

GUIDELINES

NADA Used Car Guide Industry Update

March 2016

- Wholesale Prices Down in February
Prices fall nearly 1% compared to January
- Used Vehicle Price Index Declines
Index drops 3% to 118.6
- New Vehicle Sales Increase Significantly
Deliveries up 6.7% for the month
- Incentive Spending Rises Once Again
Average spending per unit grows 13.2% year-over-year

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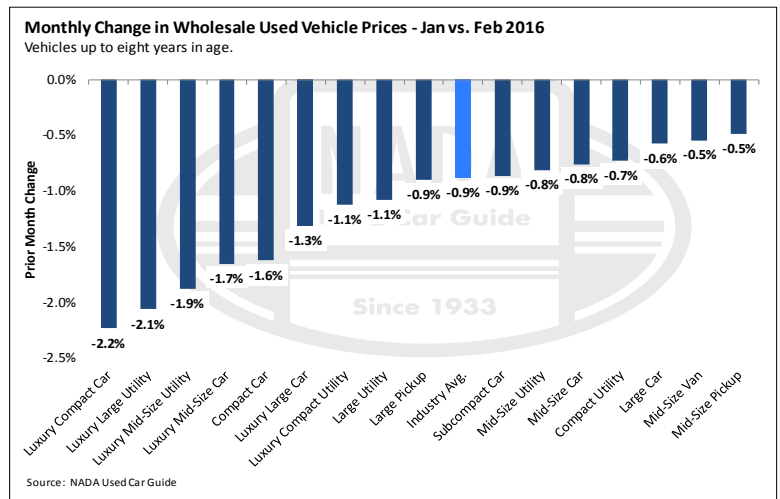
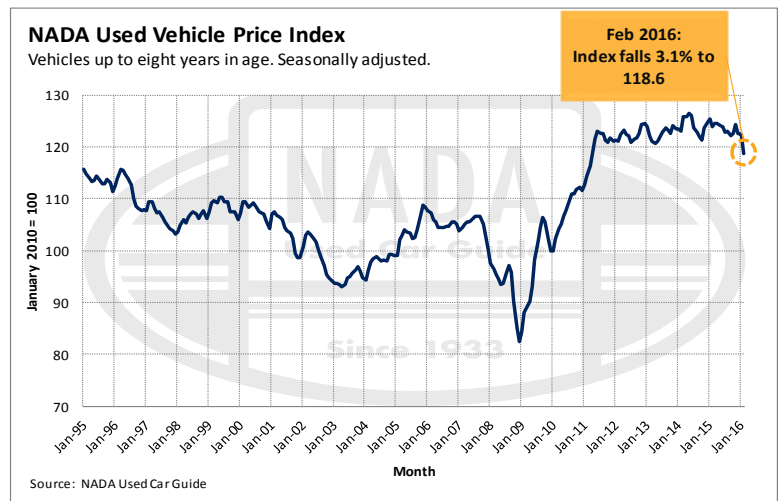
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NEW & USED MARKET TRENDS

USED MARKET UPDATE

Wholesale used vehicle prices historically rise in February as dealers prepare for the increase in consumer demand that accompanies the onset of spring. In fact, up to this year prices had moved higher in February for 20 years straight. The streak came to an end last month, however, as wholesale prices of vehicles up to eight years in age fell by nearly 1% from January. An above average increase in late-model supply was likely partially responsible for the month’s subpar performance as auction volume of 2014 and 2015 models increased by an average of roughly 20% from January to February. While it’s normal for volume to grow over the period, the rise was four times larger than what occurred on a like-model age basis in the two years prior.

Overall, February’s weak performance pulled NADA Used Car Guide’s seasonally adjusted used vehicle price index down by 3% from January to 118.6. The decline is the largest recorded for any month since November 2009. In addition, the index stood at 123.8 last February, or more than 4% above this year’s level.



[NEW & USED MARKET TRENDS *CONTINUED*]

Luxury segments fared worst last month. Luxury compact car, large utility, and mid-size utility prices fell by an average of 2%, while luxury mid-size car, large car, and compact utility prices dropped by 1.1% – 1.7%. Luxury losses were generally most severe for the 2013 and 2014 model years.

With prices down 1.6%, the compact car segment posted the weakest non-luxury performance in February. Reversing long held roles, large pickup and utility losses outpaced those of other car segments as prices for the two fell by an average of 1%. Prices were softest for 2015 models, particularly those from GM. Prices for remaining segments — subcompact cars, mid-size cars, mid-size utilities, etc. — fell by less than 1%.

Given February's atypically poor showing, prices year-to-date are much lower than over the first two months of 2015. Subcompact and compact car prices are down by an average of 3% compared to Q4 2015; prices for the pair were up by nearly 1% over the first two months of 2015. Year-to-date declines for other mainstream segments range from 1% (mid-size pickups) to 2.4% (compact utilities, large pickups, and mid-size vans). Luxury car prices are down by an average of 4.5% year-to-date, while luxury utility prices are off by just over 3%. Prices for the two were down 3% and 1.5%, respectively, through February 2015.

AUCTION VOLUME TRENDS

Compared to the four prior weeks, auction volume of units up to eight years old rose by 9% to 355,000 units over the period ending February 27th. Monthly gains were led by the 2014 and 2015 model years where auction sales grew by 20% and 17%, respectively, to totals of 53,300 and 63,000. Volume for the 2013 model year rose by a lesser 8%. The off-lease laden group easily maintained its dominate share of total auction sales (22% versus 2015's 18% share). Supply for other model years increased by 3% – 5%, save for the 2012 model year where volume fell by 3% compared to January.

Auction volume reached a total of 681,000 units over the first two months of the year, up 1% from 2015. The rather small increase is mostly due to a falloff in one-year-old volume. The number of 2015 model year sales collected so far this year is 12% below

[NEW & USED MARKET TRENDS *CONTINUED*]

what was recorded for 2014 models over the same period last year. Given that one year old auction volume is predominantly composed of off-rental units, and that new vehicle registration data shows 2015 model year rental sales surpassed 2014 model sales by 7%, it wouldn't be surprising to see an accentuated increase in 2015 volume moving forward.

MARCH USED VEHICLE PRICE FORECAST

NADA Used Car Guide's March 2016 forecast has prices of vehicles up to eight years old rising by 2% – 2.5% versus February. That established, February's second half rebound could portend a stronger than expected performance. Prices were down by 2.6% over the first half of the month, before improving by more than 1.5-percentage points over the second half.

Across mainstream segments, price growth is expected to be more pronounced for cars than trucks. Subcompact, compact, mid-size, and large car prices are forecast to rise by an average of roughly 2.5%, while pickup and utility growth is expected to max out between 1.5% – 2%. Mid-size van prices are scheduled to rise by approximately 2.5%. Generally speaking, the outlook for car prices is similar to what occurred in March last year, while utility and pickup growth is expected to be a bit less. Luxury car and truck prices are forecast to grow by 1% – 1.5% save for luxury large cars where prices are expected to rise by 0.5%.

Depreciation is expected to return in April as used prices are forecast to fall by 1% – 1.5%, similar to the 1.2% drop that occurred last year.

MARCH OFFICIAL USED CAR GUIDE VALUE MOVEMENT

Trade-in values in March's edition of the NADA Official Used Car Guide® increased by 0.6% relative to February. Car values were raised by 1%, while truck values were lowered by 0.2%. This is the first time in 10 months that cars have outpaced their truck counterparts. Falling by an average of 1.7%, upper compact cars performed the worst for the second straight month. Despite extremely affordable gasoline, entry subcompact cars values were increased by 3.1%, which was the best of any segment for the month. Non-luxury vehicle values grew by 0.7%, while luxury vehicle values were lowered by

[NEW & USED MARKET TRENDS *CONTINUED*]

0.5%.

NEW VEHICLE SALES CLIMB BY 6.7%, SAAR AT 17.43M UNITS

After being slowed down by winter storms and other inclement weather in January, the industry picked up the pace last month with new vehicle sales rising by 6.7%. The seasonally-adjusted annual rate (SAAR) was essentially static from prior month, finishing February at 17.43 million units.

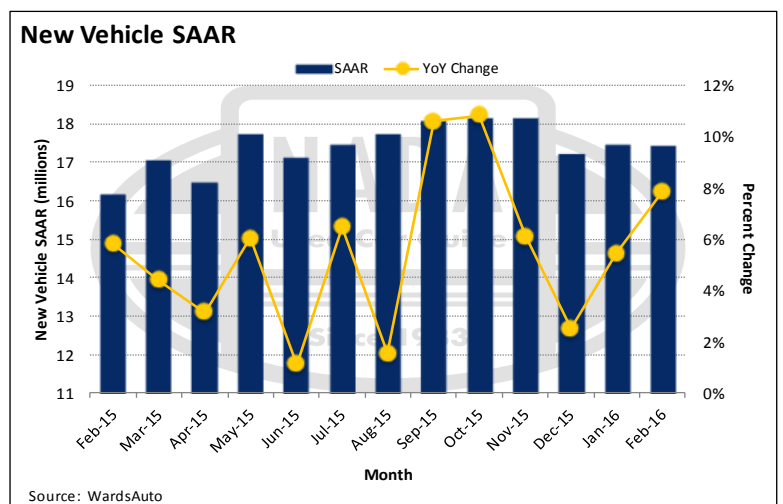
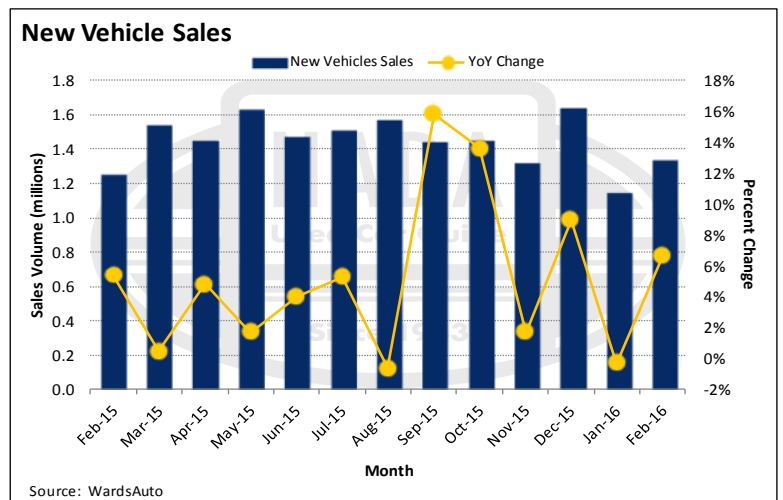
U.S. AUTOMAKERS DRIVE DELIVERIES UP BY 8.8%

Domestics altogether achieved an 8.8% sales gain year-over-year, but the result would've been better had General Motors not underperformed.

GM deliveries fell by 1.5% as volume brands Chevrolet and GMC each sold fewer vehicles than they did a year ago. On a positive note, Cadillac sales improved slightly thanks to its Escalade while Buick exhibited the highest growth among the company's brands due to solid demand for its Enclave and Encore models.

Ford Motor Company led the pack with 20% growth as Ford brand sales increased by well over 19%. Though many of the Blue Oval's models were popular with buyers last month, the Edge, Explorer and Focus were arguably the best performers. Lincoln also did its job by pushing sales up by over 30% as every one of its offerings beat last year's results.

Fiat Chrysler achieved an 11% improvement in deliveries as all of its Jeep and Ram products on sale bested their 2015 results. Dodged followed suit with a 12% gain of its own as its Caravan and Durango models led the way.



[NEW & USED MARKET TRENDS *CONTINUED*]

IMPORT SALES RISE BY 4.9%, GERMANS CONTINUE TO SLIDE

Foreign automakers trailed domestics again last month, but their collective 4.9% sales increase was a significant improvement over January's performance. Japanese and South Korean brands each achieved 6.4% growth; however, German deliveries fell by 6.8% altogether as Volkswagen, BMW and Daimler sales decreased by 13%, 12% and 0.5%, respectively. Notably, small European automakers Jaguar Land Rover, Volvo and Porsche all exhibited double-digit growth despite the struggles of the larger German makes.

American Honda Motor Co. was one of the biggest movers in February with nearly 13% sales growth even though Acura deliveries declined by 1.7%. The Honda brand exhibited a 15% gain as the Civic, Accord and CR-V were in high demand last month.

Nissan North America also fared well, increasing deliveries by over 10%, but its Infiniti luxury brand saw sales decrease by 11% as each one of its models sold fewer cars aside from the QX50 and QX70. Meanwhile, the Nissan brand realized a 13% gain thanks mainly to the Sentra, Murano, Maxima and Quest.

Toyota Motor Sales experienced the least growth relative to its Japanese Big Three counterparts, but each one of the company's brands was successful in improving sales last month. Scion's new iA and iM models helped the brand increase deliveries by 52% just as the organization announced that Scion will be discontinued after this year. Solid growth from the RAV4 and Tacoma pushed Toyota brand sales up 3.5% while strong NX demand allowed Lexus to squeeze out a 0.4% sales improvement.

Mainstream Brand Performance (Units Sold)					
	Feb-16	Jan-16	Feb-15	Change From	
				Month Ago	Year Ago
Buick	17,811	18,269	17,418	-2.5%	2.3%
Chevrolet	158,644	137,803	159,788	15%	-0.7%
Chrysler	21,056	18,214	28,502	16%	-26%
Dodge	47,251	42,109	42,115	12%	12%
Fiat	2,993	2,594	3,289	15%	-9.0%
Ford	202,764	160,850	169,711	26%	19%
GMC	39,530	36,933	42,433	7.0%	-6.8%
Honda	106,213	90,246	92,474	18%	15%
Hyundai	53,009	45,011	52,505	18%	1.0%
Jeep	68,228	59,032	55,642	16%	23%
Kia	49,737	38,305	44,030	30%	13%
Mazda	21,544	19,703	25,650	9.3%	-16%
Mini	2,839	3,238	3,720	-12%	-24%
Mitsubishi	7,870	6,264	7,533	26%	4.5%
Nissan	120,540	97,220	106,777	24%	13%
Ram	41,890	32,027	33,338	31%	26%
Scion	5,882	5,099	3,864	15%	52%
Smart	422	399	458	5.8%	-7.9%
Subaru	42,011	41,101	41,358	2.2%	1.6%
Toyota	158,982	135,251	153,608	18%	3.5%
Volkswagen	22,321	20,079	25,710	11%	-13%

Source: WardsAuto

Luxury Brand Performance (Units Sold)					
	Feb-16	Jan-16	Feb-15	Change From	
				Month Ago	Year Ago
Audi	11,718	11,850	11,455	-1.1%	2.3%
BMW	22,498	18,082	25,201	24%	-11%
Acura	12,773	10,250	12,992	25%	-1.7%
Alfa Romeo	49	67	47	-27%	4.3%
Cadillac	11,840	10,740	11,739	10%	0.9%
Infiniti	10,371	8,514	11,659	22%	-11%
Jaguar	1,512	1,352	1,410	12%	7.2%
Land Rover	6,417	5,655	4,917	13%	31%
Lexus	23,090	20,933	22,995	10%	0.4%
Lincoln	8,039	7,177	6,164	12%	30%
Mercedes-Benz	25,210	26,563	25,291	-5.1%	-0.3%
Porsche	3,561	4,354	3,202	-18%	11%
Volvo	5,260	4,244	4,012	24%	31%

Source: WardsAuto

[NEW & USED MARKET TRENDS *CONTINUED*]

INCENTIVES UP 13.2% VERSUS LAST FEBRUARY

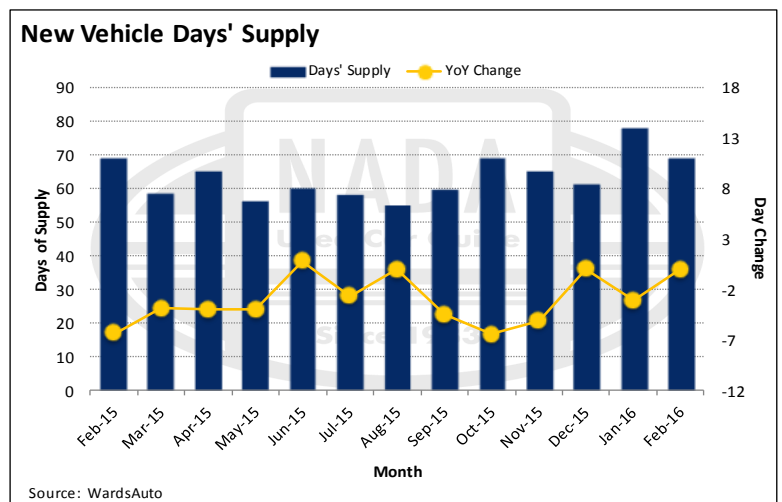
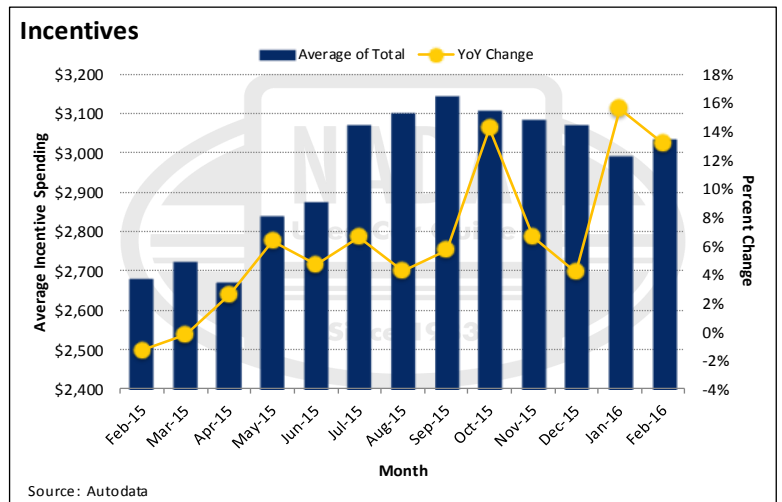
Average incentive spending was \$3,035 per unit in February, which was a 13.2% increase year-over-year, per Autodata.

The U.S. Big Three each opened up their wallets as General Motors, Ford Motor Company and Fiat Chrysler increased spending per unit by 30%, 20% and 17%, respectively.

American Honda Motor's performance last month looks even better when you consider its incentives were cut by almost 18% per unit. Meanwhile, Toyota Motor Sales spent about 11% more per unit followed by Nissan North America with its 6.9% spending increase per unit.

BMW's incentives increased by over 21% reached nearly \$5,000 per unit yet the brand was unable to prevent sales from sliding in February. On the flip side, Mercedes-Benz nearly matched its sales from a year ago despite spending 5.9% less per unit. Audi found itself somewhere in the middle with modest sales growth resulting from an 8.8% climb in incentives per unit.

Among other notable brands was Volkswagen, which exhibited a 39% jump in spending per unit versus last year as it continues to grapple with falling sales resulting from its diesel emissions crisis. Additionally, although Subaru deliveries grew by just 1.6%, the company's incentives declined by another 31% to just \$557 per unit.



DAYS' SUPPLY FALLS BY 9 DAYS

After inventory levels rose to start the year, days' supply fell again by 9 days in February to end the month at 69 days, which is the same as a year ago.

[NEW & USED MARKET TRENDS *CONTINUED*]

Fiat Chrysler and Ford Motor Company exhibited 89 and 84 days' supply, respectively, which was less than January's levels by over two weeks. General Motors' 67-day supply was just below the industry average and a 7-day reduction from the prior month.

Each of the Japanese Big Three had inventory levels below the industry average with the lowest being Toyota Motor Sales' 50-day supply, which was down 6 days month-over-month. Nissan North America's inventory level fell by 12 days to hit 59 days by month-end while American Honda Motor's days' supply decreased to 66 days after falling by 7 days since the previous month.

The automaker with the smallest inventory was once again Subaru at 25 days.

[ECONOMIC UPDATE]

During the fourth quarter of 2015, U.S. economic growth slowed, yet beat initial estimates. With businesses less aggressive in their efforts to reduce unwanted inventory, GDP increased at a 1.0% annual rate, surpassing a 0.7% pace in its second GDP estimate.

The largest contributors to upward revision of inventory investment were retail trade, mining, utilities and construction. The increased inventory build is bad news for first quarter GDP growth since it indicates businesses will have little incentive to place new orders, which will continue to hold down production.

First quarter 2016 GDP growth forecasts are as high as 2.5%, but the risks are tilted to the downside amid slowing world economies, a strong dollar, and a recent global stock market sell-off that has tightened financial market conditions.

Consumer spending in the U.S. rose solidly in January as underlying inflation rose by the most in four years, keeping Federal Reserve interest rate increases on the table this year. The Commerce Department reported consumer spending increased 0.5% as households ramped up purchases of a range of goods, and the return to normal winter temperatures boosted demand for heating. Consumer spending, which accounts for more than two-thirds of U.S. economic activity, rose by an upwardly revised 0.1% in December.

Since June 2015, the monthly average for regular unleaded gasoline has dropped steadily from \$2.80/gallon to \$1.76/gallon in February. Consumers have happily embraced the 37% decline in prices over that time, and although prices have already begun to move upward as they typically do in March, the industry expects prices to remain at these lower levels when compared to the last two years.

While Brent and WTI crude oil pricing have rebounded to the \$30 – \$40 per barrel range, it is likely this is a seasonal increase and not growth in global demand. Due to overwhelming global supply, demand for crude would need to increase substantially over the next year to impact prices. For the time being, consumers should be less fearful of rising oil prices given that at \$50 per barrel, prices would still be 22% below the May 2015 high of \$64 per barrel.

[ECONOMIC UPDATE *continued*]

Amid fears the U.S. could be joining a global slowdown, the economy added a better-than-expected 242,000 jobs in February while the unemployment rate held steady at 4.9%. Despite the strong number, average hourly wages declined for the month, falling 3 cents and equating to a 2.2% annualized jump. The average hourly work week also declined 0.2 hours to 34.4.

A separate unemployment gauge, which includes Americans not actively looking for a job or who work part-time for economic reasons, fell to 9.7% — the lowest reading since May 2008. A declining labor force participation rate played a big role in the decline of the headline jobless number, but the gauge rose in February to 62.9%, its highest level since January 2015.

The median annual home price was \$213,800 in January. This is down 4.2% from December and up 8.2% from the previous year. New U.S. single-family home sales tumbled in January from a 10 month high as sales in the West region plunged. According to the Commerce Department, sales dropped 9.2% to a seasonally adjusted annual rate of 494,000 units, almost unwinding December's sharp increase. December's sales pace was unrevised at 544,000 units.

Last month, the inventory of new homes on the market increased 2.1% to 238,000 units, the highest since October 2009. Still, housing stock remains tight. At January's sales pace it would take 5.8 months to clear the supply of houses on the market, up from 5.1 months in December.

Though the new homes market appears to have cooled, with construction activity falling in January and homebuilder sentiment softening in February, housing in general remains supported by a tightening labor market, which is lifting wage growth and bolstering household formation.

AT NADA USED CAR GUIDE

What's New

The new NADA Values Online introduces New Vehicle Values, a range of values that provide new vehicle pricing guidance based on actual market transactions and market influencers. It also includes inventory valuation, vehicle valuation trends and a custom reporting tool to help you see vehicle values from every angle.

With NADA Values Online, you have the data and insight you need to make better business decisions and see better outcomes.

See how we can help your business >> Go to nada.com/valuesonline.

On the Road

Learn how vehicle residual values are expected to perform from Jonathan Banks at the Conference of Automotive Remarketing in Las Vegas on March 17.

Mike Stanton and NADA Used Car Guide staff will attend the 2016 Automotive Forum in New York City on March 22.

Meet up with members of NADA Used Car Guide staff in New York at the New York International Auto Show, March 23 – 24.

Learn from Jonathan Banks at the AFSA 20th Vehicle Finance Conference and Expo in Las Vegas, March 29.

Mike Stanton, Jonathan Banks, Dan Ruddy, Jim Gibson and members of the NADA Used Car Guide staff will attend the 2016 NADA Convention in Las Vegas, March 31 – April 3. Be sure to stop by NADA Used Car Guide Booth #915C to receive a product demonstration of either NADA Values Online or NADA MarketValues and be entered to win a Fitbit Charge HR™ smart fitness tracker.

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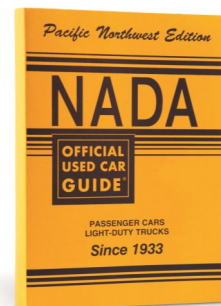
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NADA USED CAR GUIDE CONSULTING SERVICES

NADA Used Car Guide's market intelligence team leverages a database of nearly 200 million automotive transactions and more than 100 economic and automotive market-related series to describe the factors driving current trends to help industry stakeholders make more informed decisions. Analyzing data at both wholesale and retail levels, the team continuously provides content that is both useful and usable to the automotive industry, financial institutions, businesses and consumers.

Complemented by NADA Used Car Guide's analytics team, which maintains and advances its internal forecasting models and develops customized forecasting solutions for automotive clients, the market intelligence team is responsible for publishing white papers, special reports and the Used Car & Truck Blog. Throughout every piece of content, the team strives to go beyond what is happening in the automotive industry to confidently answer why it is happening and how it will impact the market in the future.

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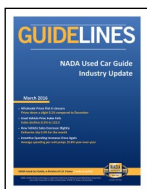
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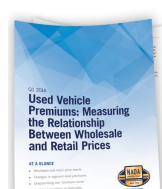
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ADDITIONAL RESOURCES



Guidelines

Updated monthly with a robust data set from various industry sources and NADA Used Car Guide's proprietary analysis, *Guidelines* provides the insight needed to make decisions in today's market.



White Papers

NADA Used Car Guide's white papers and special reports aim to inform industry stakeholders on current and expected used vehicle price movement to better maximize today's opportunities and manage tomorrow's risk.



Perspective

Leveraging data from various industry sources and NADA Used Car Guide's analysts, *Perspective* takes a deep dive into a range of industry trends to determine why they are happening and what to expect in the future.



Used Car & Truck Blog

Written and managed by the Market Intelligence team, the Used Car & Truck Blog analyzes market data, lends insight into industry trends and highlights relevant events.

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