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Used-Car Market Report

MAY
2013

Automotive Insights from Kelley Blue Book

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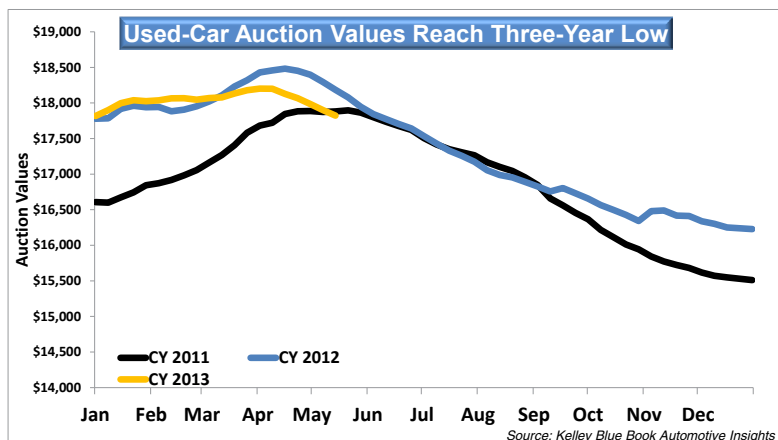
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USED-CAR MARKET ANALYSIS:

Used-Car Auction Values Reach Three-Year Low



- In May 2013, used-car auction values reached a three-year low.

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THIS YEAR STARTED AT A THREE-YEAR HIGH, BUT WITH NO STRONG APPRECIATION IN Q1, AUCTION VALUES BEGAN AN EARLY DECLINE IN APRIL AND SINCE HAVE DECLINED BELOW LEVELS SEEN IN 2012 AND 2011. WE EXPECT THIS DEPRECIATION TO CONTINUE THROUGH THE REMAINDER OF THE YEAR, WITH YEAR-END VALUES NO MORE THAN 3 TO 5 PERCENT BELOW WHERE THEY ENDED IN 2012.

- ALEC GUTIERREZ

SENIOR MARKET ANALYST, AUTOMOTIVE INSIGHTS

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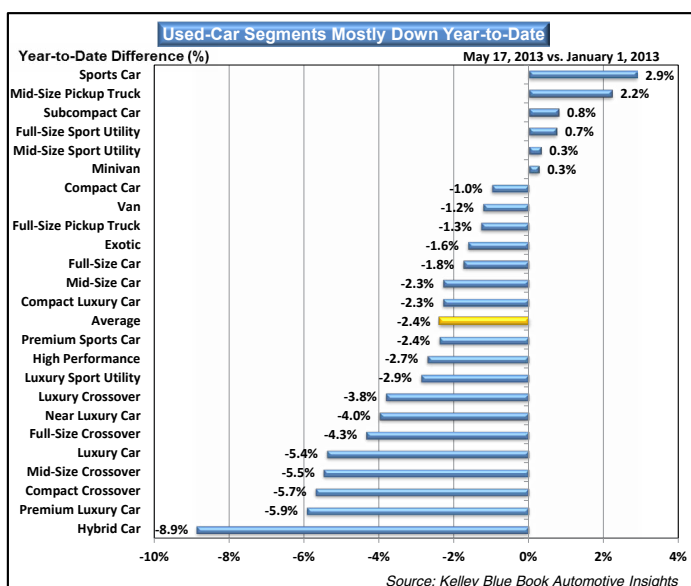
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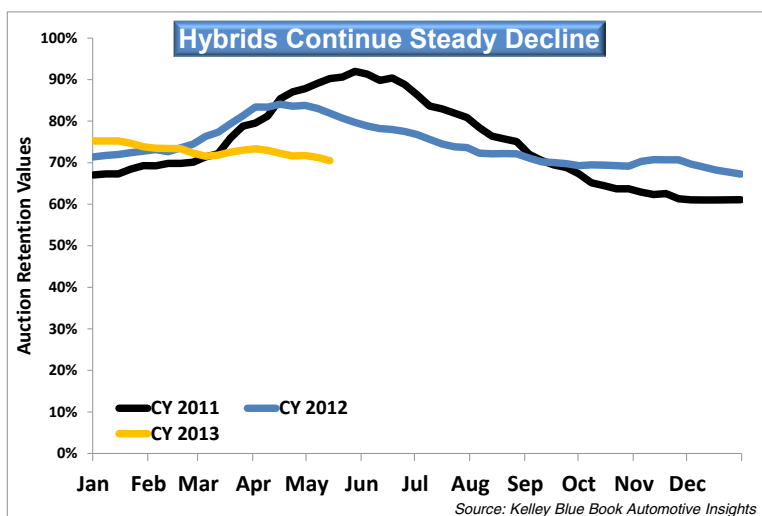
Used-Car Segments Mostly Down Year-to-Date



- As the industry approaches June, only a few segments are maintaining a positive value for the year.
- Mid-size pickup trucks are doing well due to an increase in housing starts, and subsequently the construction business is back on the rise. The sports car segment also remains ahead of the curve as seasonal trends take effect, making coupes and convertibles more attractive to summer buyers.

“Hybrid vehicles have fallen the most year-to-date, with a nearly 9 percent decline from where the segment started in January,” said Gutierrez. “This drop can be attributed to the fairly stable fuel prices seen in the first quarter.”

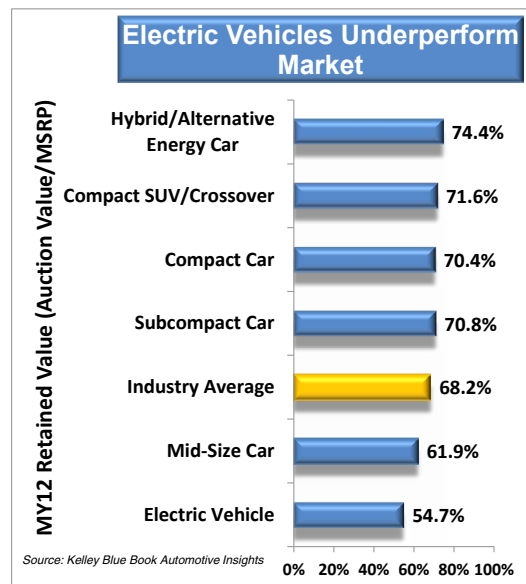
Retained Value: Hybrids Continue Steady Decline



“2013 has been a year of steady declines for the used-car hybrid market,” said Gutierrez. “Unlike 2012 and 2011, when the market saw fuel prices spike in Q1 and Q2, which subsequently led to spikes in the hybrid market, the ramp-up in fuel prices in 2013 has not been as strong; thus, hybrid prices have not appreciated.”

- As 2013 has not experienced the Q1 and Q2 ramp-up in the hybrid market seen in previous years, Kelley Blue Book expects the current gradual decline to continue throughout the rest of the year, leaving year-end values not far from where they finished in 2011 and 2012.

Retained Value: Electric Vehicles Underperform Market



- On average, used electric vehicles are retaining nearly 55 percent of their original Manufacturer's Suggested Retail Price (MSRP), while their hybrid counterparts perform significantly better by holding on to a retained value average of 74.3 percent.
- The hybrid market will continue to outperform the electric vehicle segment for quite some time, as the infrastructure for electric vehicles remains in its early stages and consumers still need to grow accustomed to the idea of a purely electric vehicle. Unless a consumer's commute is short and consistent, the jump from a combustion vehicle to a fully electric vehicle is not an easy choice for drivers, especially in cases where the model is priced higher than the hybrid counterparts.

"It is important to note that while the electric vehicle segment maintains the lowest retained value, these vehicles often have a much higher MSRP than their gas-powered competitors. With an average retained value of nearly 55 percent, this actually brings the value of electric vehicles within a comparable price range to their gas-powered counterparts from a dollar perspective," said Gutierrez. "Electric vehicles often have federal and state tax incentives to aid in the purchase of the vehicle when new; however, these incentives do not exist on the used-car side."

****Note:** This chart only includes vehicles that have been published on KBB.com for at least five weeks. Electric vehicle category contains Chevrolet Volt, Nissan LEAF and Mitsubishi i-MiEV.

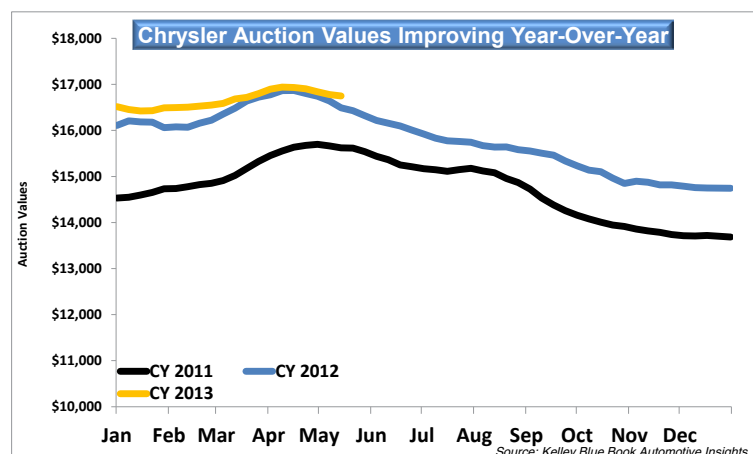
Luxury Values Soften in May

Luxury Values Soften in May 2013			
Segment	May-13	Apr-13	% Chg
Entry-Level Luxury Car	\$22,230	\$22,454	-1.0%
High-End Luxury Car	\$49,655	\$50,018	-0.7%
Luxury Car	\$30,595	\$30,733	-0.5%
Luxury Compact SUV/Crossover	\$27,987	\$28,316	-1.2%
Luxury Full-Size SUV/Crossover	\$35,991	\$35,902	0.2%
Luxury Mid-Size SUV/Crossover	\$33,784	\$34,139	-1.0%
Average	\$28,460	\$28,686	-0.8%

Source: Kelley Blue Book Automotive Insights

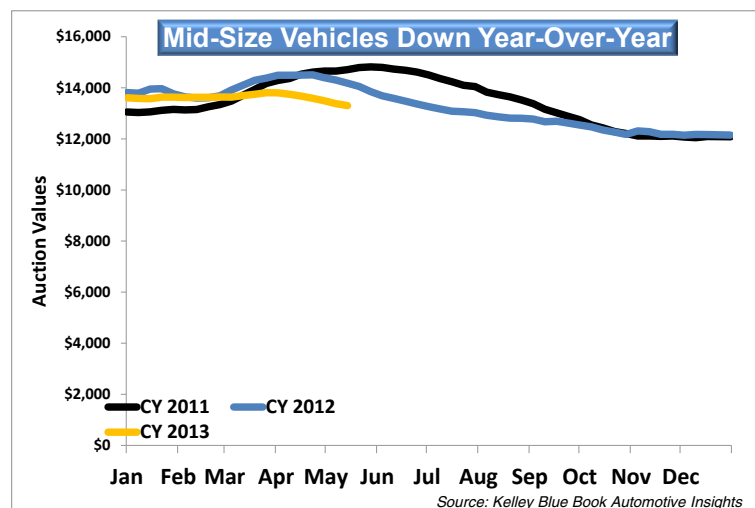
- Auction values of 1- to 3-year-old luxury vehicles fell nearly 1 percent in May, performing better than the overall market average, which fell 1.8 percent.
- The luxury full-size SUV/crossover segment was the only segment to gain value in May, thanks to the Buick Enclave (up 2.2 percent) and the Infiniti QX56 (up 1.1 percent). The QX56 has been much better received in the market since its bold redesign for the 2011 model year, while the Enclave has proven to be an affordable, worthy competitor in this space.
- Looking forward, Kelley Blue Book expects luxury values to decline more steeply in June, with approximate average depreciation of 1.5 percent, due to seasonality and an increasing supply of three-year lease returns coming back to the market.

Chrysler Group Auction Values Strong in 2013



- Chrysler Group is one of only two manufacturers (the other being Volvo) whose auction values are up on a year-over-year basis. The average auction value of \$16,750 from Chrysler Group is \$258 higher than last year and more than \$1,000 higher than it was in 2011 (for 1- to 3-year-old models).
- The Jeep brand is retaining its value especially well, helping to drive Chrysler's stronger values. The Wrangler and Grand Cherokee drove Jeep's retained value to 70.9 percent of MSRP, far exceeding the market average of 63.4 percent.

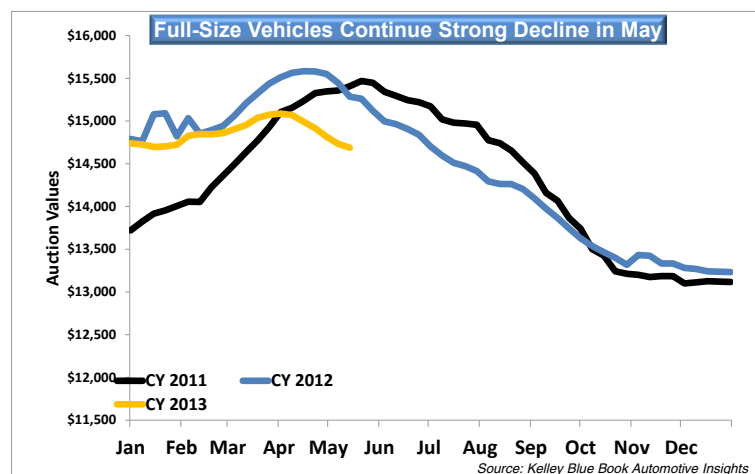
Mid-Size Vehicles Down Year-Over-Year



- Year-over-year, mid-size sedans were down 6.3 percent in April 2013.
- As of mid-May, mid-size sedans are down 6.2 percent.
- Overall, mid-size sedans did not experience a significant upward trend in comparison to last year.
- The downward trend began early this year (in comparison to last two years).

“Kelley Blue Book field analysts have mentioned that the early downward trend for mid-size sedans could be a result of lease returns flooding the auctions,” said Gutierrez. “There is a high volume of Nissan Altima, Honda Accord and Toyota Camry lease returns.”

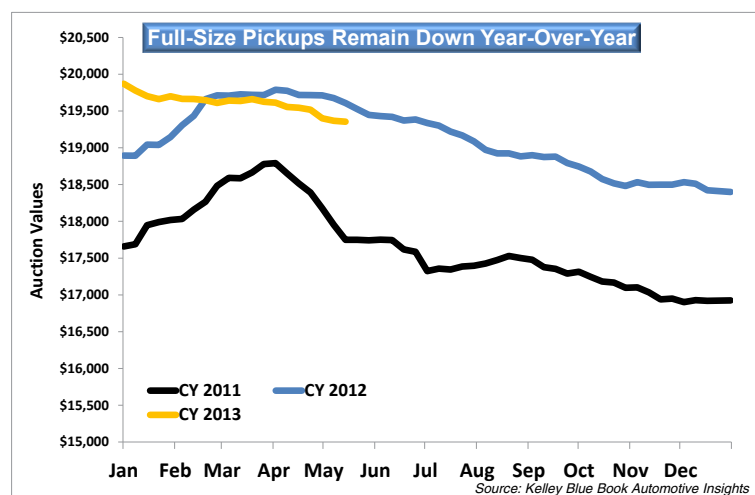
Full-Size Vehicles Continue Strong Decline in May



- Year-over-year, full-size sedans were down 4.73 percent in April 2013.
- As of mid-May, full-size sedans are down 3.91 percent.

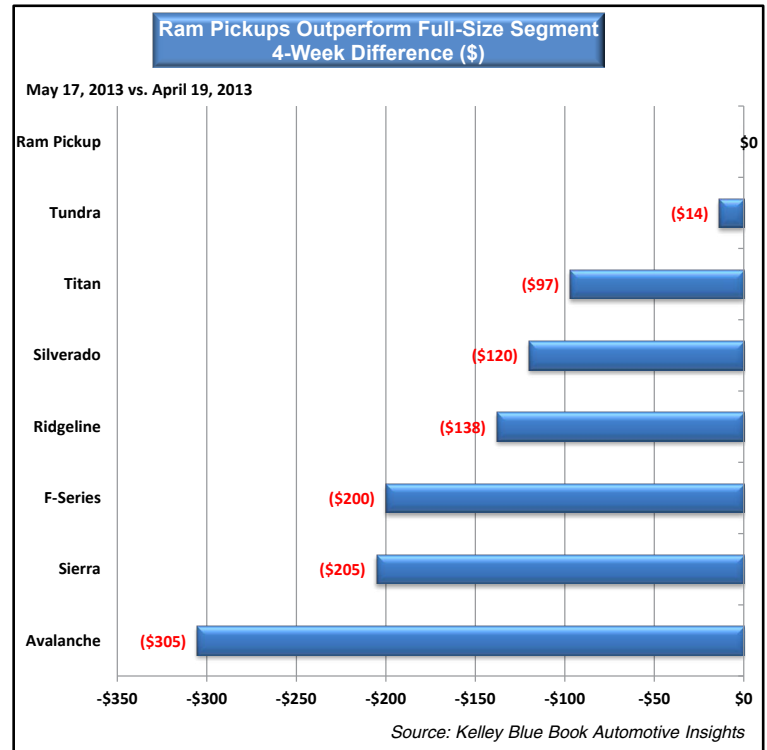
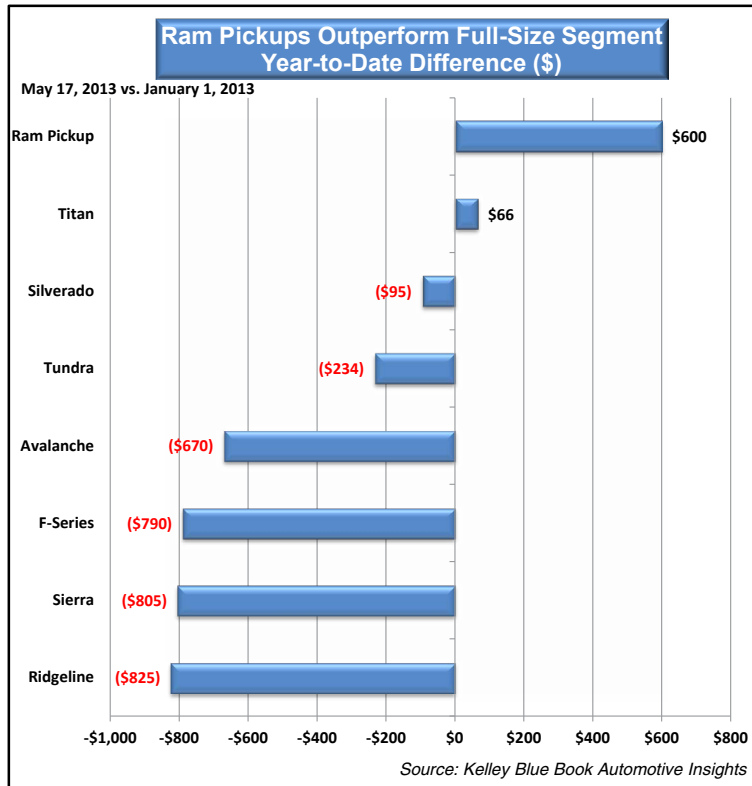
“Overall, the peak for full-size vehicles occurred early in April this year, and the values have been on a downward slope ever since,” said Gutierrez. “The downward trend could be a result of mid-size sedans taking away some of the market share from full-size sedans, since they are easily cross-shopped.”

Used Full-Size Pickups Remain Down Year-Over-Year in the Face of New Truck Incentives, Redesigns



- Year-over-year, the average auction values for 1- to 3-year-old full-size pickup trucks are down 1.3 percent.
- Used pickup values likely are under pressure from heavily incentivized new truck sales and the launch of the new-generation Chevrolet Silverado and GMC Sierra.
- Average auction values for full-size trucks have been gradually decreasing since the beginning of 2013.
 - o Year-to-date, full-size pickup trucks are down 2.6 percent.

Ram Pickups Outperform Full-Size Truck Segment



- Both year-to-date and just in the last four weeks, Ram pickups have retained the most value.
- The redesigned 2013 Ram pickups have been in the market longer than the new Chevrolet Silverado, and used values have had adequate time to adjust to the downward pressure a redesign typically brings.
- The Chevrolet Avalanche decreased the most at auction during the last four weeks. Buyers may be less willing to pay top-dollar for the Avalanche since 2013 is the last production model year, and it has a lower starting MSRP than the 2012 model-year Avalanche.

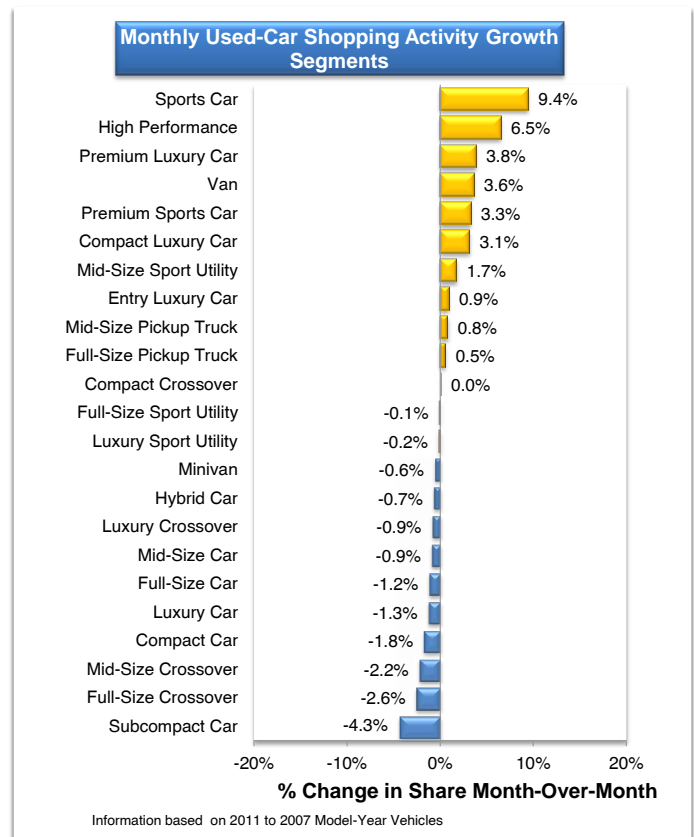
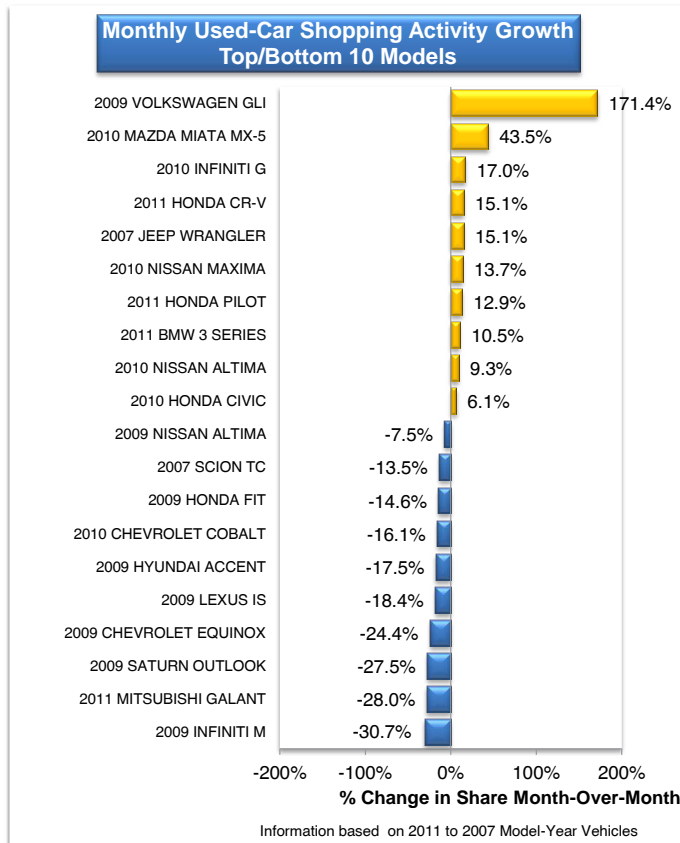
This commentary focuses on model years 2010 - 2012. The statements set forth in this publication are the opinions of the authors and are subject to change without notice. This publication has been prepared for informational purposes only. Kelley Blue Book assumes no responsibility for errors or omissions.

Used-Car Research Moves Toward Performance Vehicles

Kelley Blue Book's Hot Used-Car Report captures monthly used-car shopper activity on KBB.com, including a list of the top and bottom movers in the same time period. Results are provided by the Kelley Blue Book Market Intelligence Team, in an effort to help dealers better understand which used vehicles consumers are looking at most each month.

- Share of research toward sports cars increased 9.4 percent among used-car retail traffic. The key driver of this derived from the increased attention directed to the 2010 Mazda Miata MX-5, which is No. 2 on the model list for share of traffic increases.
- High-performance vehicles experienced a second consecutive monthly increase in share of traffic. This is a seasonal trend that isn't driven by any on particular vehicle in this segment.
- The 2009 Volkswagen GLI has had the largest share increase of used-car traffic, which also is the last year of the performance-oriented version of the Jetta. Owners hold this vehicle in high regard for being fun-to-drive as well as fuel efficient.

"It is no surprise that performance-oriented vehicles have been increasing in popularity for the past couple of months," said Arthur Henry, manager of market intelligence and market analyst. "As the days get longer, people have more daylight time to have fun in their vehicles. We have been seeing more interest for import performance vehicles than domestic models. It appears shoppers are choosing vehicles that are better known for handling than power."



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