



Blue Book BRIEFING

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- *Kelley Blue Book Study Reveals Ride-Sharing, Car-Sharing Services Do Not Pose Threat to Car Buying*
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Implications of the Leasing Boom

- Jack R. Nerad, executive editorial director and executive market analyst for Kelley Blue Book's KBB.com

As I probably don't have to tell you, leasing has gone crazy this year. Already on the rise last fall and in January, leasing hit a new high-water mark in February. During the month, leasing accounted for just under one-third of all light vehicle sales in the United States.

Leasing has come a long way from the depths of the 2008 to 2010 Great Recession, when a credit gridlock just about knocked leasing off the map. At that low point, some openly wondered if leasing would ever recover. But recover it has. Last year, a record year for vehicle sales, 28 percent of light vehicles were leased, and we would not be surprised if this year that number reaches 35 percent.

You get more, for less

The reasons leasing has been on such a sharp up-and-to-the-right trajectory are fairly easy to identify. First and foremost, leasing is a response to the ever-escalating cost of vehicles. Leasing enables consumers who might find a traditional car loan payment for their favored vehicle "too high" to put that vehicle in their garage anyway. You can get more vehicle when you pay for just part of it, and in the case of the typical lessee, that means the car's first three years of existence. In addition, leasing allows the consumer to reach farther up the vehicle price ladder because, again, he or she is purchasing only a part, albeit a sweet part, of the vehicle's overall lifespan. If you want to know why transaction prices continue to escalate at a rapid rate, simply look to the higher percentage of lease penetration as a key driver.

Again quoting from the Reuters story, National Highway Traffic Safety Administration Chief Counsel Paul Hemmersbaugh wrote, "NHTSA will interpret 'driver' in the context of Google's described motor vehicle design as referring to the [self-driving system], and not to any of the vehicle occupants. We agree with Google its [self-driving car] will not have a 'driver' in the traditional sense that vehicles have had drivers during the last more than one hundred years."

Win-win or lose-lose?

So lessees are getting a lower monthly payment and/or more car for their money. Sounds like a positive for them. And many dealers will tell you they like leasing, not only because it helps moves cars and trucks off the lot today, but also because it compels customers to return to them if for no other reason than to turn in their vehicle when the lease is up. That is an opportunity to sell - or more likely - lease another car to that already-qualified buyer. (Leasing, like cigarette-smoking, is hard to quit once one starts, because, among other reasons lessees never build any equity in their vehicle, and thus down-payments can be a struggle). Auto manufacturers, whose production-oriented businesses depend heavily on predictable vehicle demand, certainly like leasing for all the above-mentioned reasons - it sells cars now; it promotes the sales of higher-end, better equipped cars; and it builds in demand for new vehicles in future years. Could leasing be the auto industry's goose that laid the golden egg?

(Continued on page 6)

...LET'S EXAMINE POTENTIAL
DOWNSIDES OF THE LEASING
PHENOMENON...

JACK R. NERAD

Check out the very latest news stories by visiting KBB.com and clicking the *KBB.com Top Picks* tab on the home page. The following latest news stories by KBB.com's editorial staff went live on the site or were updated during February 2016.

Latest News:

[2018 Lexus LC 500h hybrid headed for Geneva](#)

[2018 Volvo V90 in Geneva Debut](#)

[2017 Acura MDX teased for New York debut](#)

[2017 Alfa Romeo Giulia: Three models, six powertrains](#)

[2017 Aston Martin DB11 unveiled](#)

[2017 Audi Q2 teased for Geneva](#)

[2017 Audi Q2: One to wish for](#)

[2017 Bentley Flying Spur V8 S Unveiled](#)

[2017 Bentley Mulsanne adds Extended Wheelbase model](#)

[2017 Bugatti Chiron Bows with 1,500 Horsepower](#)

[2017 Cadillac XT5 priced at \\$39,990](#)

[2017 Chevrolet Camaro 50th Anniversary Edition revealed](#)

[2017 Chevrolet Corvette Grand Sport Surprises in Geneva](#)

[2017 Chrysler Pacifica earns top EPA highway mark](#)

[2017 Ford Escape offers new wiper de-icer](#)

[2017 Ford Escape Sport Package offered](#)

[2017 Ford Fusion V6 Sport gets pothole-detecting suspension](#)

[2017 Jaguar F-Type SVR debuts in Geneva](#)

[2017 Kia Sportage starts at \\$23,885](#)

[2017 Maserati Levante rolls into Geneva](#)

[2017 McLaren 570GT: Aggressively accommodating](#)

[2017 Mercedes-AMG C43 4Matic Coupe Unveiled](#)

[2017 Mercedes-Benz C-Class Cabriolet opens up](#)

[2017 Mercedes-Benz C-Class Cabriolet teased](#)

[2017 Morgan EV3 powers up](#)

[2017 Porsche Boxster: A joy ride and more details](#)

[2017 Porsche Macan: New 4-cylinder model set for New York](#)

[2017 Toyota C-HR teased for Geneva](#)

[2017 Volvo XC90 Excellence bound for America](#)

[2017 Volvos offer first mobile phone digital key](#)

[2016 Chevy Silverado and GMC Sierra to test hybrid system](#)

[2016 Dodge Durango adds appearance kits](#)

[2016 Infiniti QX60 starts at \\$43,595](#)

[2016 Lamborghini Centenario: Happy Birthday Ferruccio!](#)

[2016 Mazda CX-9 Tops in Class Mileage](#)

[2016 Nissan Maxima SR Midnight Edition: Stealthy value](#)

[2016 Porsche 911 R: Limited numbers, race ready](#)

[2016 VW Golf SportWagen Limited Edition to start at \\$25,815](#)

[Aston Martin confirms 2018 RapidE electric vehicle](#)

[BMW Vision Next 100 Concept looks to tomorrow](#)

[Car- and Ride-Sharing No Threat to New Car Sales](#)

[Ford to add four SUV models over four years](#)

[Ford and GM expand future mobility operations](#)

[Honda Civic Hatchback Prototype unveiled](#)

[In Memoriam: Models Passing from the automotive scene](#)

[Italdesign Giugiaro GTZero Concept bows](#)

[Italdesign GTZero Concept is clean and cool](#)

[KBB Interview: Chevy's Darin Gesse on Bolt and Volt](#)

[Mazdas On Ice: An All-Wheel Drive Showdown](#)

[McLaren commits \\$1.4 billion to hybrid effort](#)

[Morgan EV3 Teased for Geneva](#)

[New Stamps Showcase Pickups](#)

[Nissan Outlines Intelligent Mobility Plan](#)

[Pininfarina H2 Speed Concept: On the fast track to tomorrow](#)

[Rand McNally Overdrive: Navigation and Connectivity](#)

[Rolls-Royce Phantom VII ends with elite Zenith Collection](#)

[Subaru shows off new global platform](#)

[Subaru XV Concept previews next Crosstrek](#)

[The Case for Winter Tires](#)

[The Jeeps of Easter, Chapters 14, 50, and 75](#)

LATEST NEWS STORIES ON KBB.COM, CONTINUED

[Toyota C-HR Debuts in Production Trim](#)

[Volkswagen Phideon: China-spec 4-door sports new face](#)

[Volkswagen SUV Concept teased for Geneva](#)

[Volkswagen T-Cross Breeze previews new SUV](#)

[Volvo adds streaming music service](#)

[This Week in Car Buying: Leasing and loan balances hit high](#)

[This Week in Car Buying: Sales rev; Chevy Volt incentives](#)

[This Week in Car Buying: Top 10 Deals of the Month](#)

[This Week in Car Buying: Used car prices drop](#)

NEW-VEHICLE REVIEWS ON KBB.COM

The following new-vehicle reviews written by KBB.com's editorial staff went live on the site or were updated during February 2016. To see any new-vehicle reviews from KBB.com's editorial staff, please visit KBB.com and click on the *Car Reviews* tab, then select the make and model.

Written Stories Posted to KBB.com:

Highlights

[2016 Geneva Motor Show: Luxury and speed trump transportation need](#)

[10 Best Used SUVs Under \\$10,000](#)

[10 Best SUVs Under \\$25,000](#)

[10 Best All-Wheel Drive Vehicles Under \\$25,000](#)

Vehicle Coverage:

Buyer's Guides

[2017 Audi Q7 Buyer's Guide](#)

[2015 Infiniti Q50 Buyer's Guide](#)

[2016 Acura RDX Buyer's Guide](#)

[2016 Acura TLX Buyer's Guide](#)

[2016 Audi A4 Buyer's Guide](#)

[2016 Audi Q5 Buyer's Guide](#)

[2016 BMW 3 Series Buyer's Guide](#)

[2016 BMW X3 Buyer's Guide](#)

[2016 BMW X5 Buyer's Guide](#)

[2016 Buick Enclave Buyer's Guide](#)

[2016 Cadillac ATS Buyer's Guide](#)

[2016 Chevrolet Silverado Buyer's Guide](#)

[2016 Dodge Grand Caravan Buyer's Guide](#)

[2016 Ford Flex Buyer's Guide](#)

[2016 GMC Sierra Buyer's Guide](#)

[2016 Infiniti QX50 Buyer's Guide](#)

[2016 Kia Sedona Buyer's Guide](#)

[2016 Land Rover LR4 Buyer's Guide](#)

[2016 Lexus IS Buyer's Guide](#)

[2016 Lincoln MKX Buyer's Guide](#)

[2016 New Car Buyer's Guide](#)

[2016 Nissan Quest Buyer's Guide](#)

[2016 Nissan Titan Buyer's Guide](#)

[2016 Porsche Cayenne Buyer's Guide](#)

[2016 Porsche Macan Buyer's Guide](#)

[2016 Range Rover Evoque Buyer's Guide](#)

[2016 Toyota Sienna Buyer's Guide](#)

[2016 Toyota Tundra Buyer's Guide](#)

[2016 Volvo S60 Buyer's Guide](#)

[2016 Volvo XC60 Buyer's Guide](#)

[Compact Car Buyer's Guide](#)

[Compact SUV Buyer's Guide](#)

[Midsized Sedan Buyer's Guide](#)

[Midsized SUV Buyer's Guide](#)

[Pickup Truck Buyer's Guide](#)

First Drives/Reviews

[2016 Infiniti Q50 Red Sport 400 First Review: Seeing Red](#)

[2017 Kia Sportage SX Turbo First Review: Power and value intertwine](#)

[2017 Volkswagen Tiguan First Review: Winter Test](#)

Long Term Vehicle Updates

[2016 Nissan Maxima Platinum Long-Term Update: Technology](#)

[2016 Honda HR-V Long-Term Intro: Meet Herv](#)

Quick Takes

[2016 Honda Civic LX 6MT Quick Take](#)

[2016 Land Rover Range Rover HSE Td6 Quick Take](#)

[2016 Lexus LS 600h L Quick Take](#)

[2016 Lexus LX570 Quick Take: Bold One Gets Bolder](#)

[2016 Mercedes-Benz GLC300 Quick Take](#)

KBB.com Expert Reviews:

2016 Cadillac CT6

Cadillac's all-new, range-topping full-size sedan matches benchmark levels of luxury and advanced technology with superb driving dynamics.

2016 Ford Edge

The 5-passenger 2016 Ford Edge delivers power, economy and a smooth ride in an aggressively styled midsize SUV of multiple personalities.

2016 Honda CR-Z

Honda's CR-Z has rocket-ship looks, sporty handling, good fuel economy, hybrid tech, racy and edgy, green and friendly. Nothing else like it.

2016 Hyundai Azera

High-end looks, luxury, performance, features, feel. Mid-range price. Outstanding value. The 2016 Hyundai Azera is a remarkably great deal.

2016 Kia Cadenza

Kia's 2016 Cadenza is a giant automotive value for the money. Loaded with features, silky driving, very attractive pricing; tough to beat.

2016 Land Rover Discovery Sport

The Land Rover Discovery Sport is the least expensive Land Rover model, but still balances equal parts luxury and off-road adventurer.

2016 Mercedes-Benz GLC

Replacing the GLK, the 2016 Mercedes-Benz GLC-Class is bigger, more luxurious and better-looking inside and out.

2016 Nissan Murano

Nissan's 2016 Murano is the stylish SUV for fashion-conscious adults: outside, an art-center exterior; inside, a sleek private lounge.

2016 Nissan Sentra

The 2016 Nissan Sentra gets a mid-cycle upgrade, improving the appearance, suspension, noise isolation and driver-assist technologies.

2016 Porsche 911

The consummate sports car, Porsche's 911 expands an already impressive portfolio with a new top-line 500-horsepower GT3 RS model.

2016 Ram 1500

Ram's 2016 1500 pickup has all the equipment required to get big jobs done fast, plus a few options you won't find with Chevy or Ford.

WHAT'S NEW

Ninety-Two Percent of Gen Z Teens Own or Plan to Own a Vehicle, According to Autotrader, Kelley Blue Book Study

Gen Z Willing to Give up Social Media, Cell Phone to Get into Driver's Seat; Automotive Study Reveals Surprising Insights on These Future Car Buyers

ATLANTA and IRVINE, Calif., March 15, 2016 -- As the automotive industry turns its attention toward the next generation of car shoppers and buyers, Generation Z (those currently age 0-17), it may be operating under some false assumptions. New research from Autotrader® and Kelley Blue Book®, the most visited car shopping and research websites, offers an in-depth look at Generation Z and delivers some surprising insights about how this new cohort differs greatly from the often-discussed Millennial generation that comes before it... [MORE](#)

Kelley Blue Book Study Reveals Ride-Sharing, Car-Sharing Services Do Not Pose Threat to Car Buying

KBB.com Finds Americans Not Ready to Give Up Freedom Associated with Vehicle Ownership

IRVINE, Calif., March 10, 2016 -- The results are in, and according to Kelley Blue Book, ride- and car-sharing is not an imminent threat to new-car buying and vehicle ownership, despite the growing number of services being offered to consumers. This is just one of many interesting findings from the recent 2016 Kelley Blue Book Ride Sharing/Car Sharing Study, released today by KBB.com, the vehicle valuation and information source trusted and relied upon by both consumers and the automotive industry... [MORE](#)

10 Best SUVs Under \$25,000 for 2016 by KBB.com

Kelley Blue Book Names Best Affordable Vehicles in Automotive's Fastest-Growing Segment

IRVINE, Calif., March 3, 2016 -- The experts from Kelley Blue Book www.kbb.com, the vehicle valuation and information source trusted and relied upon by both consumers and the automotive industry, have assembled their list of the 10 Best SUVs Under \$25,000 for 2016...

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Nearly Three-Quarters of Consumers Unable to Recall Any Instance of Vehicle Hacking in Past Year, According to Kelley Blue Book Survey

Kelley Blue Book Analysts Discuss Vehicle Hacking Vulnerabilities at RSA Conference on March 1 in San Francisco; Consumers Hold Automakers Most Responsible to Prevent Vehicle Hacking

IRVINE, Calif., March 1, 2016 -- For a number of automakers, 2015 was a prime year for learning of vehicle vulnerabilities, yet nearly three-quarters of consumers are not able to recall any instance of car hacking in the past year, according to a new survey by Kelley Blue Book, www.kbb.com, the vehicle valuation and information source trusted and relied upon by both consumers and the automotive industry...

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New-Car Transaction Prices Continue to Set Records in February 2016, Up 2.2 Percent, According to Kelley Blue Book

Increased Incentives Offset Growth; Utility, Truck Models Help Drive Automaker Strength

IRVINE, Calif., March 1, 2016 -- The analysts at Kelley Blue Book www.kbb.com, the vehicle valuation and information source trusted and relied upon by both consumers and the automotive industry, today report the estimated average transaction price (ATP) for light vehicles in the United States was \$33,781 in February 2016. New-car prices have increased by \$739 (up 2.2 percent) from February 2015, while remaining flat from last month... [MORE](#)

Implications of the Leasing Boom, CONTINUED FROM PAGE 1

Well, maybe, but in the interest of a well-rounded look at the leasing boom, let's examine potential downsides of the leasing phenomenon. First, there is the aforementioned allusion to the fact that leasing, by its nature, prevents individual consumers from gaining equity (ownership) in the cars they drive. One can debate whether or not that's a bad thing, but it does fundamentally change some norms. For instance, it does away with the almost ubiquitous trade-in. Since a trade-in transaction often can benefit the dealers who take in the trade, that represents an opportunity lost.

More can sometimes equal less

But that is far from the biggest potential issue around the trend to leasing. In my opinion, that elephant in the room is the inevitability that lease vehicles come back into the market, and they come back into the market much sooner than they would if they had been purchased. What this will do - in fact, what this is already doing - is depressing the value of used vehicles. Why? There are simply more of them, and in flat economic times, that sends their values down. This can have several negative effects on new-vehicle sales and the overall health of the industry.

One possible negative is that a substantial percentage of buyers will begin substituting the purchase (or lease) of a one-, two-, or three-year-old vehicle for a new vehicle. That is yet to become a substantial trend, and it may never become one, but certified pre-owned (CPO) "nearly-new" cars are gaining momentum. Another looming negative is that used off-lease cars returning to the market will make it more expensive for consumers to lease new cars. Why? As we said, the glut of off-lease vehicles will depress used-car values, and that will likely negatively affect new-car residual values. Lower residual values equal higher lease payments, all other things being equal, so leasing's success could, ironically, limit its future growth.

The final potential issue might seem incendiary, but the question should be asked: Is leasing contributing to a "vehicle bubble?" In other words, are lenders/lessors over-estimating the future value of their portfolios of loans and leases and the future value of the vehicles that will return to their possession when the leases end? Getting that right can be a high-wire act - billions hang in the balance for financial institutions and captive lenders -- and for the sake of the overall economy, we want to keep the industry safely up on the cable.



About Kelley Blue Book (www.kbb.com)

Founded in 1926, Kelley Blue Book, The Trusted Resource®, is the vehicle valuation and information source trusted and relied upon by both consumers and the automotive industry. Each week the company provides the most market-reflective values in the industry on its top-rated website KBB.com, including its famous Blue Book® Trade-In Values and Fair Purchase Price, which reports what others are paying for new and used cars this week. The company also provides vehicle pricing and values through various products and services available to car dealers, auto manufacturers, finance and insurance companies, and governmental agencies. Kelley Blue Book's KBB.com ranked highest in its category for brand equity by the 2015 Harris Poll EquiTrend® study and has been named Online Auto Shopping Brand of the Year for four consecutive years. Kelley Blue Book Co., Inc. is a Cox Automotive company.