

## JANUARY 2022 WHOLESALE MARKET UPDATE

### USED VEHICLE PRICE INDEX

Wholesale prices softened a bit from December 2021, which brought the Valuation Services Used Vehicle Price Index down approximately four points to 217.3. January 2022 marked the first time the index declined since the summer of 2021. Wholesale values experienced steady weekly declines in January that accelerated ever so slightly over the second half of the month. Additionally, older vehicles saw more price stability, while newer units experienced slightly larger declines. Despite the small pullback, used prices remain exceptionally strong, and ended the period 59% higher than they were in January 2021.

Wholesale prices at the industry level fell 2% in January, which was one of the softer performances for the industry since 2000. The only time in recent years in which used-vehicle prices declined by more than 2% from the previous month was in January 2019 due to the polar vortex and the government shutdown. During that period, prices fell 2.2%. On the retail side of the market, according to J.D. Power PIN data, used sales at franchised dealers were down approximately 7% from January 2021 and used retail prices fell on a month-over-month basis by nearly 0.5%, which is the first-time used retail prices declined since March 2021. Days to turn for used vehicles held steady at 41 days, which remains very quick and up only one day from its lowest point in the fourth quarter of 2021.

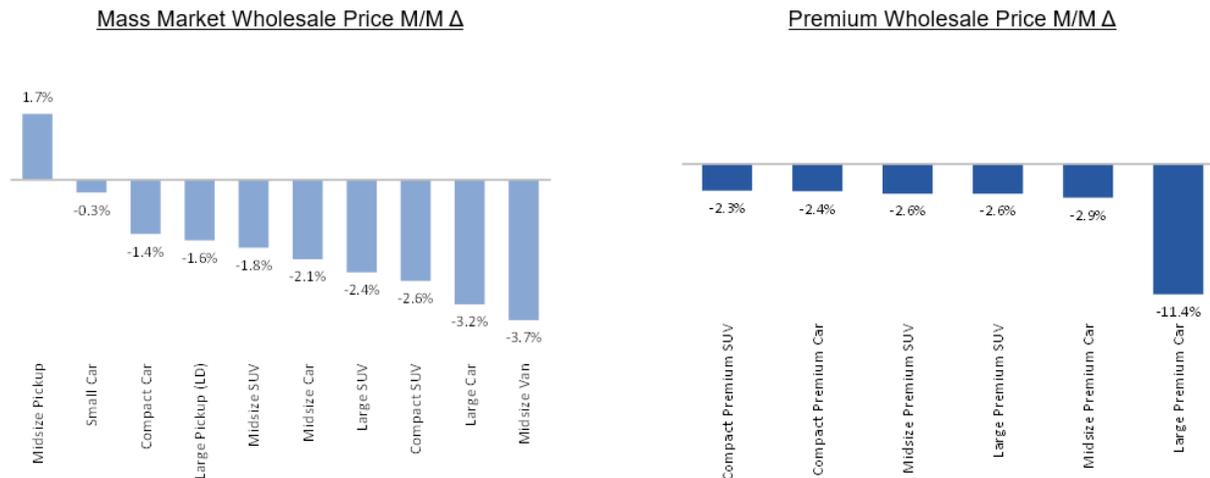
J.D. Power Valuation Services Used Vehicle Price Index (seasonally adjusted)



## SEGMENT PRICE PERFORMANCE

Following the overall industry trend, both mass market and premium segment prices were down across the board, except for midsize pickup prices which experienced prices increase by more than 1.5%. On the opposite end of the spectrum large premium car prices fell by more than 11%, it is important to remember that this segment is small, for example there were less than 1,300 wholesale sales records in January 2022, any material shifts can swing overall monthly results. Once again, small and compact car prices were some of the strongest in the industry in January, followed by large pickup and midsize SUVs which performed better than the overall industry average.

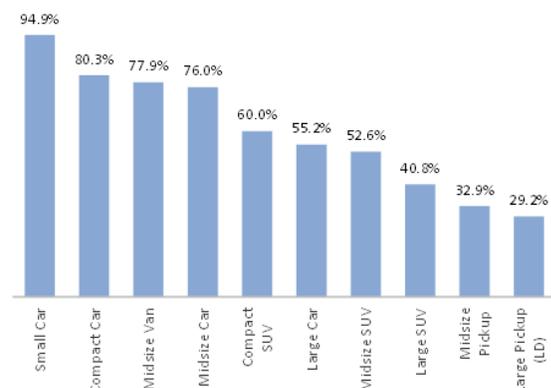
December 2021 vs. January 2022 Segment Wholesale Price Performance



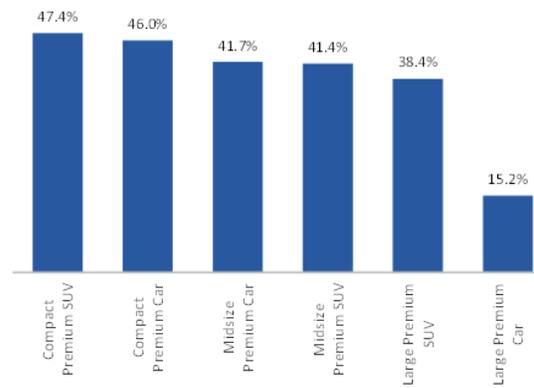
When comparing wholesale prices from January 2022 to January 2021, we can really see just how superheated used prices remain. This is especially true for more affordable segments such as small, compact and midsize car prices. Prices for these segments are currently up from 76% to almost 95% as dealers fight over a shrinking pool of these models in the wholesale lanes. More expensive mass market and premium segment prices are up from nearly 38% to 60%.

Year-Over-Year Segment Wholesale Price Performance

Mass Market Wholesale Price Y/Y Δ



Premium Wholesale Price Y/Y Δ



**WHOLESALE VOLUME UPDATE**

Competition in the wholesale marketplace remains fierce. Traditional dealers continue to compete against newer entrants such as Carvana and Vroom, as well as rental vehicle companies coming to bid and buy vehicles for their portfolios. In January, industry auction sales were nearly 37% below January 2021, mainstream segment volume was down approximately 36% and premium wholesale sales were a little more constrained and down 42%. This trend will continue for the foreseeable future as used supply is expected to tighten during the next few years—ultimately bottoming out in 2024—which will help support used prices.

Wholesale Auction Sales (000s)

Segment	Jan. '21	Dec. '21	Jan. '22	M/M Change %	Y/Y Change %	CYTD '20	CYTD '21	CY Change %
<b>Mainstream Total</b>	299	235	193	▼ -18%	▼ -36%	299	193	▼ -36%
<b>Premium Total</b>	58	44	34	▼ -23%	▼ -42%	58	34	▼ -42%
<b>Industry Total</b>	357	279	227	▼ -19%	▼ -37%	357	227	▼ -37%

Note: Vehicles up to eight years in age.

**2022 Canada ALG Residual Value Awards**

ALG, the division of J.D. Power known as the industry benchmark of automotive residual value projections, announced on Feb. 3 recipients of the J.D. Power 2022 Canada ALG Residual Value Awards, highlighted by Toyota Canada Inc. and GM Canada taking home the most segment awards. Toyota (mass market) and Lexus (premium) won awards for top brands in their respective segments.

The J.D. Power Canada ALG Residual Value Awards are the automotive leasing industry standard when it comes to recognizing the vehicles segments that are projected to hold the highest percentage of the manufacturer's suggested retail price (MSRP) after a four-year period for mass market vehicles, and after a three-year period for premium vehicles. This is a vital consideration for car buyers when assessing the total cost of ownership for a particular vehicle whether the vehicle is financed, leased or purchased with cash. This year's recipients have shown strong forecasted value in their competitive segments in the Canadian market for the mass market and premium segments.

For model-year 2022, 16 different brands won awards in 29 segments. The award process consists of evaluating 274 model lines through analysis of used-vehicle performance, brand outlook and product competitiveness. Eligibility for a brand award requires a manufacturer to have model entries in at least four different segments. To account for differences across trim levels, model averages are weighted based on percentage share relative to the entire model line.

### **Model-Level Residual Value Awards**

Toyota has the most model-level awards with seven. Chevrolet and Lexus each have three awards. The brands with multiple awards are:

Toyota: Camry, RAV4, Highlander, 4Runner, Tundra, Tacoma and Sienna

Chevrolet: Bolt EV, Corvette and Silverado 2500 HD

Lexus: IS, GX and UX

GMC: Yukon and Savana

Mercedes-Benz: AMG GT 4-Door and GLB

Subaru: WRX and Crosstrek

Noteworthy for 2022 the Toyota Sienna beats out perennial winner Honda Odyssey in the minivan segment. Also of note are the increasingly popular electric vehicle winners, the Chevrolet Bolt EV in the mass market electric segment and the Porsche Taycan in the premium electric segment.

Numerous variables affect the actual residual value of a vehicle over a multi-year lease term. Examples include mileage, quality/reliability, options and feature sets and macroeconomic environment. Since these factors need to be taken into account in order to accurately forecast residual values, the more granularity and greater the understanding of the effect of each variable, the better equipped manufacturers and lenders are able to maximize profitability. The combination of J.D. Power insights and data with the deep experience of ALG in residual values allows for even more accurate end-of-lease forecasting capabilities.

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**Top Make-Level Performers**

Mass Market: **Toyota**

Premium: **Lexus**

**Top Model per Segment**

*Passenger Car Segments*

Compact <b>Volkswagen GTI</b>	Premium Fullsize <b>Genesis G80</b>
Fullsize <b>Nissan Maxima</b>	Premium Midsize <b>Lexus IS</b>
Midsize <b>Toyota Camry</b>	Premium Sportscar <b>Chevrolet Corvette</b>
Premium Compact <b>BMW 2 Series</b>	Sportscar <b>Subaru WRX</b>
Premium Executive <b>Mercedes-Benz AMG GT 4-DOOR</b>	Subcompact <b>Kia Rio</b>

Source: J.D. Power 2022 Canada ALG Residual Value Awards<sup>SM</sup>

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**Top Model per Segment**

*Utility Vehicle Segments*

Compact Utility Toyota RAV4	Premium Compact Utility Mercedes-Benz GLB
Fullsize Utility GMC Yukon	Premium Fullsize Utility Cadillac Escalade
Micro Utility Hyundai Kona	Premium Midsize Utility 2-Row Seating Land Rover Range Rover Sport
Midsize Utility 2-Row Seating Honda Passport	Premium Midsize Utility 3-Row Seating Lexus GX
Midsize Utility 3-Row Seating Toyota Highlander	Premium Subcompact Utility Lexus UX
Off-Road Utility Toyota 4Runner	Subcompact Utility Subaru Crosstrek

Source: J.D. Power 2022 Canada ALG Residual Value Awards<sup>SM</sup>

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**Top Model per Segment**

*Electric, Pickup and Van Segments*

**Mass Market Electric**

**Chevrolet Bolt EV**

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**Premium Electric**

**Porsche Taycan**

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**Fullsize Heavy Duty Pickup**

**Chevrolet Silverado 2500 HD**

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**Fullsize Pickup**

**Toyota Tundra**

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**Midsized Pickup**

**Toyota Tacoma**

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**Commercial Van**

**GMC Savana**

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**Minivan**

**Toyota Sienna**

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Source: J.D. Power 2022 Canada ALG Residual Value Awards<sup>SM</sup>

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