

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 April 26.

The Takeaways

- The new-vehicle retail sales recovery continued through week ending April 26. This marks the fourth consecutive week of improving new market conditions. Sales volumes increased week-over-week in all top 25 markets last week, with the exception of Raleigh, NC.
- Wholesale auction activity continues to be depressed. However, the situation is improving. Auction sales increased for the third consecutive week and wholesale prices increased slightly the week ending April 26.
- Through week ending April 26, physical auction channels across the country remained severely disrupted. However, direct-to-dealer wholesale prices have flattened and are performing significantly better than physical auction prices.

New and Used Market Performances (Through the Week Ending April 26):

New Vehicles: Retail Sales Recovery Continues

The J.D. Power pre-virus forecast for 2020 was 16.8 million new-vehicle total sales and 13.4 million retail sales, representing declines of 1.9% and 2.6%, respectively, versus 2019.

New-vehicle sales continue to show signs of recovery with the week ending April 26 marking the fourth consecutive week of improving conditions. Through last week, retail sales were down 46% from the pre-virus forecast, an improvement over the 48% decline experienced the week ending April 19. Approximately 782,000 total units have been lost during the period March 2 – April 26.

While several markets remain depressed, all major markets are showing recovery. Many markets continue to outperform the expected 80% decline in sales based on stay-at-home guidance, with 12 out of the top 25 markets experiencing sales decreases of less than 40% when compared with the pre-virus forecast. For the week ending April 26, nearly all markets are exhibiting growth from the depressed volumes seen in prior weeks as dealers adapt to conditions and selling regulations are clarified.

April's retail sales outlook is forecast at 616,000 units. This represents a decline of 43% from pre-virus expectations, or a sales drop of 469,000 units. Compared to retail sales of 1,055,100 units experienced in April 2019, the forecast for April 2020 represents a decrease of 42%.

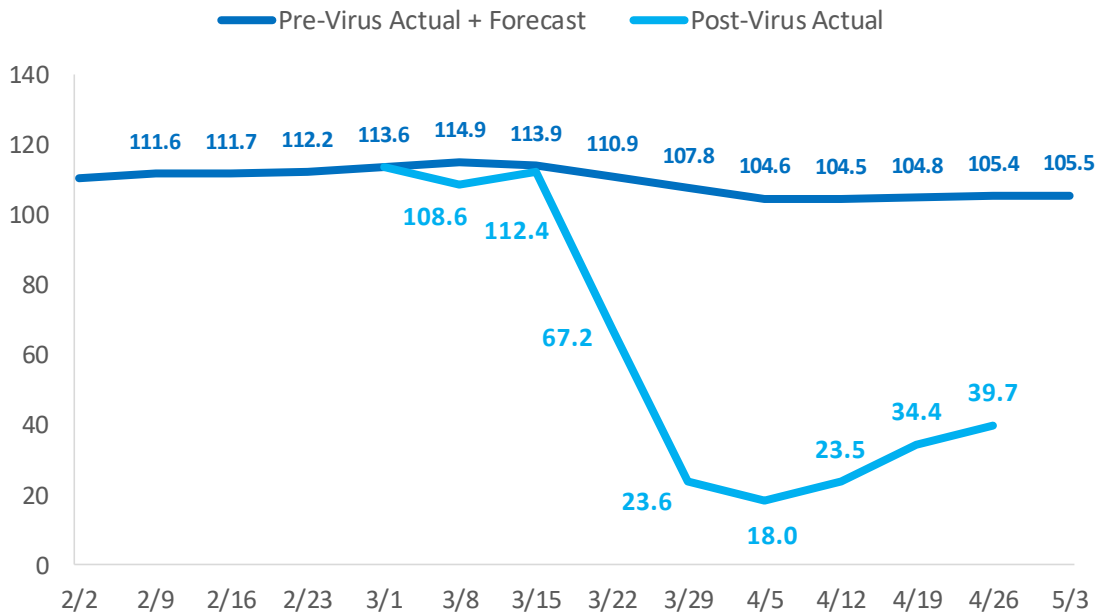
The retail sales outlook for March through July continues to improve. The current expectation is that 0.9-1.7 million retail sales will be removed over the five months of March through July. The recovery and full-year sales will be determined by the deterioration of economic conditions, and mitigation of economic conditions through government and OEM stimulus actions. The full-year retail sales outlook is now 11.3-12.5 million versus a pre-virus baseline of 13.4 million, while the 2020 full-year outlook for total sales is now 12.7-14.5 million versus a pre-virus baseline of 16.8 million.

Used Vehicles: Auction Sales Improve for Third Consecutive Week

Wholesale auction sales remained severely depressed through the week ending April 26. However, sales continue to slowly recover as channels open and dealer demand increases. Wholesale auction sales reached nearly 40,000 units the week ending April 26, which was more than double the 18,000 sales recorded the week ending April 5¹.

Last week's sales results comprised 40% of pre-virus expectations, an improvement over the 20% level recorded at the post-outbreak low point. Since mid-March, wholesale auction sales have totaled roughly 207,000 units. This represents a decline of 480,000 units versus the same period in 2019, and a loss of 430,000 units versus our pre-virus expectations.

Weekly Wholesale Auction Sales (000s)



Note: Vehicles up to 8 years old.

At the segment level, sales improved across the board during the week ending April 26. Double-digit gains were recorded for 17 segments across both the mainstream and premium sides of the market. However, it must be noted that these improvements should be viewed through the lens of low volumes.

¹ Lagging reported sales can change previously reported figures.

Segment Auction Sales (000s)

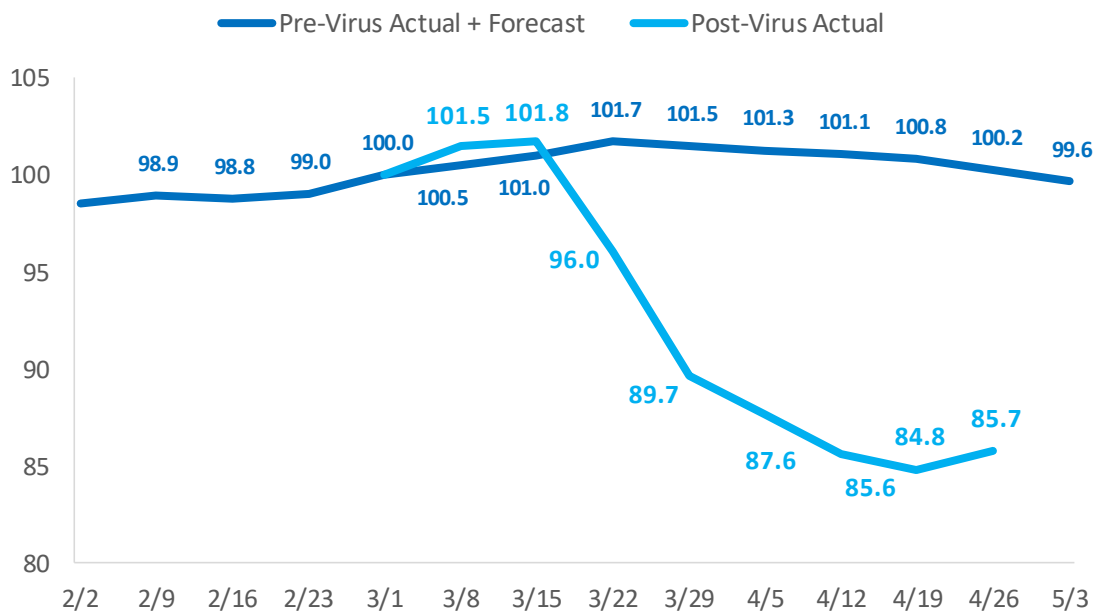
| | Segment | YTD | | Week Ending | | | Weekly Change |
|------------|---------------------------|--------|--------|-------------|-----------|-----------|----------------|
| | | Apr-19 | Mar-20 | 4/12/2020 | 4/19/2020 | 4/26/2020 | Δ 4/19 v. 4/26 |
| MAINSTREAM | Compact Car | 71.0 | 44.5 | 3.5 | 5.1 | 5.6 | +10% |
| | Compact SUV | 58.0 | 37.4 | 3.0 | 4.5 | 5.3 | +18% |
| | Large Car | 17.7 | 10.4 | 0.9 | 1.3 | 1.4 | +12% |
| | Large Pickup - Light Duty | 41.2 | 28.6 | 2.1 | 3.4 | 4.1 | +21% |
| | Large SUV | 9.0 | 6.7 | 0.3 | 0.5 | 0.6 | +34% |
| | Midsize Car | 73.2 | 45.9 | 3.8 | 5.5 | 5.8 | +6% |
| | Midsize Pickup | 7.0 | 4.7 | 0.4 | 0.6 | 0.7 | +17% |
| | Midsize SUV | 55.1 | 38.4 | 2.4 | 3.7 | 4.5 | +21% |
| | Midsize Van | 13.2 | 9.0 | 0.6 | 0.9 | 1.1 | +17% |
| | Small Car | 16.0 | 12.0 | 1.2 | 1.5 | 1.7 | +14% |
| PREMIUM | Small SUV | 21.3 | 16.4 | 1.1 | 1.7 | 1.9 | +12% |
| | Compact Premium Car | 20.8 | 10.2 | 0.8 | 1.1 | 1.3 | +16% |
| | Compact Premium SUV | 8.1 | 5.0 | 0.3 | 0.4 | 0.6 | +62% |
| | Large Premium Car | 2.3 | 1.3 | 0.1 | 0.1 | 0.1 | +34% |
| | Large Premium SUV | 4.2 | 2.6 | 0.2 | 0.2 | 0.3 | +7% |
| | Midsize Premium Car | 11.1 | 4.8 | 0.3 | 0.4 | 0.5 | +10% |
| | Midsize Premium SUV | 15.5 | 8.1 | 0.6 | 0.8 | 1.1 | +43% |
| | Small Premium Car | 3.0 | 2.1 | 0.1 | 0.2 | 0.2 | +15% |
| | Small Premium SUV | 2.0 | 1.4 | 0.1 | 0.1 | 0.2 | +58% |

Note: Vehicles up to 8 years old.

Wholesale Auction Prices Improve Slightly

Wholesale auction prices grew by just over 1% on a weekly basis for the week ending April 26. While slight, the week's positive result marks the first improvement observed since mid-March. Ultimately, last week closed with prices down 14% versus our pre-virus forecast for the week. While last week's small improvement can be viewed as a positive indicator of a strengthening market, results still represent a significant discount versus pre-virus levels.

Weekly Wholesale Auction Price Index



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

Segment Auction Prices (000s)

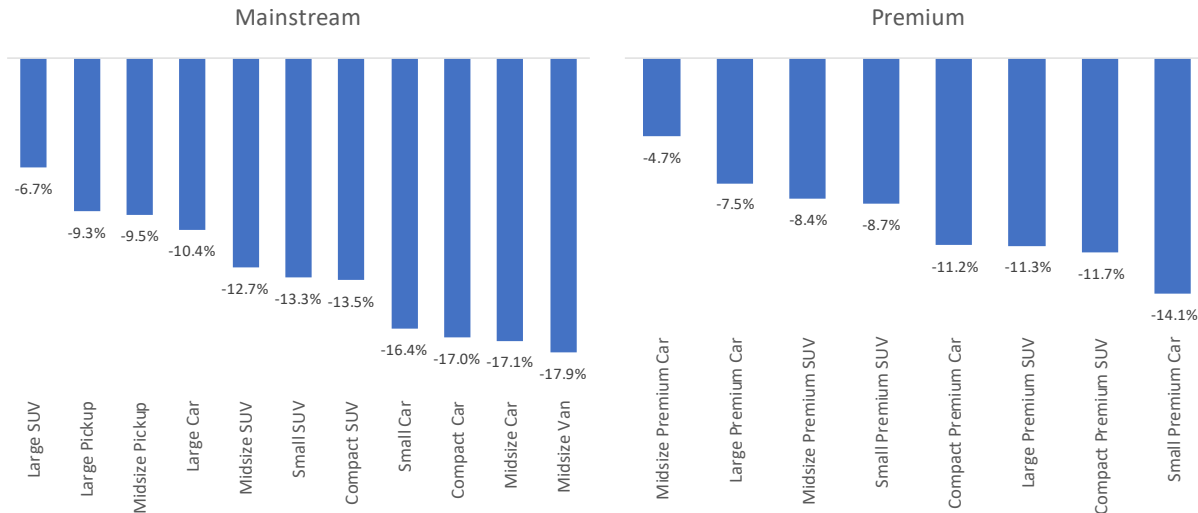
| Segment | | 3/15/2020 | 3/22/2020 | 3/29/2020 | 4/5/2020 | 4/12/2020 | 4/19/2020 | 4/26/2020 | Weekly Change Δ 4/19 v. 4/26 |
|-------------------|---------------------------|-----------|-----------|-----------|----------|-----------|-----------|-----------|---------------------------------|
| MAINSTREAM | Compact Car | \$8.7 | \$8.0 | \$7.3 | \$7.1 | \$6.9 | \$6.8 | \$7.0 | +2% |
| | Compact SUV | \$13.8 | \$13.1 | \$12.3 | \$12.0 | \$11.8 | \$11.5 | \$11.7 | +1% |
| | Large Car | \$12.8 | \$12.1 | \$11.3 | \$11.4 | \$11.0 | \$11.0 | \$11.1 | +1% |
| | Large Pickup - Light Duty | \$21.7 | \$20.9 | \$20.0 | \$19.6 | \$19.5 | \$19.3 | \$19.4 | +1% |
| | Large SUV | \$31.9 | \$30.9 | \$29.6 | \$29.6 | \$29.5 | \$29.8 | \$29.6 | -1% |
| | Midsize Car | \$10.0 | \$9.3 | \$8.6 | \$8.3 | \$8.0 | \$7.9 | \$8.1 | +2% |
| | Midsize Pickup | \$19.4 | \$18.6 | \$17.4 | \$17.5 | \$16.7 | \$17.2 | \$17.1 | -0% |
| | Midsize SUV | \$17.6 | \$16.8 | \$16.0 | \$15.6 | \$15.3 | \$15.1 | \$15.1 | -0% |
| | Midsize Van | \$13.9 | \$13.1 | \$12.2 | \$11.6 | \$11.1 | \$11.3 | \$11.1 | -2% |
| | Small Car | \$6.3 | \$5.7 | \$5.3 | \$5.2 | \$4.9 | \$4.9 | \$5.1 | +2% |
| | Small SUV | \$12.2 | \$11.6 | \$10.8 | \$10.4 | \$10.4 | \$10.1 | \$10.3 | +1% |
| PREMIUM | Compact Premium Car | \$16.3 | \$15.4 | \$14.6 | \$14.4 | \$14.0 | \$14.3 | \$14.2 | -1% |
| | Compact Premium SUV | \$21.1 | \$20.2 | \$19.5 | \$19.1 | \$18.7 | \$18.6 | \$18.4 | -1% |
| | Large Premium Car | \$30.2 | \$29.0 | \$28.5 | \$27.2 | \$27.6 | \$26.3 | \$27.0 | +3% |
| | Large Premium SUV | \$35.1 | \$33.9 | \$32.4 | \$33.1 | \$31.6 | \$31.9 | \$31.4 | -2% |
| | Midsize Premium Car | \$19.2 | \$18.3 | \$17.3 | \$17.5 | \$17.2 | \$17.3 | \$17.8 | +3% |
| | Midsize Premium SUV | \$23.5 | \$22.7 | \$21.5 | \$21.6 | \$21.3 | \$21.5 | \$21.3 | -1% |
| | Small Premium Car | \$14.1 | \$12.9 | \$12.2 | \$11.6 | \$11.6 | \$11.5 | \$11.6 | +1% |
| Small Premium SUV | \$17.4 | \$16.5 | \$15.4 | \$14.8 | \$15.1 | \$15.0 | \$15.5 | +3% | |

Note: Vehicles up to 8 years old.

Segment level performances were once again mixed through the week ending April 26. While the majority of segments experienced price changes that were flat-to-slightly-up, there were a few segments that didn't perform quite as well.

After several weeks of softness, mainstream passenger car prices improved last week by an average of 2%. While mainstream passenger cars experienced small gains last week, segment prices remain some of the most depressed when comparing the week ending April 26 to pre-virus expectations. With that said, mainstream small, compact, and midsize car prices are down by roughly 17%, while SUVs and pickup prices—while still down—performed much better at down by 9% – 14%.

Segment Auction Price Change Pre-Virus vs. Week Ending 4/26



Note: Vehicles up to 8 years old. Prices week ending 3/1 vs. 4/26

Direct-to-Dealer Wholesale Sales

In recent weeks' COVID-19 Valuation Services Update reports, we have consistently tracked and compared used retail and wholesale auction activity, with used retail prices exhibiting considerably more resilience than wholesale auction prices since the start of the pandemic. In this report, we are also adding a review of direct-to-dealer wholesale price activity. Direct-to-dealer wholesale sales occur "upstream" of the physical auction. These direct-to-dealer sales include wholesale sales that occur when a local grounding dealer buys a consumer's off lease vehicle directly from the captive finance company, or when non-grounding dealers purchase off-lease vehicles from captive finance companies via dedicated online channels. Units that are not purchased upstream in this manner eventually make their way to physical wholesale auctions.

Our analysis of how direct-to-dealer wholesale prices have performed since the start of the virus situation, when compared to wholesale auction prices over the same period, reveals that direct-to-dealer / upstream wholesale prices have held up far better than prices at physical wholesale auctions. For the week ending April 26, direct-to-dealer wholesale prices were down around 6% versus the beginning of March, a relatively small decrease when compared to the 14% decline recorded for wholesale auction prices over the same period.

Weekly Wholesale Auction & Direct-to-Dealer Wholesale Price Indices

(March 1 = 100)



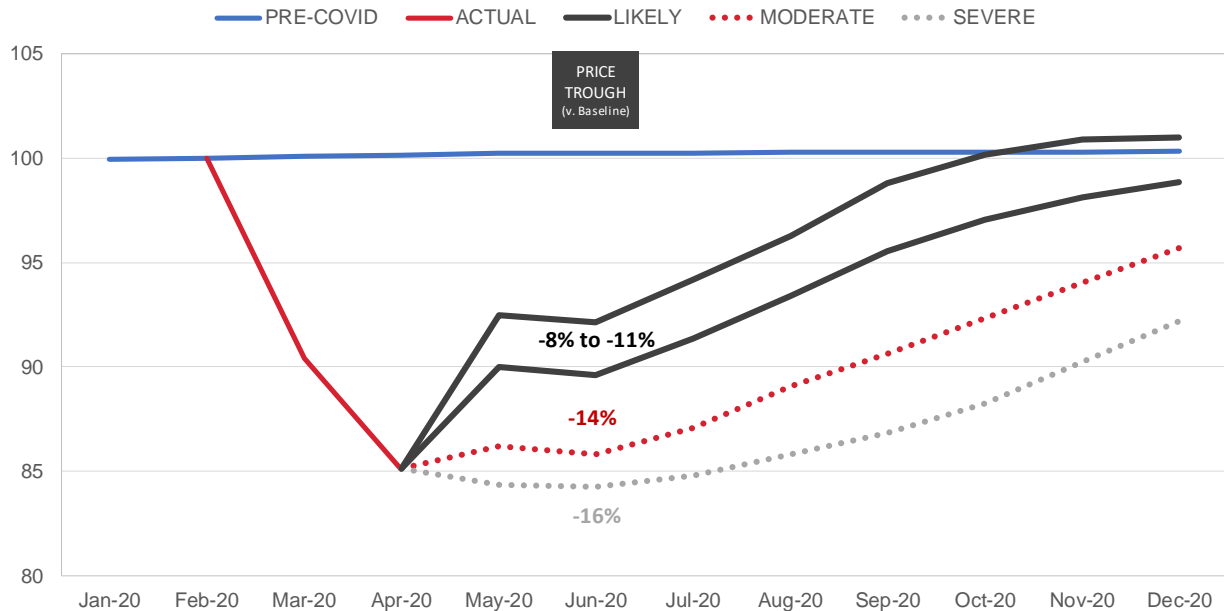
This reveals that while wholesale auction activity and prices have been severely curtailed by stay at home orders, prices have remained far more stable in more flexible and open upstream wholesale channels.

Used Vehicle Price Expectations Remain Unchanged

The used vehicle market, particularly wholesale auction activity, will continue to experience substantial volatility as it reacts to the evolving COVID-19 situation. Wholesale prices are currently 14% below the pre-virus levels experienced in early March, and represent a market fractured by extreme supply and demand.

While severely depressed, wholesale prices are expected to recover from their current lows, with duration and degree dependent on the lifting of stay-at-home orders and the extent of stimulus impact.

Auction and Direct-to-Dealer Wholesale Price Outlook



Valuation Services continues to closely monitor the situation and make refinements to our forecast by using the latest data and market intelligence information. Currently our latest forecast expects used prices to follow our Likely Scenario in the above chart. Prices are forecast to decline 8% – 11% through June before improving as the country opens back up.

Our outlook is centered on macroeconomic expectations, particularly the expectation that the country will continue to experience significant job losses through the second quarter, followed by a gradual recovery in the second half of the year. Under our Likely Scenario, prices are expected to be down 4% to 6% on a full-year basis versus 2019. This compares to our pre-virus expectation that used prices would be flat-to-up by 1%. Prices in Q4 will be flat-to-down 2% versus pre-virus expectations. Given the highly uncertain nature of the COVID-19 pandemic, this forecast is subject to change in the coming weeks.

Supplemental Weekly Valuation Updates

Valuation Services continues to provide weekly updates to our monthly values to ensure our clients have the most 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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