



Blue Book MARKET REPORT

THIRD QUARTER 2017

Andrew Nicolai
Director, Public Relations
949.293.5241 | andrew.nicolai@coxautoinc.com

Brenna Buehler
Senior Manager, Public Relations
909.225.4643 | brenna.buehler@coxautoinc.com

Michelle Behar
Public Relations Specialist
909.241.5441 | michelle.behar@coxautoinc.com

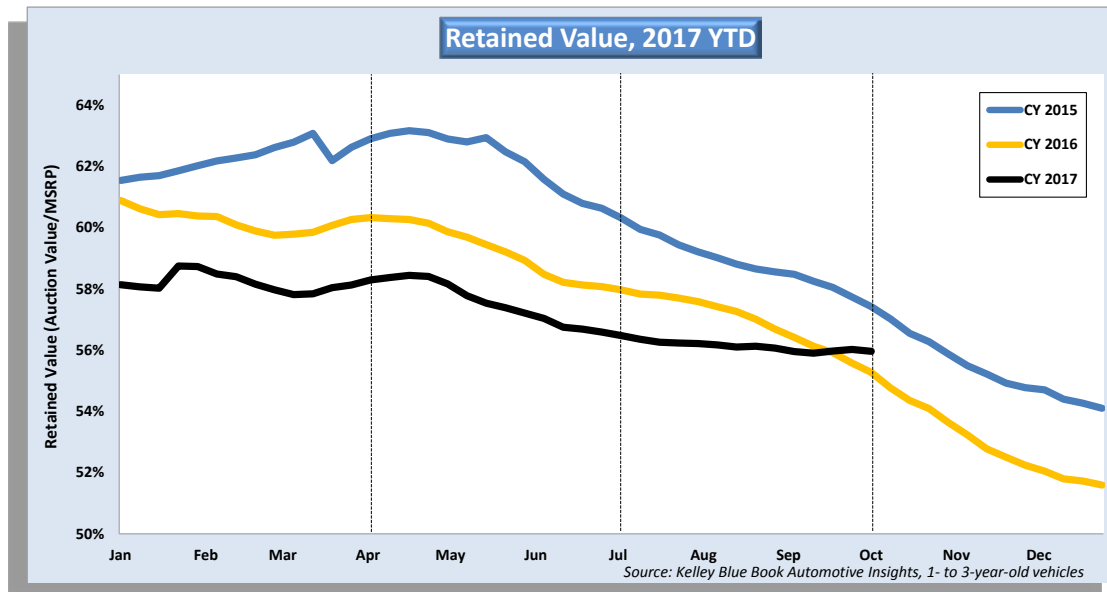
IN THIS ISSUE:

> *Third Quarter Retained Values Hold Steady Year-Over-Year; May Defy Trends and Remain Strong Throughout Remainder of 2017*

> *Auction Values See Strength in Third Quarter 2017 Following Hurricane Harvey*

> *Hybrid/Alternative Energy Segment Sees Highest Gains in 2016 Model-Year Value Retention...MORE*

Third Quarter Retained Values Hold Steady Year-Over-Year; May Defy Trends and Remain Strong Throughout Remainder of 2017

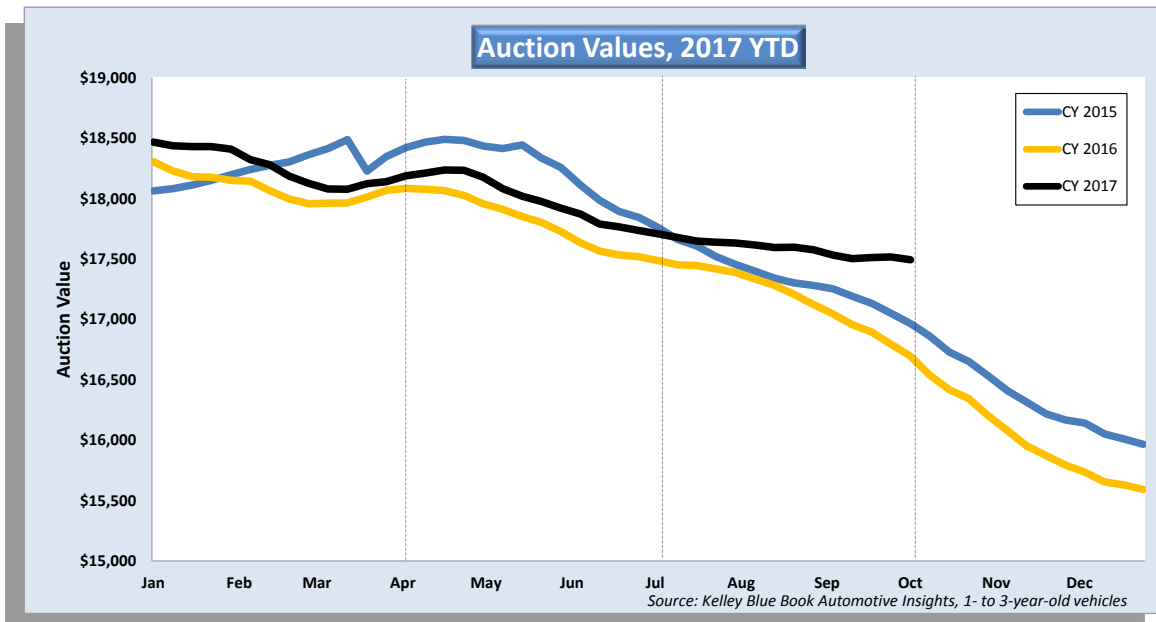


- Due to the upward pricing pressure on used-car values following Hurricane Harvey, retained values for 1- to 3-year-old vehicles held strong in the third quarter of 2017, finishing the quarter at 56 percent, 1 percentage point higher than the same time last year.
- At the end of the third quarter, vehicle retention was only down 3.7 percent year-to-date, compared to 9.2 percent and 6.7 percent in 2016 and 2015 respectively.
- Value retention may buck typical trends and remain strong throughout the rest of the year, as consumers in areas impacted by Hurricane Harvey continue to drive vehicle demand.

VALUE RETENTION MAY BUCK
TYPICAL TRENDS AND REMAIN
STRONG THROUGHOUT THE REST OF
THE YEAR...

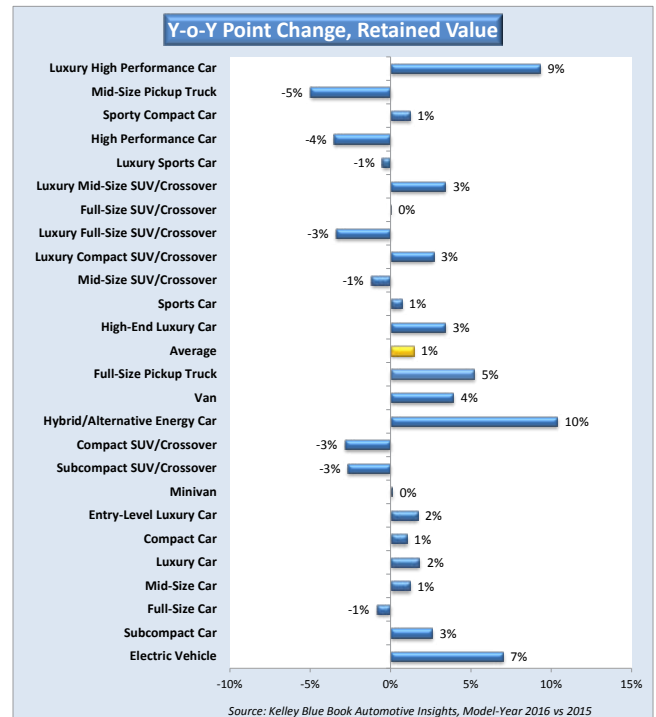
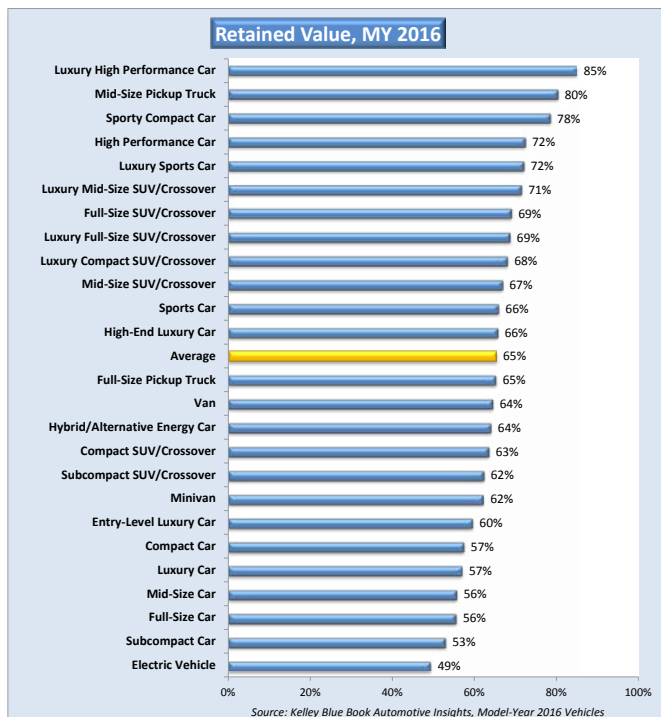
SEAN FOYIL, KELLEY BLUE BOOK ANALYST

Auction Values See Strength in Third Quarter 2017 Following Hurricane Harvey



- Auction values remained relatively flat in the third quarter of 2017, having only declined an average of \$215, or 1.2 percent, compared to a drop of 4.5 percent in the third quarter of 2015 and 2016.
- Auction values for 1- to 3-year-old vehicles ended the third quarter \$797, or 4.8 percent higher, than this time last year.
- Between September and November, approximately 400,000 vehicles will need to be replaced as a result of Hurricane Harvey. According to Cox Automotive Chief Economist Jonathan Smoke, 60 to 70 percent of these losses will be replaced with a used vehicle.
- Much of the strength seen in auction values throughout the third quarter can be attributed to the roughly 600,000 vehicles that were severely damaged or scrapped as a result of Hurricane Harvey.
- Heading into the fourth quarter, Kelley Blue Book expects values to start declining more aggressively than in the third quarter, but at a conservative pace compared to prior years as demand for replacement vehicles provides support for used-car values.

Hybrid/Alternative Energy Segment Sees Highest Gains in 2016 Model-Year Value Retention by Segment for Second Quarter in a Row; Mid-Size Pickup Trucks See Greatest Declines



- Model-year 2016 vehicles closed out the third quarter of the year with an average value retention (Auction Value/MSRP) of 65 percent, a 4 percentage point decline year-to-date.
- From a year-over-year perspective, the largest increase in value retention by segment was a 10 percent increase in the hybrid/alternative energy segment. The all-new 2016 Toyota Prius and Ford C-Max Hybrid saw year-over-year gains at 11 percent and 8 percent respectively. The 2016 Prius' MSRP is likely a contributing factor to the segment's higher retention value.
- The largest segment decrease in value retention year-over-year was the mid-size pickup truck segment, which decreased 5 percent.

Hybrid/Alternative Energy Segment; Mid-Size Pickup Trucks, Continued

The Toyota Tacoma and Chevrolet Colorado saw the largest year-over-year declines at 7 percent and 3 percent respectively.

Top 10 2016 Vehicles by Value Retention

VEHICLE SEGMENT	MANUFACTURER	MODEL NAME	VALUE RETENTION (%)
Luxury Mid-Size SUV/Crossover	Land Rover	LR4	89%
Luxury High Performance Car	Porsche	911	87%
Mid-Size Pickup Truck	Toyota	Tacoma Double Cab	86%
Mid-Size Pickup Truck	Chevrolet	Colorado Crew Cab	86%
Compact SUV/Crossover	Jeep	Wrangler	84%
Luxury Compact SUV/Crossover	Porsche	Macan	83%
Luxury Mid-Size SUV/Crossover	Volvo	XC90	83%
Luxury Sports Car	Porsche	Cayman	82%
Van	Ford	E350 Super Duty Cutaway	82%
Luxury Mid-Size SUV/Crossover	Lexus	RX	82%

Kelley Blue Book Automotive Insights

Bottom 10 2016 Vehicles by Value Retention

VEHICLE SEGMENT	MANUFACTURER	MODEL NAME	VALUE RETENTION (%)
Electric Vehicle	Mitsubishi	i-MiEV	30%
Subcompact Car	FIAT	500	40%
Electric Vehicle	Nissan	LEAF	40%
Compact Car	Dodge	Dart	46%
Mid-Size Car	Chrysler	200	46%
Luxury Car	Cadillac	XTS	47%
Entry-Level Luxury Car	Buick	Regal	47%
Luxury Car	Volvo	S80	48%
Electric Vehicle	Cadillac	ELR	48%
Subcompact Car	Chevrolet	Sonic	48%

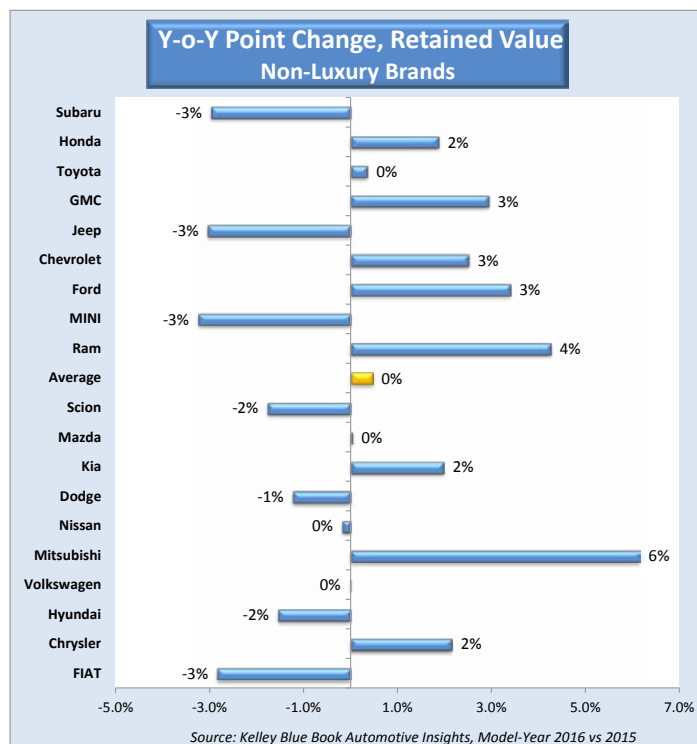
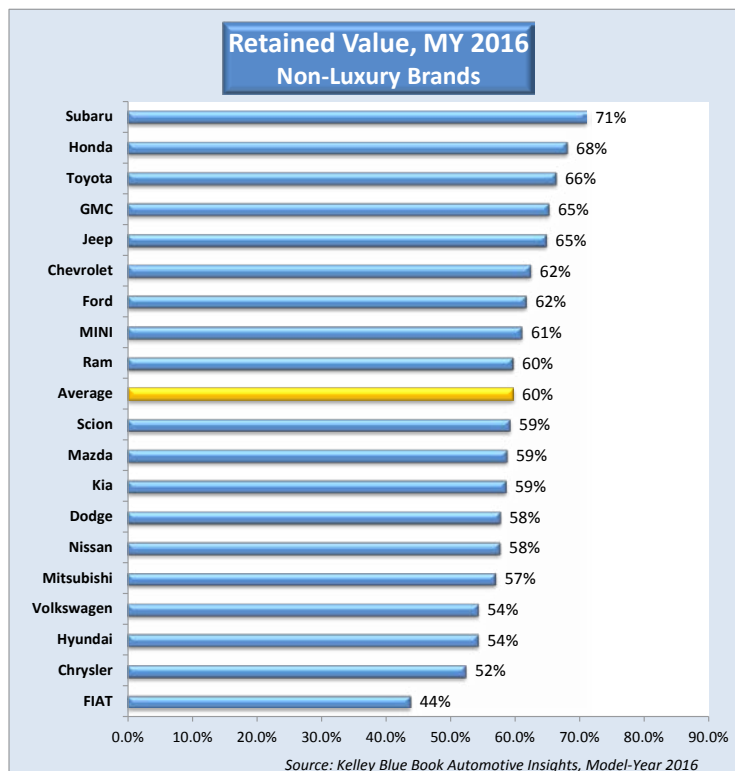
Kelley Blue Book Automotive Insights

Average Retention by Model Year

MODEL YEAR	AVERAGE RETENTION (%)
2017	73%
2016	65%
2015	58%
2014	51%
2013	45%
2012	38%
2011	33%

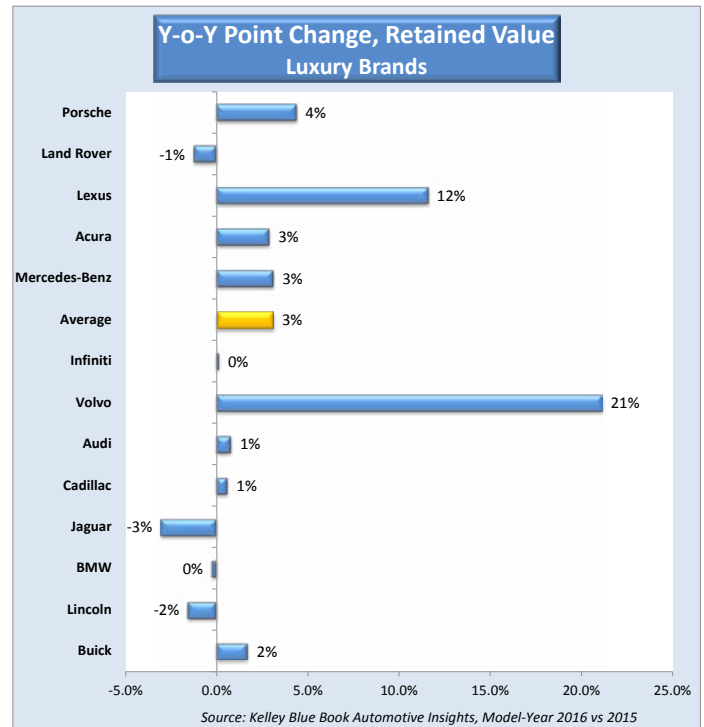
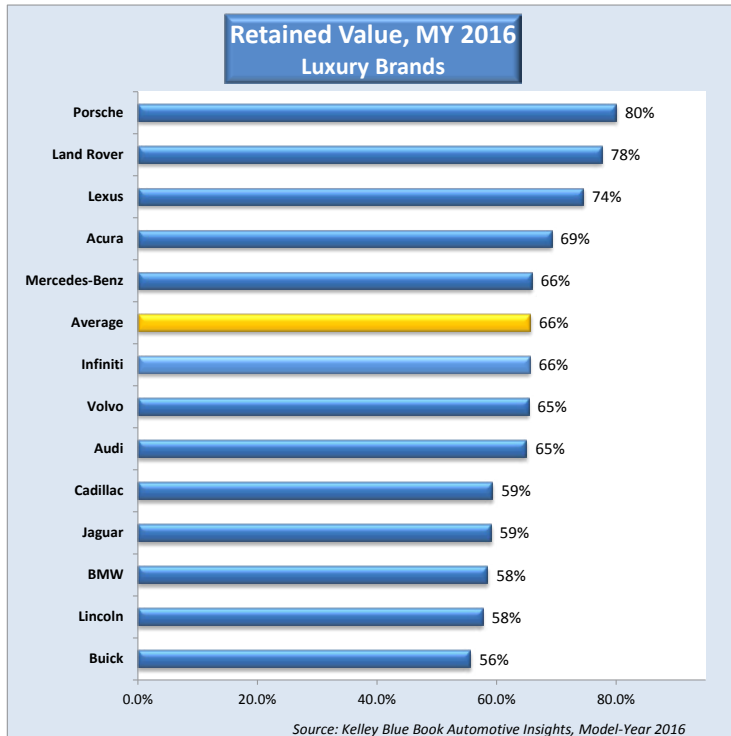
Kelley Blue Book Automotive Insights

2016 Retained Value by Make, Non-Luxury Brands



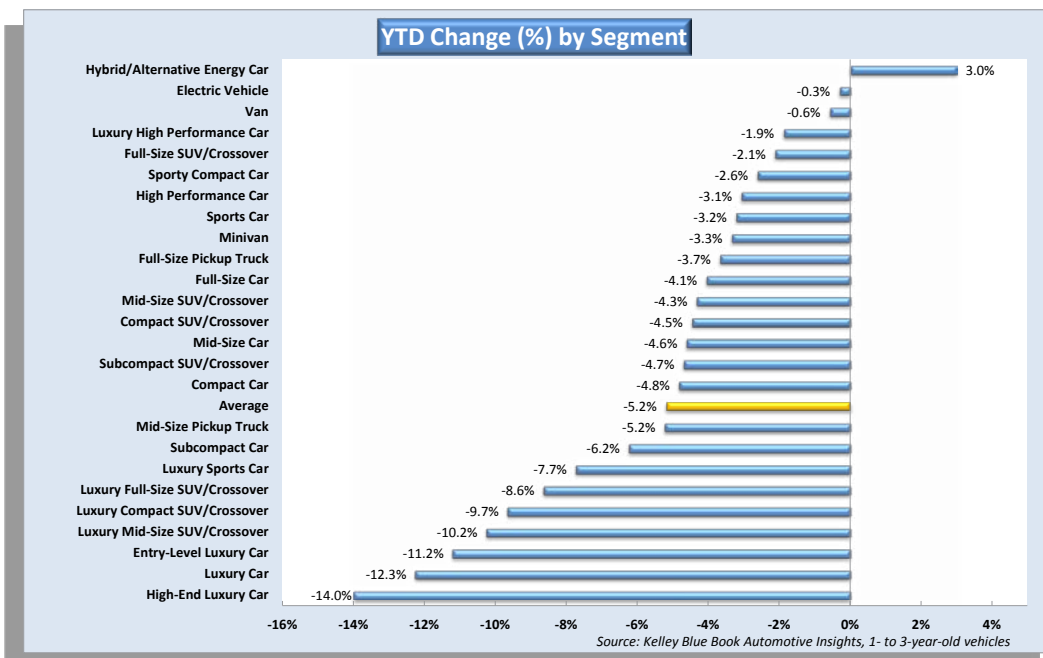
- The average retained value for model-year 2016 non-luxury brand vehicles was 60 percent in September, which is flat from a year-over-year perspective.
- The best performing brand by value retention was Subaru at 71 percent.
 - The Subaru WRX and Outback had the highest retention rate for the brand at 79 percent and 72 percent respectively.
 - The BRZ and Crosstrek had the lowest retention rate at 67 percent and 78 percent respectively.
- The brand with the lowest value retention was Fiat at 44 percent.
 - The Fiat 500 and 500X had retention rates of 40 percent and 49 percent respectively.
- From a year-over-year change perspective, Mitsubishi had the highest growth at 6 percent, primarily driven by the growth seen in the refreshed 2016 Outlander Sport at 6 percent, as well as the Lancer at 4 percent.

2016 Retained Value by Make, Luxury Brands



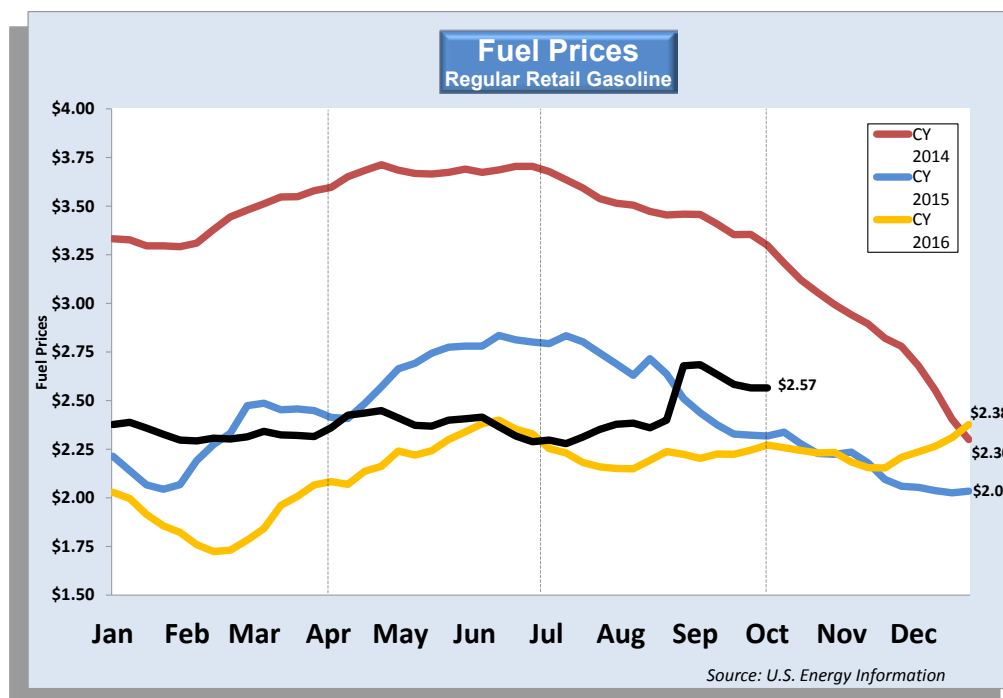
- The average retained value for model year 2016 luxury brand vehicles was 66 percent in September, up 3 percent from a year-over-year perspective.
- The best performing brand by value retention was Porsche at 80 percent.
 - The Porsche 911 and Boxster had the highest value retention for the brand at 87 percent and 81 percent respectively.
 - The Porsche Panamera had the lowest retention at 71 percent.
- The brand with the lowest value retention was Buick at 56 percent.
 - The Buick Cascada had the highest retention rate at 67 percent, while the Verano had the lowest at 51 percent.
- From a year-over-year perspective, Volvo had a staggering rise of 21 percent, however this was due primarily to the addition of the XC90 in Volvo's lineup for model-year 2016. With the XC90 excluded from the mix, Volvo's year-over-year retention growth is still a notable 5 percent.
- Lexus also had impressive retention growth year-over-year at 12 percent. This increase was primarily the result of the redesigned Lexus GS and all-new RX with year-over-year gains of 11 and 13 percent respectively.

Hybrid/Alternative Energy Segment Leads for Second Quarter in a Row with Year-to-Date Value Change by Segment; High-End Luxury Cars Fall by 14 Percent



- Year-to-date, the average segment change for 1- to 3-year-old vehicles is down 5.2 percent, a 5 percent increase from the same time last year. The increase year-over-year is likely due to the market strength we've seen in the third quarter as a result of Hurricane Harvey.
- The hybrid/alternative energy segment tops the list for the second quarter in a row with an overall increase of 3 percent. The Toyota Prius leads this segment with a year-to-date change of 3.7 percent.
- The high-end luxury car segment saw the largest drop in auction value year-to-date with a decline of 14 percent. The Mercedes-Benz S-Class decreased the most at 11.6 percent, followed by the Mercedes-Benz CL-Class (down 13.6 percent).

Fuel Prices Spike in Third Quarter 2017 Due to Hurricane Harvey



- The average cost per gallon of gasoline spiked in the third quarter of 2017 as fuel prices moved from \$2.28/gal in July, a four-year low, to \$2.69/gal in mid-September, an increase of \$0.41, or 18 percent.
- One of the key drivers for higher fuel prices in the third quarter was the impact from Hurricane Harvey. When Harvey hit the Gulf Coast, home to the vast majority of U.S. refineries, it caused a number of those large refineries to shut down. This spike in fuel prices should be short-lived as these refineries come back online and refinement capabilities return to normal capacity.
- Fuel prices did retract slightly in late September to close out the quarter at \$2.57 per gallon, \$0.32 and \$0.24 higher than in 2016 and 2015 respectively.

Average Fuel Prices By Month (\$)														
Year	Chart (Hi/Lo)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2017		\$2.35	\$2.30	\$2.33	\$2.42	\$2.39	\$2.36	\$2.31	\$2.38	\$2.62				\$2.38
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

Appendix

Top 5 Performing Segments - Auction Value

SEGMENT	Third Quarter 2017 Change (%)
Subcompact Car	1.5%
Compact SUV/Crossover	1.1%
Full-Size Car	0.8%
Luxury High Performance Car	0.3%
Van	-0.1%

MY 2014-2016, Kelley Blue Book® Auction Value

Bottom 5 Performing Segments - Auction Value

SEGMENT	Third Quarter 2017 Change (%)
High-End Luxury Car	-5.5%
Entry-Level Luxury Car	-5.2%
Luxury Car	-4.7%
Sports Car	-4.1%
High Performance Car	-4.0%

MY 2014-2016, Kelley Blue Book® Auction Value

Top 5 Performing Brands - Auction Value

MAKE	Third Quarter 2017 Change (%)
Hyundai	2.0%
Chrysler	0.6%
smart	0.5%
Jeep	0.4%
Mitsubishi	0.3%

MY 2014-2016, Kelley Blue Book® Auction Value

Bottom 5 Performing Brands - Auction Value

MAKE	Third Quarter 2017 Change (%)
MINI	-5.9%
Jaguar	-5.3%
Mercedes-Benz	-5.2%
Acura	-4.7%
Audi	-4.7%

MY 2014-2016, Kelley Blue Book® Auction Value

Top 10 Performing Models - Auction Value

MAKE	MODEL	Third Quarter 2017 Change (%)
Ford	Escape	5.0%
Ford	Fiesta	4.7%
Ford	Fusion	4.6%
Nissan	Rogue	4.3%
Ram	ProMaster 2500 Cargo	4.0%
Chrysler	300	3.7%
Volkswagen	Eos	3.5%
Hyundai	Elantra	3.2%
Honda	CR-V	3.2%
Hyundai	Accent	3.0%

MY 2014-2016, Kelley Blue Book® Auction Value

Bottom 10 Performing Models - Auction Value

MAKE	MODEL	Third Quarter 2017 Change (%)
Nissan	cube	-13.9%
Nissan	Frontier King Cab	-13.2%
Subaru	Tribeca	-12.4%
Mazda	MAZDA2	-11.9%
Volkswagen	Beetle	-9.6%
FIAT	500L	-9.5%
Mercedes-Benz	C-Class	-9.1%
Mercedes-Benz	CLA-Class	-8.1%
Audi	A4	-8.0%
BMW	7 Series	-7.8%

MY 2014-2016, Kelley Blue Book® Auction Value

These 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.

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 Co., Inc. is a Cox Automotive™ company.

About Cox Automotive

Cox Automotive Inc. is transforming the way the world buys, sells and owns cars with industry-leading digital marketing, software, financial, wholesale and e-commerce solutions for consumers, dealers, manufacturers and the overall automotive ecosystem worldwide. Committed to open choice and dedicated to strong partnerships, the Cox Automotive family includes Autotrader®, Dealer.com®, Dealertrack®, Kelley Blue Book®, Manheim®, NextGear Capital®, vAuto®, Xtime® and a host of other brands. The global company has 32,000-plus team members in more than 200 locations and is partner to more than 40,000 auto dealers, as well as most major automobile manufacturers, while engaging U.S. consumer car buyers with the most recognized media brands in the industry. Cox Automotive is a subsidiary of Cox Enterprises Inc., an Atlanta-based company with revenues exceeding \$20 billion and approximately 60,000 employees. Cox Enterprises' other major operating subsidiaries include Cox Communications and Cox Media Group. For more information about Cox Automotive, visit www.coxautoinc.com.