

As the COVID-19 situation continues to develop, J.D. Power Valuation Services is committed to supporting our industry through this unprecedented time.

What follows are our insights through the week ending May 31.

The Takeaways

- New vehicle sales recovery resumes after pause. Sales accelerated at month-end as the industry exited the period with its strongest performance since the COVID crisis began.
- Wholesale auction activity narrows the gap on pre-virus levels. Auction sales reached 90,000 units, just 6% below pre-virus expectations.
- Wholesale auction prices exceed pre-virus expectations. Prices rose 2.3 percentage points to mark the sixth consecutive week of growth. Prices are now slightly above our pre-virus forecast.

New Market Performance (Through the week ending June 1):

New Vehicles: Retail Sales Recovery Resumes After Three-Week Pause

For the week ending June 1, retail sales were 12% below the pre-virus forecast, a significant improvement relative to the performances observed over the previous three weeks and the strongest on record since the COVID crisis began. A significant increase in the sales pace occurred in the final days of May which was driven by dealers and consumers taking advantage of elevated incentive programs, such as 0% for 84-month financing, before they expired at midnight on June 1.

May retail sales reached 1,036,000 units, a decline versus our pre-virus forecast of 20%, or 266,000 units. Total sales in May finished with nearly 1,129,000 units sold, a decline of just over 28%, as retail sales (-17%) out-performed fleet sales (-72%).

Sales performance across the country remains mixed, however, the majority of markets advanced during week ending June 1. As a result, 173 out of 210 markets exhibited positive sales momentum last, while five markets including Tampa, Houston, Denver, Pittsburgh, and West Palm Beach beat the pre-virus forecast for the period.

Transaction prices reached their highest-level on record at \$35,700 during the week ending April 5, however, have since declined. After three-weeks of declines, average transaction prices rose slightly in the final week of May to \$34,400. The increase was driven by higher premium nameplate mix overcoming downward pricing pressure from the normalization of pickup segment share. Ultimately, prices are normalizing as pickup mix falls back and smaller SUVs gain market share.

Incentives hit record levels at over \$5,000 per unit during the week ending May 3, before declining to approximately \$4,800 for the week ending May 10. The decline was driven by vehicle mix and lower supported finance incentive mix. Spending remained roughly flat through the end of May, ticking up to \$4,900 during the week ending June 1.

The virus is projected to remove 1,200,000 to 1,600,000 sales over the five months of March through July 2020. Full-year sales will be determined primarily by the extent to which normal business and social activities can resume, mitigation of economic conditions through government stimulus actions, inventory constraints, and OEM incentives. The full-year retail sales outlook is 11,300,000 to 12,300,000 sales versus a pre-virus baseline of 13.4 million sales, while the 2020 full-year outlook for total sales is now forecast to be 12,900,000 to 14,200,000 versus a pre-virus baseline of 16,800,000.

Used Market Performance (Through the Week Ending May 31):

Used Vehicles: Auction Sales Continue Upward Trajectory

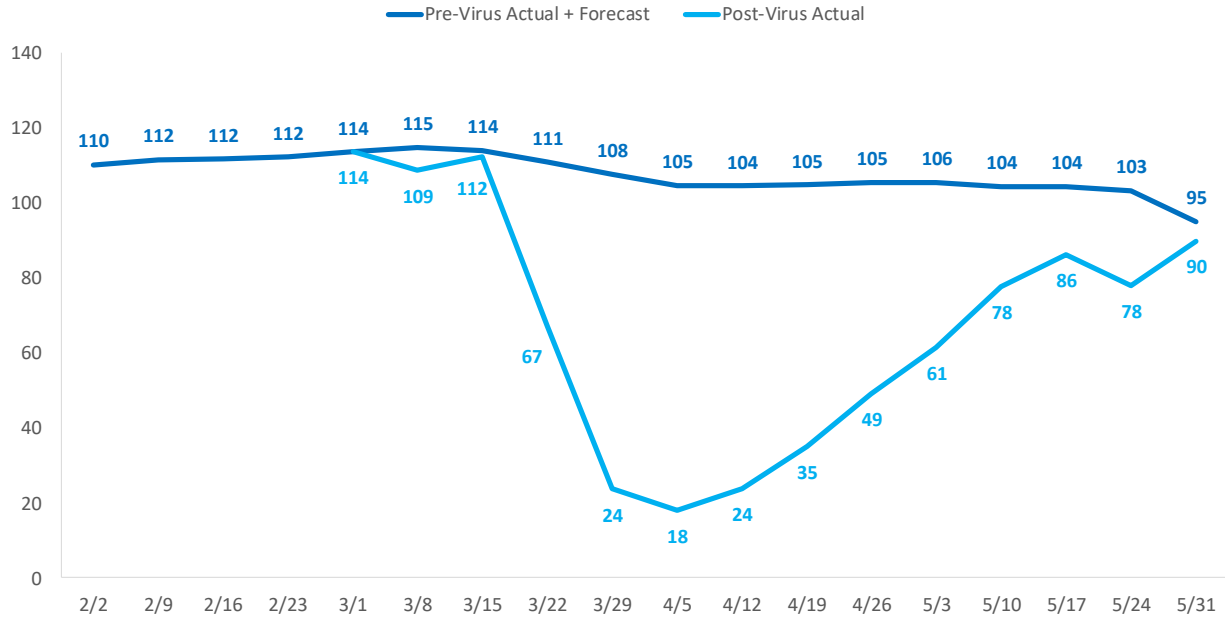
Wholesale auction sales continued to improve in the week ending May 31 with sales of vehicles up to eight years old reaching a total of 90,000 units. The week's result was just 6% below our pre-virus estimate of 95,000 units for the week.

Wholesale auction sales have totaled 610,000 units since mid-March, a decline of 628,000 units versus the same period in 2019 and a loss of 528,000 units versus our pre-virus forecast. Wholesale auction sales will return to, and then surpass, pre-virus expectations over the coming weeks as deferred off-lease and higher off-rental supply enters the market.

It is important to note that auction sales results did backtrack slightly the week ending May 24. We previously reported that sales reached 91,000 units, however, a portion of that figure was estimated based on lagging sales that are usually collected the following week. Ultimately, lagged volume was much lower than what had been recorded during prior weeks. This represents a prime example of the volatility the industry should expect in wholesale activity over the coming weeks.

Segment-level auction sales were up across the board on a weekly basis last week. Mainstream growth was led by Large SUV's 22% increase, followed closely by Midsize and Compact SUV segment increases of 21% each. Premium segment auction sales are now improving at a robust pace. For example, Small and Compact Premium SUV segment sales increased by 56% and 45%, respectively, and sales for the two closed the week essentially back at pre-virus levels. Remaining premium segment sales increased by a range of 16% (Large Premium Car) to 35% (Midsize Premium Car).

Weekly Wholesale Auction Sales (000s)



Note: Vehicles up to 8 years old.

Segment Auction Sales (000s)

Segment	Week Ending					Weekly Change Δ 5/24 v. 5/31
	5/3/2020	5/10/2020	5/17/2020	5/24/2020	5/31/2020	
MAINSTREAM						
Compact Car	8.5	10.4	11.2	9.9	10.7	+9%
Compact SUV	8.4	9.7	11.1	9.9	12.0	+21%
Large Car	2.1	2.8	2.8	2.5	2.6	+3%
Large Pickup - Light Duty	6.3	8.1	8.9	8.0	8.3	+3%
Large SUV	1.1	1.5	1.9	1.5	1.8	+22%
Midsized Car	8.9	11.0	11.9	10.5	11.9	+14%
Midsized Pickup	1.0	1.3	1.5	1.3	1.5	+14%
Midsized SUV	7.3	9.3	10.3	10.0	12.2	+21%
Midsized Van	1.8	2.2	2.3	2.3	2.6	+12%
Small Car	2.4	2.7	2.8	2.5	2.6	+3%
Small SUV	3.0	4.2	4.2	4.2	4.8	+13%
PREMIUM						
Compact Premium Car	2.1	2.8	3.2	2.7	3.5	+29%
Compact Premium SUV	0.9	1.5	1.9	1.6	2.3	+45%
Large Premium Car	0.2	0.2	0.3	0.3	0.4	+16%
Large Premium SUV	0.4	0.6	0.7	0.6	0.8	+34%
Midsized Premium Car	0.8	1.1	1.2	1.1	1.5	+35%
Midsized Premium SUV	1.7	2.3	3.0	2.6	3.3	+27%
Small Premium Car	0.4	0.5	0.5	0.5	0.6	+17%
Small Premium SUV	0.2	0.4	0.4	0.3	0.4	+52%

Note: Vehicles up to 8 years old.

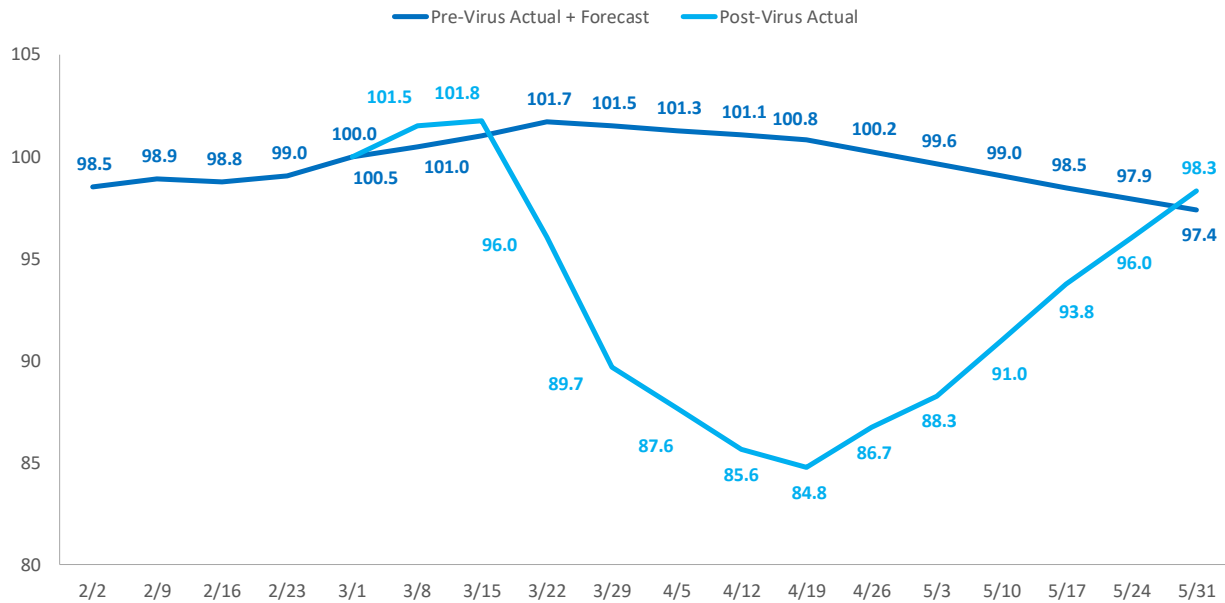
Wholesale Auction Prices Exceed Pre-Virus Expectations

Wholesale auction prices continue to grow at a rapid pace, as a result prices increased by 2.3 percentage points the week ending May 31 matching the weekly growth rate observed over the five weeks previous. The week’s performance was not unexpected and is a result of dealers needing to replenish used vehicle inventory depleted by relatively robust used retail sales. Ultimately, the improvements of the past month-and-a-half placed auction prices slightly above our pre-virus expectations for the week.

May closed with wholesale prices fully recovered from the 16% trough recorded in mid-April when auction activity was severely curtailed by nationwide stay-at-home orders. On a year over year basis, last week’s result was essentially equal to May 2019’s month-end result.

Looking ahead, prices are expected to level off and retreat modestly over the coming weeks as dealer inventory needs are met, and larger quantities of off-lease and off-rental vehicles enter the market.

Weekly Wholesale Auction Price Index



Note: Vehicles up to 8 years old. March 1 = 100.

Segment Auction Prices (000s)

Segment	Week Ending					Weekly Change	
	5/3/2020	5/10/2020	5/17/2020	5/24/2020	5/31/2020	Δ 5/24 v. 5/31	
MAINSTREAM	Compact Car	\$7.2	\$7.5	\$7.8	\$8.0	\$8.3	+3%
	Compact SUV	\$11.9	\$12.1	\$12.5	\$12.8	\$13.1	+2%
	Large Car	\$11.8	\$12.1	\$12.6	\$12.9	\$13.1	+2%
	Large Pickup - Light Duty	\$20.0	\$20.5	\$21.2	\$21.8	\$22.2	+2%
	Large SUV	\$29.7	\$29.9	\$30.8	\$31.6	\$32.1	+2%
	Midsize Car	\$8.4	\$8.7	\$9.0	\$9.2	\$9.5	+3%
	Midsize Pickup	\$17.7	\$18.2	\$18.6	\$19.0	\$19.6	+3%
	Midsize SUV	\$15.5	\$15.9	\$16.3	\$16.7	\$17.0	+2%
	Midsize Van	\$11.5	\$11.9	\$12.1	\$12.4	\$12.6	+2%
	Small Car	\$5.2	\$5.4	\$5.7	\$5.9	\$6.0	+2%
	Small SUV	\$10.5	\$11.0	\$11.3	\$11.5	\$11.7	+2%
PREMIUM	Compact Premium Car	\$14.7	\$15.0	\$15.3	\$15.5	\$15.8	+2%
	Compact Premium SUV	\$18.8	\$19.0	\$19.1	\$19.3	\$19.6	+1%
	Large Premium Car	\$27.6	\$28.4	\$29.2	\$29.7	\$30.5	+3%
	Large Premium SUV	\$31.6	\$32.0	\$33.2	\$33.4	\$34.0	+2%
	Midsize Premium Car	\$18.3	\$18.7	\$19.0	\$19.4	\$20.0	+3%
	Midsize Premium SUV	\$21.6	\$21.7	\$22.2	\$22.4	\$22.7	+2%
	Small Premium Car	\$11.5	\$11.7	\$11.9	\$11.9	\$12.4	+4%
	Small Premium SUV	\$15.6	\$15.7	\$16.2	\$16.7	\$16.9	+1%

Note: Vehicles up to 8 years old.

Segment level price performances improved across the board once again last week. Both mainstream and premium segment prices grew an average of 2% versus the week prior. Compact and Midsize Car prices alongside Midsize Pickup prices grew most on the mainstream side at 3% apiece. On the premium side of the market, Small Premium Car prices increased by 4%, the most of any segment for the period, followed by Midsize and Large Premium Car increases of 3% each.

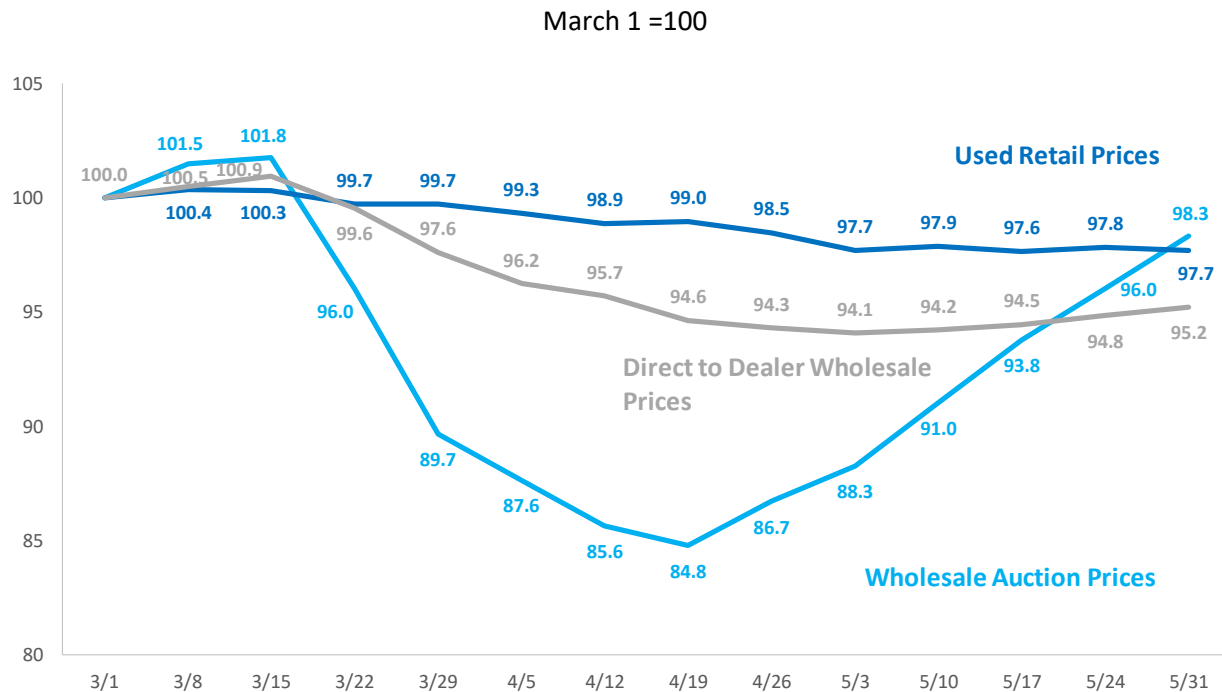
Used Retail Prices Continue to Exhibit Great Stability

Per J.D. Power's Power Information Network (PIN) data, as has been the case throughout the pandemic, used retail prices were once again stable last week and were essentially unchanged versus the week prior. Overall, used retail prices at the end of May were down just 2.3 percentage points versus the beginning of March and continue to exhibit great stability. The month of May closed with the relationship between used retail and wholesale auction prices back to pre-virus levels.

Used retail results to-date not only reflect consumer appetite for used vehicles but are also a testament to franchise dealer acumen and their ability to address consumer needs quickly and creatively despite unprecedented upheaval.

Direct-to-dealer prices ticked up 0.4 percentage points last week. Similar to used retail prices, direct-to-dealer prices have now remained relatively flat for the better part of seven weeks.

Weekly Used Retail, Direct-to-Dealer Wholesale, and Wholesale Auction Price Indices



Notes: Wholesale auction sales include simulcast and physical auction sales. Direct-to-dealer wholesale sales occur “upstream” or outside of a physical auction sale. Data covers vehicles up to 8 years in age. Figures are mix-adjusted.

Used Vehicle Price Outlook Remains Optimistic

Where will used prices go from here? While there are several differing opinions, J.D. Power believes the year will close with prices not too far removed from pre-virus expectations. Here is why:

Certainly, prices are facing stiff headwinds - higher supply near-term due to deferred off-lease and off-rental sales and macro-economic pressures, especially as it relates to unemployment. Elevated new vehicle incentives remain a concern, however, incentive growth has recently moderated. In June, a majority of manufacturers have significantly reduced the value of their incentive programs by reverting to higher interest rates on 60- and 72-month loans, eliminating many of the 84-month loan offers altogether, removing payment deferral options, and introducing higher monthly lease payments. The fact that incentives have taken a big step back in June will help relieve pressure on used prices.

Lower new retail sales mean fewer consumer trade-ins, which in turn helps offset pressure from higher lease and rental supply. New vehicle inventory challenges mean that dealers will turn to used vehicles to support operations. We also cannot overlook the fact that used demand and prices had been incredibly strong in the two years leading up to the COVID-19 situation. Despite the pandemic, the factors driving these increases in used prices remain largely in place.

Considering these points, and the recovery in wholesale auction prices to-date, we believe the year will close with prices down 2% to 4% on a full-year basis versus 2019, which is an improvement over our previous post-virus forecast of 3% to 5% down. Looking back, our pre-virus forecast had prices flat-to-up

slightly this year. While the used market undoubtedly faces challenges, we should not discount its upside potential.

Supplemental Weekly Valuation Updates

Valuation Services continues to provide weekly updates to our monthly values to ensure our clients have the most the up-to-date information needed to make sound business decisions in these uncertain times. For more information regarding our weekly values updates, methodology, or any other questions please visit www.nada.com/b2b. Please feel free to call us at 800-544-6232 Monday through Friday 8:30 a.m.-6 p.m. EDT or email us with your questions any time.

Thank you,

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