



Blue Book MARKET REPORT

FOURTH QUARTER 2016

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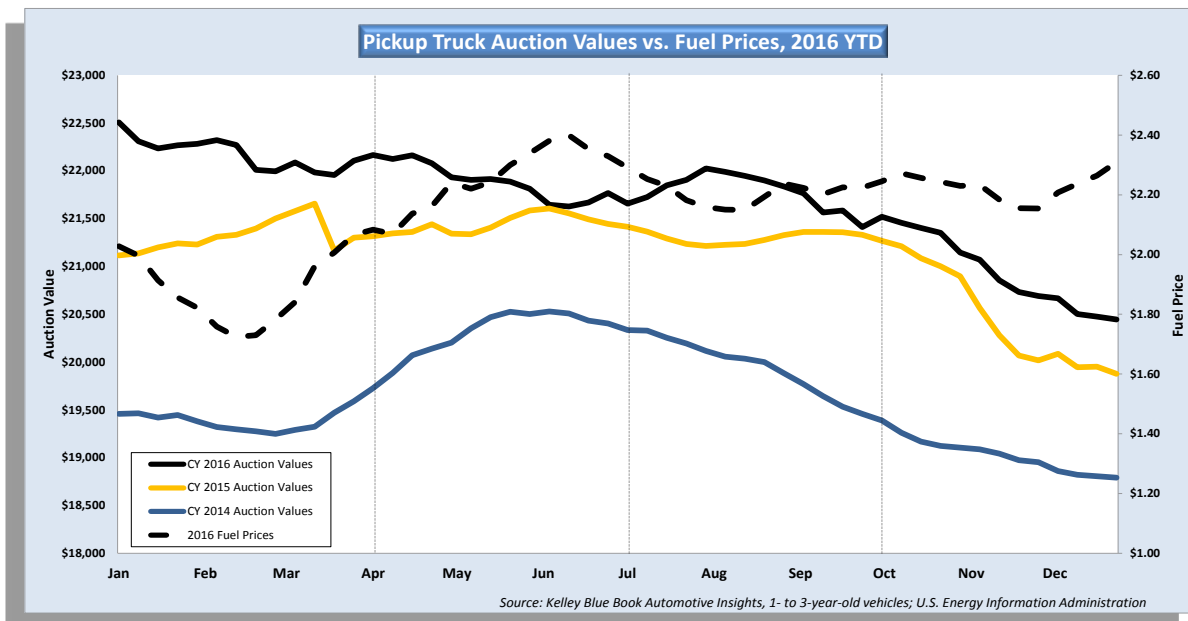
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Auction Values for Pickup Trucks Finish 2016 Exceptionally High Despite Rising Fuel Prices; Nissan Titan and GMC Canyon Top Performers



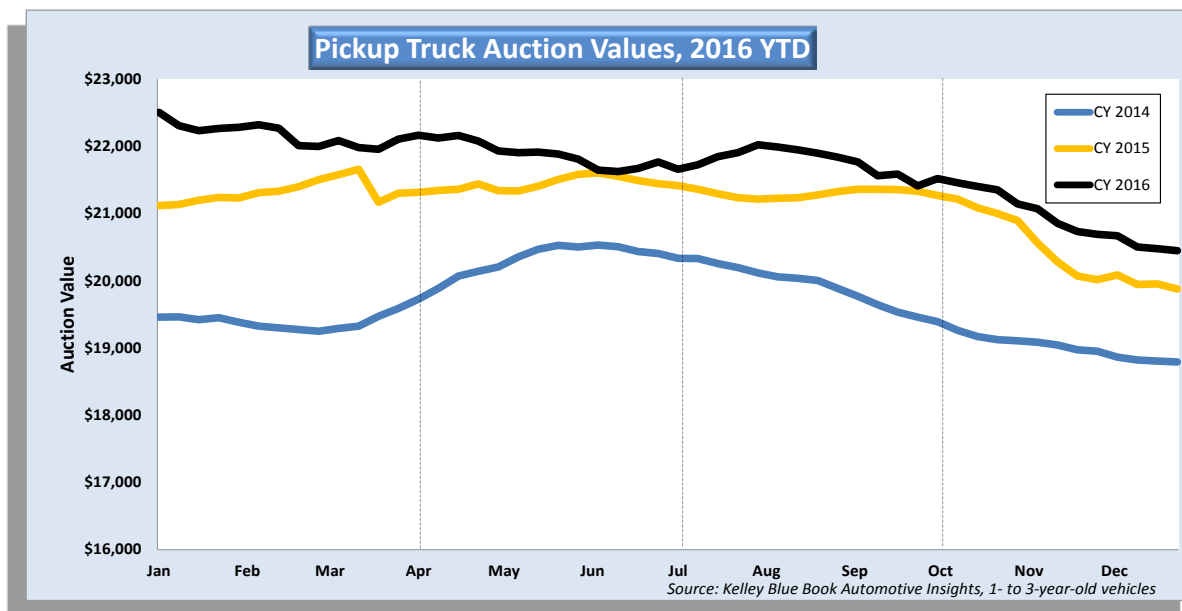
...2017 COULD TURN OUT
TO BE A TOUGH YEAR FOR
TRUCKS...

SEAN FOYIL, KELLEY BLUE BOOK ANALYST

- Average auction values for 1- to 3-year-old pickup trucks finished the year very strong with an increase of 2.7 percent, or \$545 per unit, year-over-year.
 - Full-size pickups gained roughly 3 percent, or \$597, on average year-over-year.
 - Mid-size pickups gained roughly 1 percent, or \$141, on average year-over-year.
- Over the same period of time, the average cost for a gallon of gasoline rose as much as \$0.65, or 37 percent, peaking in December 2016 at a three-year high of \$2.38 per gallon.
 - Despite remaining relatively flat in October and November 2016, the average price for fuel jumped a substantial \$0.22, or 10 percent, causing the average price per gallon of fuel to finish higher than in previous years.

Auction Values for Pickup Trucks... Continued

- Historically, fuel prices and pickup truck segments have maintained an inverse relationship. As fuel prices decrease, consumer demand for trucks increases, and when fuel prices increase, demand for trucks declines.
- Demand for pickup trucks has been exceptionally strong this year as fuel prices averaged a low \$2.14/gallon. Partially responsible for such demand are relatively new entrants into the mid-size pickup truck segment, such as the Chevrolet Colorado and GMC Canyon, which are both all-new for model-year 2015, along with a completely redesigned Toyota Tacoma for model-year 2016. The full-size segment has also drawn more attention with upgraded models, such as a new generation Nissan Titan for model-year 2016 and a new generation Ford F-150 for model-year 2015.



- Despite increasing demand coupled with the all-new and fully redesigned entrants into the pickup truck segments, 2017 could turn out to be a tough year for trucks. With fuel prices expected to increase in the first quarter of 2017 as producers switch from winter-blend to summer-blend, as well as the Organization of the Petroleum Exporting Countries (OPEC) announcing increased oil production cuts, we could see a stark drop in demand for pickup trucks from a consumer affordability perspective. Furthermore, uncertainty around interest rate hikes this year could potentially lead to a decrease in housing construction, which may lead to fewer or reduced orders of full-size construction pickups. Lastly, supply will also play a large role in the value of used trucks. As auction supply from off-lease returns continues to reach new highs each quarter, dealers will be faced with increasing competition on their pickup truck inventory, while consumers will be granted more options to shop around for the best deal.
- While it is hard to forecast exactly how the pickup truck segments will perform throughout the next year, it is easy to see that there are a number of factors mounting a strong headwind certain to make it a challenging year for the segments.

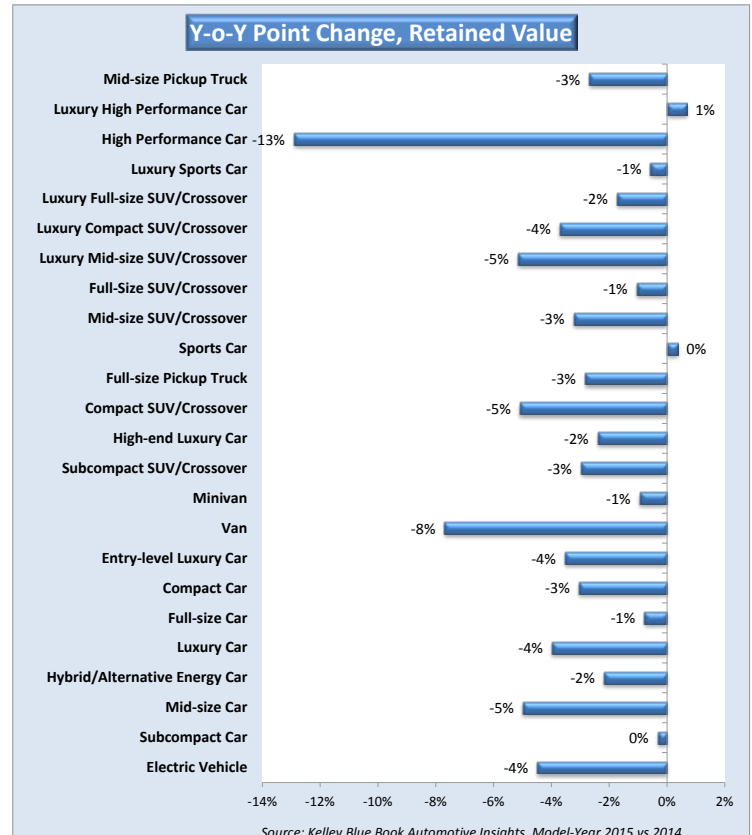
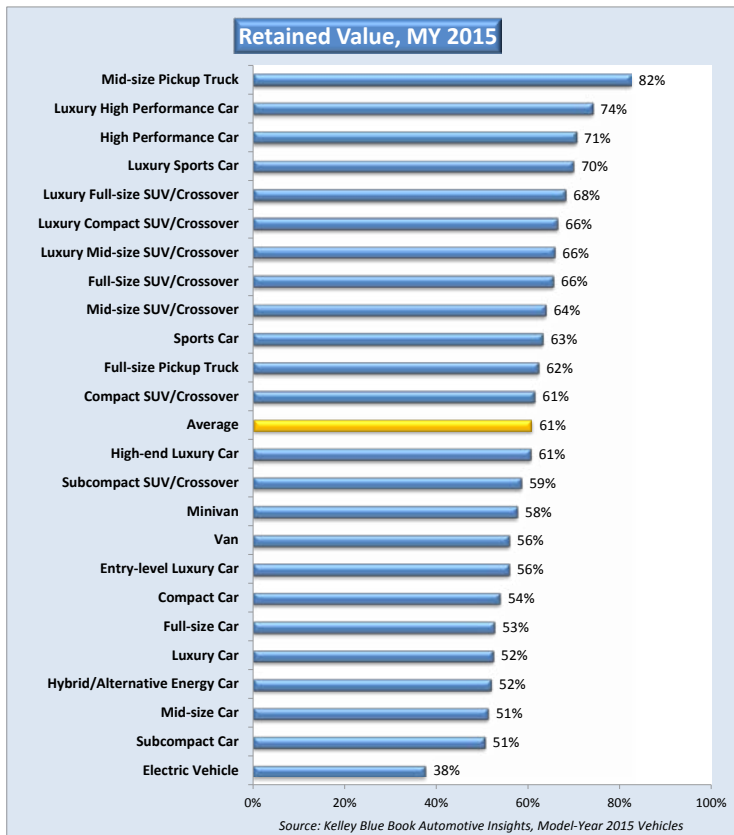
Top 5 performing full-size pickups in 2016 (1- to 3-year-old vehicles)

- Nissan Titan: -2 percent, -\$498
- Toyota Tundra: -8 percent, -\$1,802
- Chevrolet Silverado 1500: -9 percent, -\$1,881
- Ram 1500: -11 percent, -\$2,032
- Ford F150: -11 percent, -\$2,083

Top 5 performing mid-size pickups in 2016 (1- to 3-year-old vehicles)

- GMC Canyon: 0 percent, \$21
- Chevrolet Colorado: -4 percent, -\$903
- Toyota Tacoma: -7 percent, -\$1,600
- Nissan Frontier: -9 percent, -\$1,390
- Honda Ridgeline: -20 percent, -\$4,745

Mid-Size Pickup Trucks Close Year-Long Lead Strong in 2015 Model-Year Retention by Segment; Luxury High Performance Finishes Second



- Model-year 2015 vehicles closed out the year with an average retention of 61 percent – 11 percent lower than where they started the year.
- Mid-size pickup truck remains the strongest segment from a retention perspective with an average retention rate of 82 percent, down just 3 percent over the course of the year.
- The luxury high performance segment finished the year with the second highest retention rate among all segments at 74 percent and was the only segment to finish the year having increased its retention overall.

Top 10 2015 Model-Year Vehicles by Value Retention

VEHICLE SEGMENT	MANUFACTURER	MODEL	VALUE RETENTION (%)
Luxury High Performance Car	Mercedes-Benz	SLS-Class	101%
Mid-Size Pickup Truck	Toyota	Tacoma Double Cab	89%
Luxury Compact SUV/Crossover	Porsche	Macan	89%
Compact SUV/Crossover	Jeep	Wrangler	87%
Compact SUV/Crossover	Nissan	Xterra	83%
Luxury Mid-Size SUV/Crossover	Land Rover	Range Rover Sport	82%
Luxury Sports Car	Alfa Romeo	4C	82%
Mid-Size Pickup Truck	Chevrolet	Colorado Crew Cab	82%
Luxury Sports Car	Porsche	Cayman	82%
Luxury High Performance Car	Audi	R8	80%

Kelley Blue Book Automotive Insights

Bottom 10 2015 Model-Year Vehicles by Value Retention

VEHICLE SEGMENT	MANUFACTURER	MODEL	VALUE RETENTION (%)
Mid-Size Car	Volkswagen	Passat	44%
Subcompact Car	Ford	Fiesta	43%
Hybrid/Alternative Energy Car	Ford	C-MAX Hybrid	42%
Subcompact Car	FIAT	500	42%
Entry-Level Luxury Car	Volvo	S60	41%
Mid-Size Car	Chrysler	200	41%
Electric Vehicle	Chevrolet	Volt	40%
Subcompact Car	Mitsubishi	Mirage	39%
Subcompact Car	smart	fortwo	37%
Electric Vehicle	Nissan	LEAF	24%

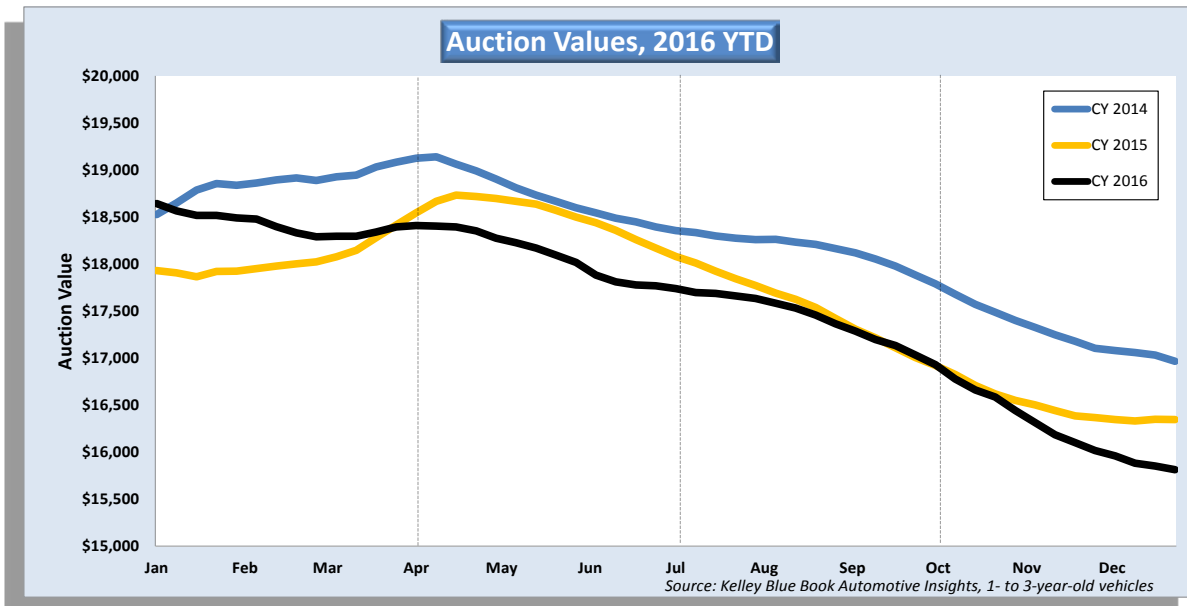
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Average Vehicle Value Retention by Model-Year

MODEL YEAR	AVERAGE RETENTION (%)
2015	61%
2014	54%
2014	47%
2012	40%
2011	36%

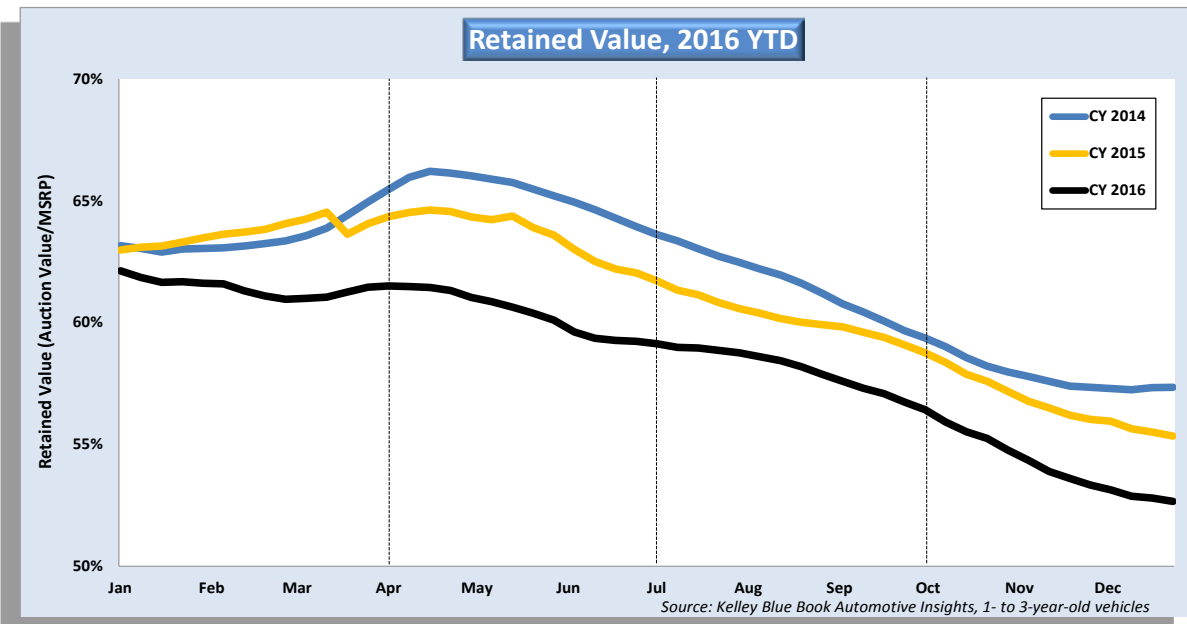
Kelley Blue Book Automotive Insights

Auction Values Report Steeper Declines in Fourth Quarter, Down More Than 15 Percent Year-to-Date

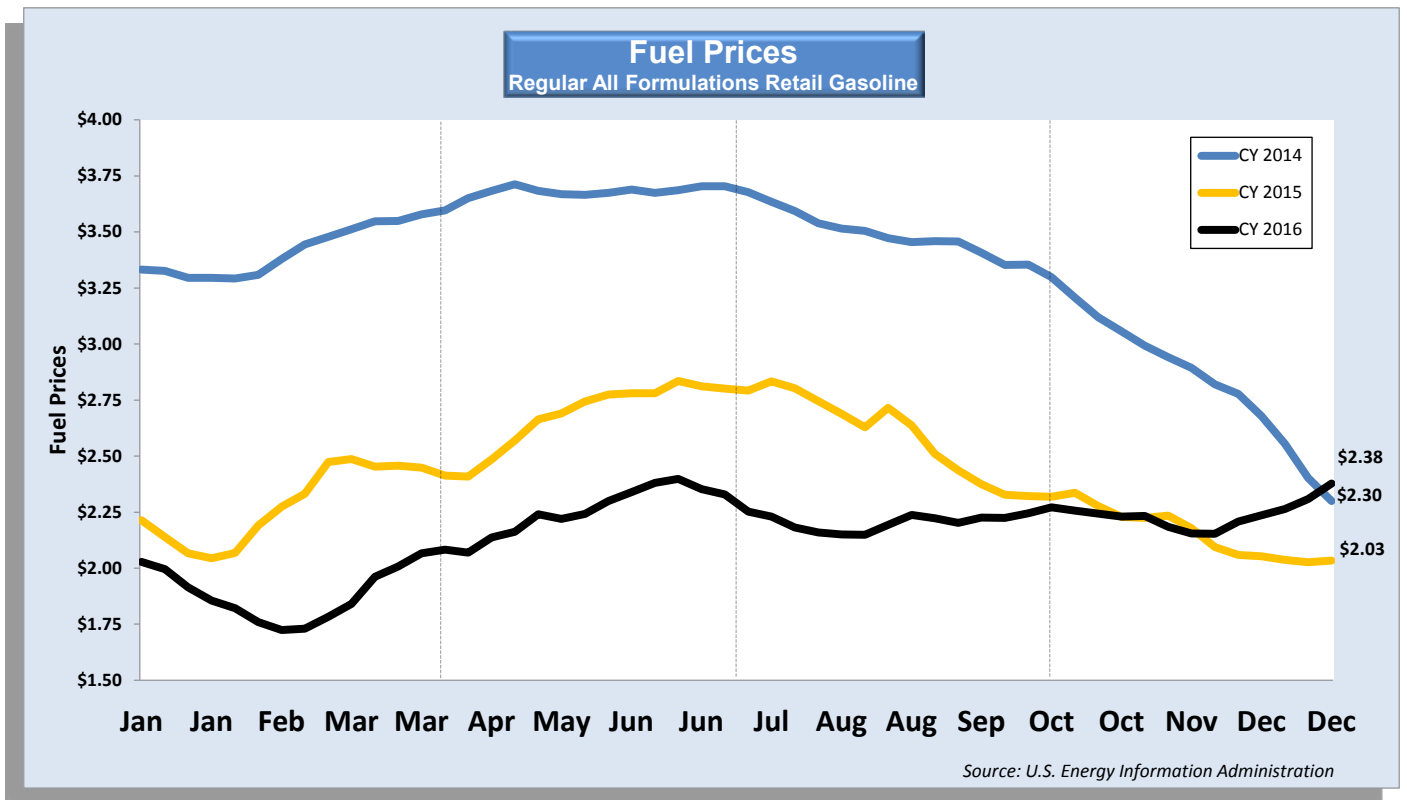


- Auction values for 1- to 3-year-old vehicles fell a substantial 6.8 percent, or \$1,146 per unit, in the fourth quarter of 2016.
- From a year-to-date perspective, 2016 auction values ended 2.5 percent, or \$410 lower than in 2015, and 3.4 percent, or \$562 compared to 2014.
- Year-to-date, values finished down 15.3 percent, or \$2,860 per unit, of which 40 percent was realized in the fourth quarter.
- High auction volume continues to play a significant role in the shaping of the current used-market landscape. Fourth quarter volume was roughly 8.5 percent higher than in the fourth quarter of 2015, but fell 7.4 percent compared to the third quarter of this year. This quarter-over-quarter drop in auction volume comes as no surprise as lower auction volume is common during the year-end holiday season. The used-car market typically sees a larger bounce in spring following tax season.
- Year-over-year total auction volume increased roughly 10.3 percent and 19.2 percent compared to 2015 and 2014 respectively.

Retentions Slide Nearly 4 Percent During 2016 Holiday Season



- Retention for 1- to 3-year-old vehicles slid in the fourth quarter, falling 6.7 percent to close the year out at an average of 52.7 percent.
- Retention for 1- to 3-year-old vehicles finished the year 2.7 percent lower than previously seen in 2015 and 4.7 percent lower than in 2014.
 - Retained Value (2014): 57.3 percent
 - Retained Value (2015): 55.3 percent
 - Retained Value (2016): 52.7 percent
- Higher off-lease volumes in the auction lanes remain the leading factor helping to suppress used-car values as dealers have excess supply from which to choose. As off-lease volumes are expected to continue to rise into 2017, Kelley Blue Book expects vehicle values and retentions will continue to hold lower levels than in previous years.



		Average Fuel Prices By Month (\$)												
Year	Chart (Hi/Lo)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2016		\$1.98	\$1.76	\$1.93	\$2.11	\$2.25	\$2.36	\$2.21	\$2.18	\$2.22	\$2.25	\$2.18	\$2.28	\$2.14
2015		\$2.14	\$2.22	\$2.46	\$2.47	\$2.72	\$2.80	\$2.79	\$2.67	\$2.41	\$2.29	\$2.18	\$2.04	\$2.43
2014		\$3.32	\$3.36	\$3.53	\$3.66	\$3.67	\$3.69	\$3.61	\$3.49	\$3.42	\$3.17	\$2.91	\$2.54	\$3.36

Top 5 Performing Segments:

SEGMENT	Fourth Quarter 2016 Change (%)
Luxury High Performance Car	-4.3%
High-End Luxury Car	-5.0%
Full-Size Pickup Truck	-5.1%
Mid-Size Pickup Truck	-5.3%
Sports Car	-5.4%

MY 2013-2015, Kelley Blue Book® Auction Value

Bottom 5 Performing Segments:

SEGMENT	Fourth Quarter 2016 Change (%)
Electric Vehicle	-11.0%
Full-Size Car	-8.7%
Van	-8.6%
Minivan	-8.5%
Subcompact Car	-8.2%

MY 2013-2015, Kelley Blue Book® Auction Value

Top 5 Performing Brands

SEGMENT	Fourth Quarter 2016 Change (%)
Mercedes-Benz	-3.9%
Porsche	-4.6%
Land Rover	-5.0%
Subaru	-5.2%
Audi	-5.5%

MY 2013-2015, Kelley Blue Book® Auction Value

Bottom 5 Performing Brands:

SEGMENT	Fourth Quarter 2016 Change (%)
FIAT	-12.6%
Cadillac	-10.7%
smart	-10.5%
Mitsubishi	-9.6%
Volkswagen	-9.1%

MY 2013-2015, Kelley Blue Book® Auction Value

Top 10 Performing Models:

MAKE	MODEL	Fourth Quarter 2016 Change (%)
Mitsubishi	Galant	4.8%
Mercedes-Benz	GL-Class	3.4%
BMW	i8	-0.2%
Mercedes-Benz	B-Class	-0.7%
Volvo	XC70	-1.1%
Nissan	GT-R	-1.3%
GMC	Canyon Crew Cab	-1.5%
Porsche	Boxster	-1.5%
Jaguar	XK Series	-2.8%
Suzuki	Kizashi	-3.1%

MY 2013-2015, Kelley Blue Book® Auction Value

Bottom 10 Performing Models:

MAKE	MODEL	Fourth Quarter 2016 Change (%)
FIAT	500	-19.6%
Ford	Fiesta	-19.3%
Nissan	LEAF	-17.7%
BMW	3 Series	-17.0%
Kia	Sedona	-16.6%
Mazda	MAZDA2	-16.2%
Mitsubishi	Mirage	-16.1%
Nissan	Pathfinder	-16.0%
Nissan	Quest	-15.5%
FIAT	500L	-15.5%

MY 2013-2015, Kelley Blue Book® Auction Value

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