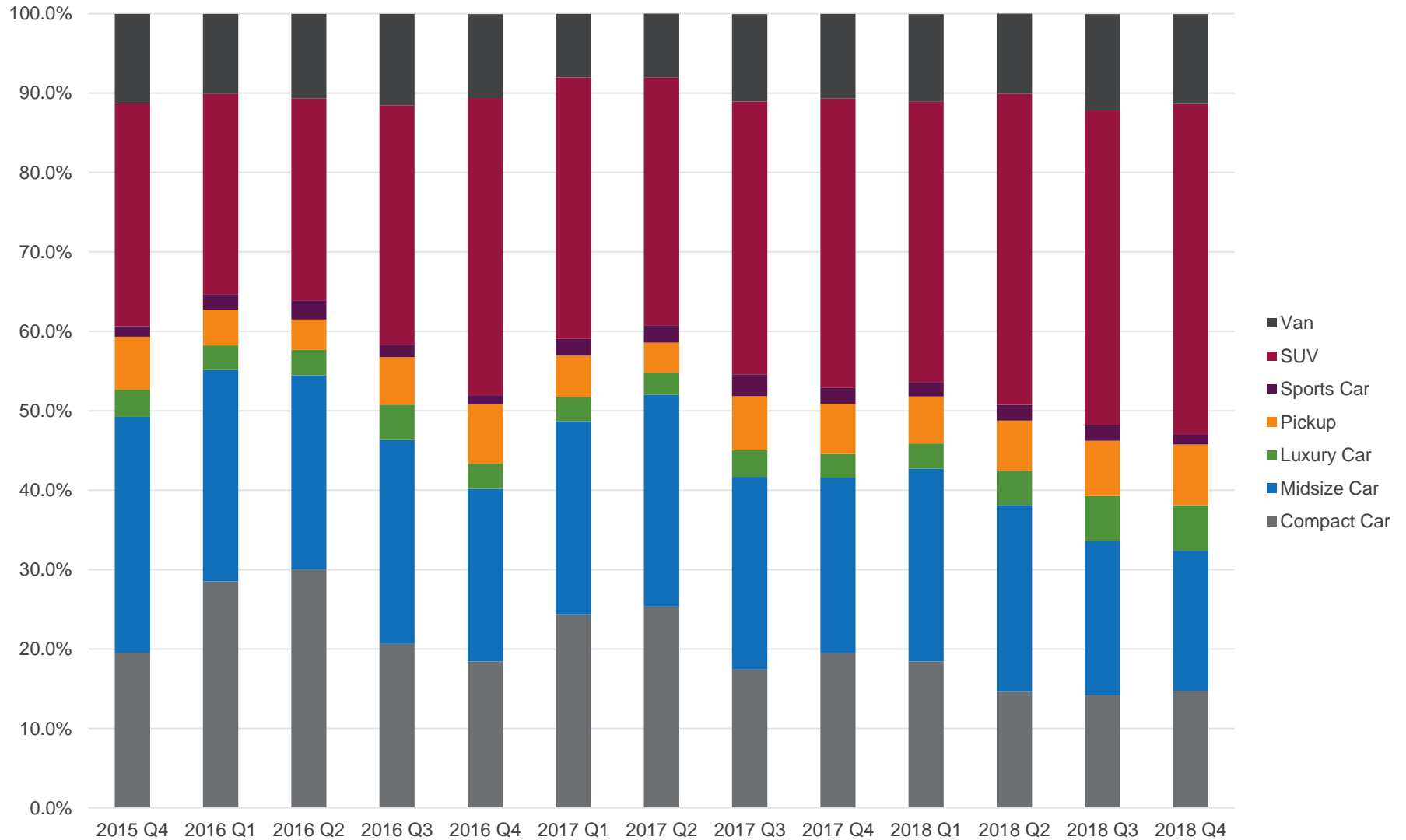
# Rental Risk Units Sold by Condition



# Rental Risk Units Sold by Make



# Rental Risk Units Sold by Segment

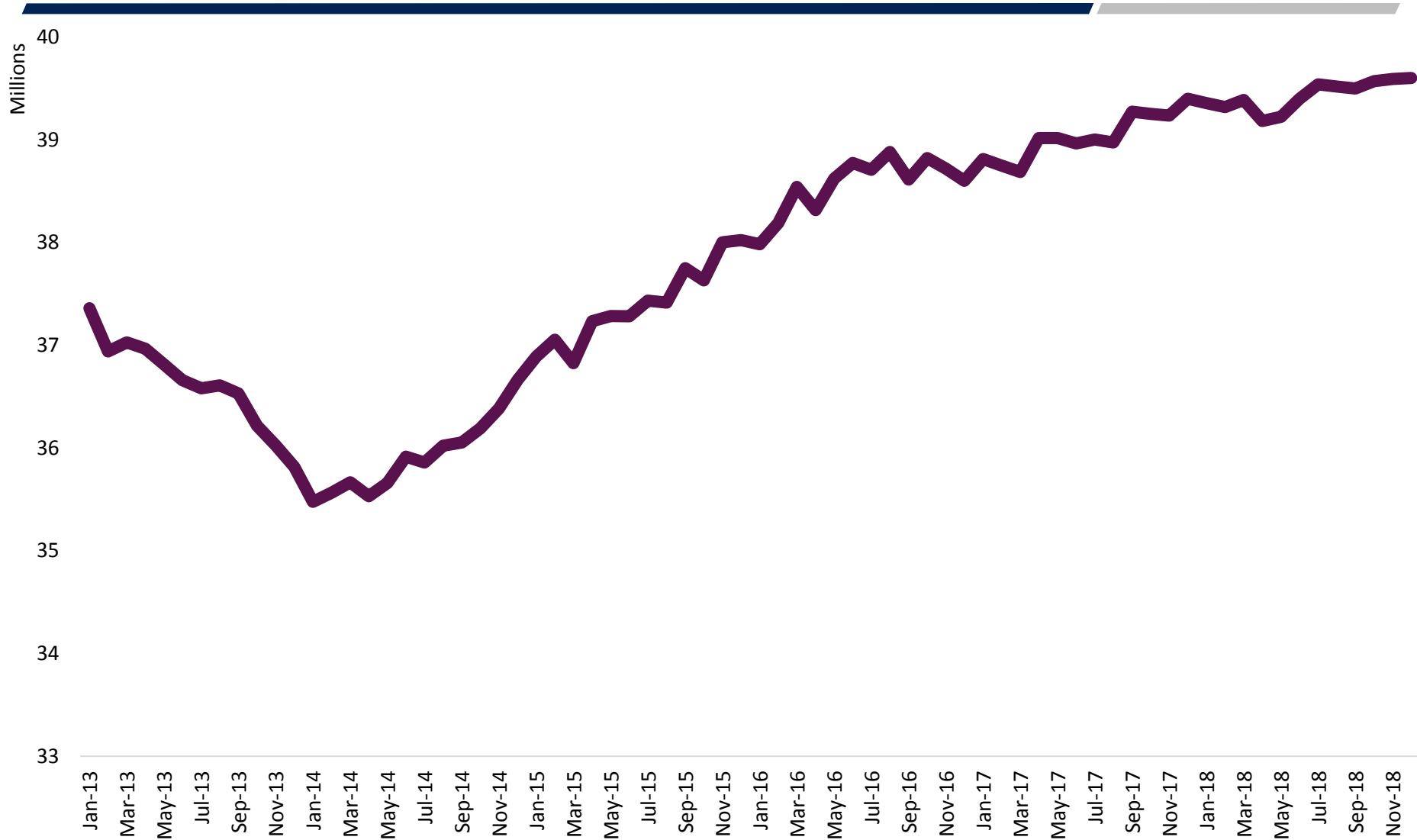


# Manheim Market Report (MMR) Vehicle Insights

Top selling vehicles in December at Manheim saw mixed levels of depreciation in the last 30 days (December 3 – January 2), while prices year-over-year are mixed with some affordable non-luxury cars worth more than they were this time last year.

Rank	Source(Rank)	Category	Subcategory	Vehicle	2-Jan	Past 30 Days	Last Year	Current Dep	L12M Dep/Mo
1	All	Midsized Car	Midsized Car Premium	2015 NISSAN ALTIMA 4C 4D SEDAN S	\$9,600	\$9,625	\$9,675	-0.3%	-0.1%
2	All	Van	Van Compact	2018 KIA SOUL 4D WAGON+	\$13,750	\$13,800	\$13,100	-0.4%	0.4%
3	All	Midsized Car	Midsized Car Premium	2016 TOYOTA CAMRY 4C 4D SEDAN SE	\$13,400	\$13,500	\$13,250	-0.7%	0.1%
4	All	Compact Car	Compact Car Premium	2016 FORD FUSION FWD 4D SEDAN 2.5L SE	\$10,600	\$10,850	\$11,400	-2.3%	-0.6%
5	All	Compact Car	Compact Car Premium	2016 TOYOTA COROLLA 4D SEDAN LE	\$10,850	\$10,950	\$10,500	-0.9%	0.3%
1 Dealer	Dealer	Midsized Car	Midsized Car Premium	2015 NISSAN ALTIMA 4C 4D SEDAN S	\$9,600	\$9,625	\$9,675	-0.3%	-0.1%
1 Lease	Lease	Midsized Car	Midsized Car Premium	2015 NISSAN ALTIMA 4C 4D SEDAN S	\$9,600	\$9,625	\$9,675	-0.3%	-0.1%
1 Rental	Rental	Van	Van Compact	2017 DODGE GRAND CARAVAN FFV 4D WAGON SXT	\$13,450	\$13,550	\$18,150	-0.7%	-2.2%

# Used Vehicle Sales Reached A New Peak





# Q4 2018 Cox Automotive Dealer Sentiment Index

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Dealers were more negative than positive in describing the current market in Q4, as the current market reading of 44 moved into negative territory on the Cox Automotive Dealer Sentiment Index (CADSI). The decline relative to Q3's positive score of 51 was statistically significant.

Expectations for the next quarter also declined and moved into negative territory for the first time in the survey's history. The decline in expectations was statistically significant from last quarter as well as last year, an indication the recent decline is not just a reflection of a seasonal slowdown.

Other CADSI metrics were mostly stable or negative relative to Q3.

"Q4 showed a negative turn in dealer sentiment and their outlook for the future," said Cox Automotive Chief Economist Jonathan Smoke. "The big negative swing in expectations—lower than last quarter and lower than the same time last year—is especially alarming."

Several statistically significant changes from the last quarter occurred in key indicators that reflect an underlying deterioration in trends. The used-vehicle sales environment declined to 51 from 57. The used index was also lower than the same time last year, indicating the deterioration is not related to a normal seasonal slowdown.

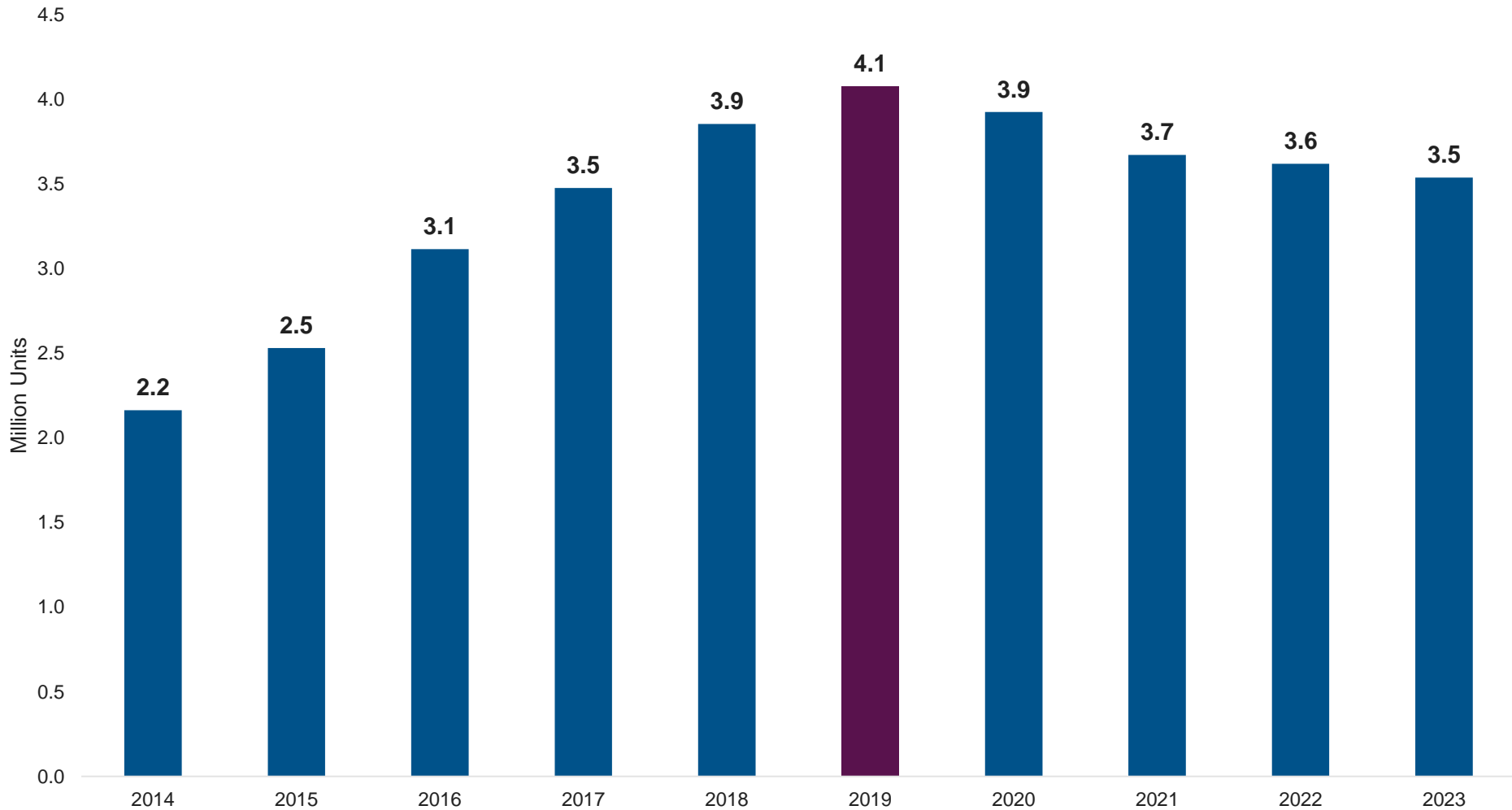
Correspondingly, the used-vehicle inventory index was in weak territory at 48. That was a notable difference from last year.

One of the few positive take-aways from the Q4 survey was the perception of the new-car sales environment by franchise dealers which declined only slightly between Q3 and Q4 2018.

The top 5 factors holding back the business remained the same in Q4 as Q3, but relative positions changed. The biggest changes from the third to fourth quarters were in market conditions and interest rates.

# Growth of Off-Lease Is Decelerating and Nearing a Peak

Estimated Lease Maturities



# Thank You

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