

J.D. POWER

USED CAR AND LIGHT TRUCK GUIDELINES

Industry Update

NOVEMBER 2018

Wholesale Prices Decline in October

Prices down by an average of 3.1%

Used Vehicle Price Index Slips

Index falls 1 point to 120.6

New Vehicle Sales Inch Up

Sales remain relatively flat, new vehicle SAAR reaches 17.46 million

Incentive Spending Declines

Incentives decrease for second time since April 2015

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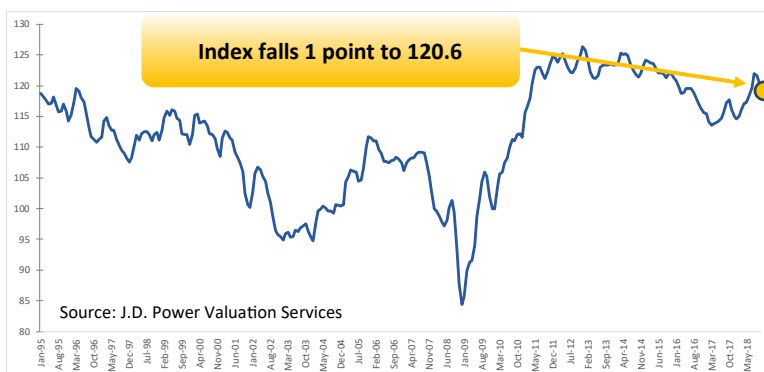
NEW & USED MARKET UPDATE

USED MARKET UPDATE

After decelerating in September, the used vehicle market slowed for the second consecutive month in October. As a result, the J.D. Power Valuation Services' Seasonally Adjusted Used Vehicle Price Index declined 1 point – relative to September – to 120.6. Despite the month's decline, on a year-to-date [YTD] basis the index is 2.8% above 2017's level.

In non-index terms, wholesale prices of used vehicles up to eight years in age declined by an average of 3.1% in October, which was right in line with the period's previous 5-year average decline of 3%. As expected, there wasn't any noticeable strengthening in wholesale prices for the October period due to hurricane replacement demand.

Price movement at the segment level was consistent with historic results on both the mainstream and premium sides of the market. Over the past several months, passenger car segments have outperformed their truck and SUV counterparts, however, this trend reversed in October as mid-size and large pickup truck prices were some of the firmest on the non-premium side of the market. Prices for the pair were reduced by a combined average of 2.2%. Except for large cars 3.6% decline in the October period, mainstream passenger car prices performed in line with the overall industry average for the month. Prices for the group fell within a tight range of [plus/minus] 0.3-percentage points of the overall industry average for the month.



Premium segment losses were relatively mild across the board. Luxury large car prices did increase for the second consecutive month, however, this is an extremely low volume segment, so any material change of one model can really shift overall segment results. Premium utility segment prices were generally firmer than both their mainstream utility and luxury car counterparts.

New & Used Market Trends [cont.]

AUCTION VOLUME TRENDS

Auction volume for units up to five years in age grew by 13.1% compared to September and increased by 11.6% compared October 2017. As a result, year-to-date late-model volume now sits 5.3% above year ago levels, and it looks like we are still on track to see about a 6% to 6.5% increase in 0-5-year-old volume this year relative to 2017. At the segment level, some of the largest volume increases are still observed among utility segments. Luxury compact utility volume is up 45% and large utility volume is now up 30%. On the opposite end of the spectrum compact and subcompact car volume is down by 1.4% and 7%, respectively.

In terms of volume share, cars' share was reduced to 51.6% as we continue to see increasing amounts of trucks and utilities return to market as more of these segments are sold on the new side of the market. Overall, used supply is expected to increase in 2018 relative to 2017 before peaking in 2019 and leveling off in subsequent years.

2018 FORECAST

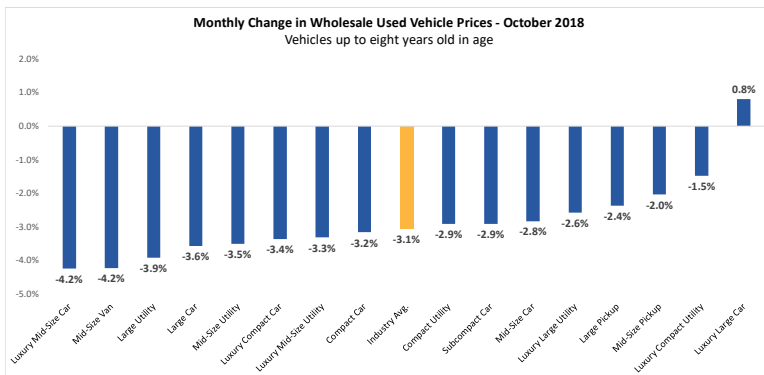
For November, prices of vehicles up to 8 years in age are expected to decline by around 0.5%. In terms of full-year expectations, with the exceptionally strong performances observed over the summer months, used prices are forecast to increase by 3% in 2018 relative to 2017. Looking ahead to 2019, the used market is expected to slow with prices down by 1.2% relative to 2018.

NEW SALES REBOUNDED IN OCTOBER

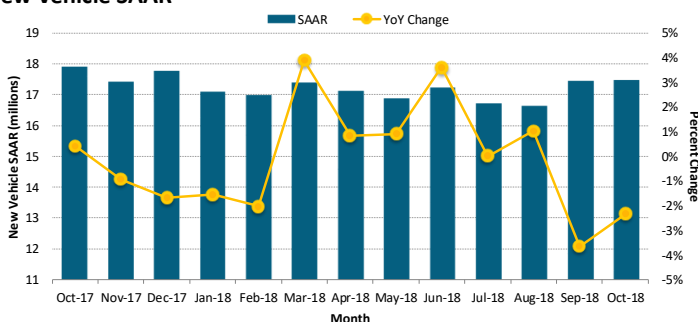
After weakening in September, the new vehicle market sales supported by fleet demand rebounded in October. U.S. new vehicle sales finished with a seasonally adjusted annual rate [SAAR] of 17.46 million units, the highest of the year. The October SAAR was about 2% below October 2017's 17.88 million, but above September 2018's 17.43 million.

NEW VEHICLE SALES

Overall, new vehicle edged up in October relative to the same period in 2017. Total volume in October declined to 1.35 million units, or 3.6% below the



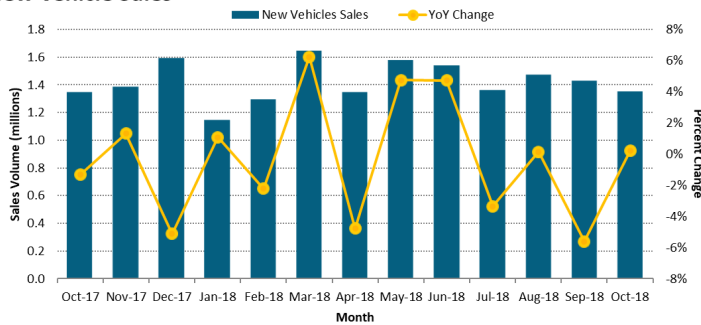
New Vehicle SAAR



Source: WardsAuto

New & Used Market Trends [cont.]

New Vehicle Sales



Source: WardsAuto

same figure as a year ago on a DSR basis. October's result brought 2018's year-to-date tally to 14.20 million units, up 0.4% compared to the same period in 2017. Light-truck penetration fell from September's 70.3% to 69.6% in October.

At the manufacturer and brand level, FCA recorded the strongest year-over-year results among the major automakers. Based on DSRs, FCA's October sales increased 11.3%. Other automakers recording gains included Jaguar Land Rover, Mitsubishi, Tesla and Volvo. Year-over-year market share gains were posted by Daimler, Kia, Subaru and Toyota.

INCENTIVES DECLINED BY 3%

Automakers decreased incentive spending in October for the second time since April 2015. On average, according to Autodata, spending reached \$3,601 per unit versus \$3,722 per unit in October 2017.

Among the U.S. Big Three, GM decreased incentives by 14% in October to an average of \$4,228 per unit. Spending at Ford Motor Company grew by 2% to \$4,374 per unit, while FCA incentive spend decreased 5% to \$4,351 per unit.

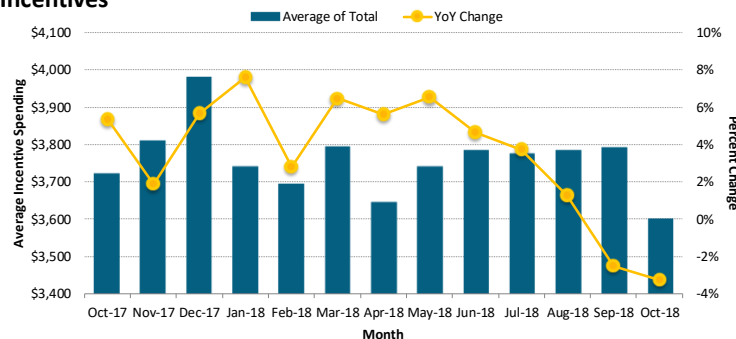
As for import automakers, Toyota Motor Sales dropped incentives by 1% in October, reaching an

average of \$2,496 per unit, while Nissan North America increased spending by 7% to \$4,325 per unit.

At the same time, American Honda increased incentives by 2% to \$1,686. Luxury automaker BMW increased incentives by 5% to an average of \$5,790 in October. Audi increased spending by 11% to \$4,071 per unit, while Mercedes-Benz boosted spending by 17% to \$5,801.

At the mainstream brand level, Chrysler's \$5,665 average incentive spend was the highest among the non-luxury brands. At the other end of the spectrum, Subaru spent only \$1,165 per unit, up 9% compared to the same period in 2017.

Incentives

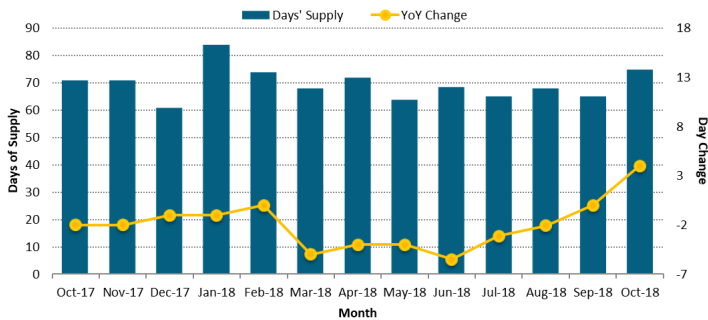


Source: Autodata

USED CAR AND LIGHT TRUCK GUIDELINES | NOVEMBER 2018

New & Used Market Trends [cont.]

New Vehicle Days' Supply



Source: WardsAuto

Mainstream Brand Performance (Units Sold)

	Oct-18	Oct-17	CYTD-18	CYTD-17	Y/Y Change	CYTD/CYTD
Buick	16,975	19,142	172,581	178,972	-11.3%	-3.6%
Chevrolet	166,453	174,947	1,669,010	1,689,649	-4.9%	-1.2%
Chrysler	13,289	11,018	140,445	154,827	20.6%	-9.3%
Dodge	33,872	24,476	393,600	390,266	38.4%	0.9%
Fiat	1,151	1,769	13,235	23,021	-34.9%	-42.5%
Ford	178,414	185,377	1,933,450	1,981,221	-3.8%	-2.4%
GMC	45,832	44,630	441,756	450,264	2.7%	-1.9%
Honda	108,558	114,655	1,201,072	1,232,132	-5.3%	-2.5%
Hyundai	52,653	51,224	545,445	547,880	2.8%	-0.4%
Isuzu Truck	387	768	3,232	3,058	-49.6%	5.7%
Jeep	72,800	67,074	818,994	689,316	8.5%	18.8%
Kia	45,102	44,397	497,144	502,327	1.6%	-1.0%
Mazda	18,673	20,811	253,795	241,108	-10.3%	5.3%
Mini	3,166	3,669	37,359	38,456	-13.7%	-2.9%
Mitsubishi	8,002	7,381	101,400	86,576	8.4%	17.1%
Mitsubishi Fuso	4	4	39	84	0.0%	-53.6%
Nissan	98,082	112,716	1,117,515	1,195,243	-13.0%	-6.5%
Ram	53,154	46,449	458,187	452,399	14.4%	1.3%
Scion	1	2	3	199	-50.0%	-98.5%
Smart	95	140	1,054	2,775	-32.1%	-62.0%
Subaru	55,394	54,045	558,812	532,893	2.5%	4.9%
Toyota	168,385	165,538	1,778,996	1,777,161	1.7%	0.1%
Volkswagen	29,000	27,732	295,228	280,188	4.6%	5.4%

Source: WardsAuto

Luxury Brand Performance (Units Sold)

	Oct-18	Oct-17	CYTD-18	CYTD-17	Y/Y Change	CYTD/CYTD
Acura	13,624	12,698	128,107	126,824	7.3%	1.0%
Alfa Romeo	1,737	1,205	19,897	8,557	44.1%	132.5%
Audi	16,056	19,425	183,476	180,339	-17.3%	1.7%
BMW	23,262	23,208	248,327	243,383	0.2%	2.0%
Cadillac	13,113	13,931	126,353	127,777	-5.9%	-1.1%
Genesis	372	1,786	9,281	16,870	-79.2%	-45.0%
Infiniti	11,880	10,296	117,129	124,010	15.4%	-5.5%
Jaguar	2,648	2,891	23,824	33,119	-8.4%	-28.1%
Land Rover	7,846	5,477	72,979	59,958	43.3%	21.7%
Lexus	22,716	22,894	236,340	242,553	-0.8%	-2.6%
Lincoln	7,574	8,909	82,854	91,631	-15.0%	-9.6%
Mercedes-Benz	31,719	31,404	285,133	298,878	1.0%	-4.6%
Porsche	4,817	4,715	47,443	45,952	2.2%	3.2%
Tesla	17,851	5,346	110,204	37,306	233.9%	195.4%
Volvo	7,327	7,006	81,256	63,971	4.6%	27.0%

Source: WardsAuto

SEPTEMBER INVENTORY UP TO 75 DAYS

Compared to September, days' supply went up by 10 days in October. Total supply level increased to 75 days for the period, compared to 71 days in October 2017, according to WardsAuto.

General Motors' inventory increased to 89 days, up 9 days from October 2017. Ford Motor Company's supply stretched by 9 days to 88, while FCA's inventory increased by 16 days to 101 days. On the import side, Toyota Motor Sales' supply increased by 3 days to 61 days. Inventory for American Honda Motors increased by 10 days to 71 days, while Nissan North America's supply decreased by 2 days to reach 69 days.

Subaru's 29 days of supply remained lowest on the mainstream side of the industry. As for luxury automakers, Tesla's 3-day inventory was the lowest on the premium side of the market.

ECONOMIC UPDATE

The Bureau of Economic Analysis' (BEA) advance estimate for third quarter 2018 GDP growth is 3.5%. This estimate is subject to further revision by the agency. The increase in GDP reflected an increase in personal consumption expenditures (PCE), private inventory investment, federal government spending, and state and local government spending. These increases were partly offset by negative contributions from exports and residential fixed investment. The third quarter GDP growth is slower compared to the second quarter 2018 GDP growth rate of 4.2%. Real GDP grew by an annual average of 2.6% in 2017, a marked increase from 1.8% growth during 2016.

Employment

The unemployment rate remained unchanged at 3.7% in October and the number of unemployed individuals remained at 6.1 million. Employment grew in transportation and warehousing, health care, and professional and business services. The U-6 unemployment rate which measures discouraged, part-time, or underemployed workers in the economy, is at 7.4% for the month of October which is slightly lower from 7.5% in September.

Non-farm employment increased by 250,000 jobs in October which was an increase following September's growth of 134,000 jobs. Employment continued to trend up in several industries including manufacturing, construction, and health care while the wholesale and retail trade, information, and financial activities remained stagnant. The average monthly gain in jobs over the past 12 months stands at 211,000.

Wages

In October, average hourly earnings for all employees on private non-farm payrolls rose by 5 cents to \$27.30. Over the year, average hourly earnings have increased by 83 cents, or 3.1 percent. Hourly wages in nonfarm payrolls went from \$27.25 to \$27.30 and average weekly earnings increased by \$4.45 from \$937.40 to \$941.85 compared to September. The wage growth, on a yearly basis, for October reflects the biggest increase in a decade.

Housing

The National Association of Realtors reported existing home sales at a seasonally adjusted annual rate of approximately 5.15 million homes during the month of September. This illustrated a decline of 3.4% from August and a decrease of 4.1% from September of last year. The median home price for existing home sales decreased to \$258,100 in August however, it is still up 4.2% from September of last year. Total housing inventory at the end of September decreased from 1.91 million existing homes available for sale in August to 1.88 million however, this still reflects an 1.08% increase from a year ago.

Energy, Oil, Gas

Energy prices rose in the beginning of October due to geopolitical tensions. This caused crude oil prices to reach multi-year highs, however, prices started to retreat soon after. U.S. gasoline prices averaged \$2.86 per gallon in October, an increase of 2 cents/gal as compared to September. The year-over-year increase in gasoline prices was approximately \$0.35 per gallon (13.94%) higher than the prior year.

Brent crude oil prices averaged \$81 per barrel in October which is up almost \$2 from the September average. Prices have since fallen quickly, and substantially, into bear territory. EIA estimates that U.S. crude oil production averaged 11.4 million barrels per day (b/d) in October, down slightly from the September level because of hurricane related outages in the Gulf of Mexico. EIA projects that U.S. crude oil production will average 10.9 million b/d in 2018, up from 9.4 million b/d in 2017, and will average 12.1 million b/d in 2019.

AT J.D. POWER VALUATION SERVICES [FORMERLY NADA USED CAR GUIDE]

What's New

NADA Values Online Now Features the VIN Based Option

You already use NADA Values Online to see all sides of every vehicle's story. Now you can gain even greater insight with our new VIN Based Option feature, which provides a precise, uniquely adjusted valuation for specific used cars and light-duty trucks. The VIN Based Option utilizes packaging, content and descriptive features specific to each 17-character VIN, rather than just the 11-character VIN, to enhance and customize a vehicle's valuation. This way, you can understand the valuable differences between two identical-seeming vehicles of the same year, make and model. Rely on the new VIN Based Option to:

- Reveal valuable vehicle equipment, trim and options
- Increase valuation accuracy and reduce risk
- Make more-informed business decisions



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About J.D. Power Valuation Services [formerly NADA Used Car Guide]

J.D. Power Valuation Services [formerly NADA Used Car Guide] is a leading provider of vehicle valuation products, services and information to businesses. Its team collects and analyzes over 1 million combined automotive and truck wholesale and retail transactions per month, and delivers a range of guidebooks, auction data, analysis and data solutions. J.D. Power acquired NADA Used Car Guide in 2015, forming a powerful combination that brings the

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CONSULTING SERVICES

J.D. Power Valuation Services' 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 J.D. Power Valuation Services' 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.

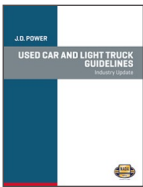
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ADDITIONAL RESOURCES



Guidelines

Updated monthly with a robust data set from various industry sources and J.D. Power Valuation Services' proprietary analysis, *Guidelines* provides the insight needed to make decisions in today's market.



Perspective

Leveraging data from various industry sources and J.D. Power Valuation Services' 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.



White Papers

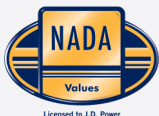
J.D. Power Valuation Services' white papers and special reports aim to inform industry stakeholders on current and expected used vehicle price movement to better maximize today's opportunities and manage tomorrow's risk.



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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