

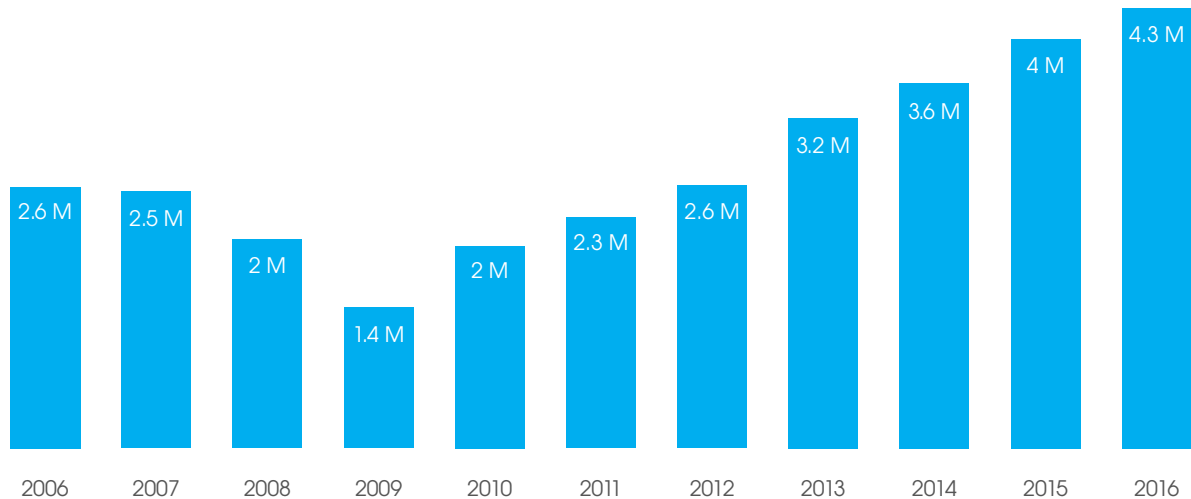


LEASE MARKET REPORT

JANUARY 2017

Leasing Plays a Major Role in 2016 Record New Car Sales

LEASE VOLUME



Key Takeaways

2016 LEASE VOLUME SETS RECORD

Lease volume grew for the seventh consecutive year in 2016, achieving an all-time high of 4.3 million units. Over the past five years, lease volume has grown by 91% and has been a major catalyst in driving new vehicle sales in the U.S.

LEASING STIMULATING SUV SALES

With SUV prices heftier than those for cars, leasing is a way for consumers to enter this popular segment in a more cost-efficient manner. This helped SUVs outsell passenger cars for the first time ever in 2016.

CONSUMERS ATTRACTED TO LOW PAYMENTS

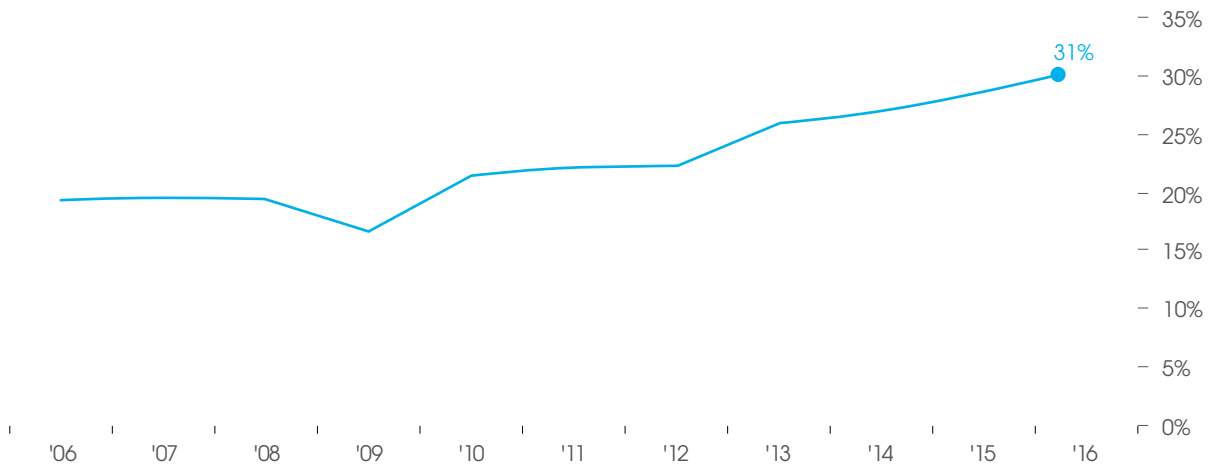
2016 lease payments averaged \$120 less than average finance payments. For large pickup trucks, which enjoy high residual values, lease payments averaged \$206 less, representing the largest difference of all vehicle types.

MILLENNIALS PROPORTIONALLY LEASE THE MOST

Though they account for only 12% of all leases in the U.S., millennials lease more than any other age group as a proportion of their overall sales. Nearly one-third of millennials who purchased a new vehicle in 2016 decided to lease.

Leasing Drives Sales to Record Levels

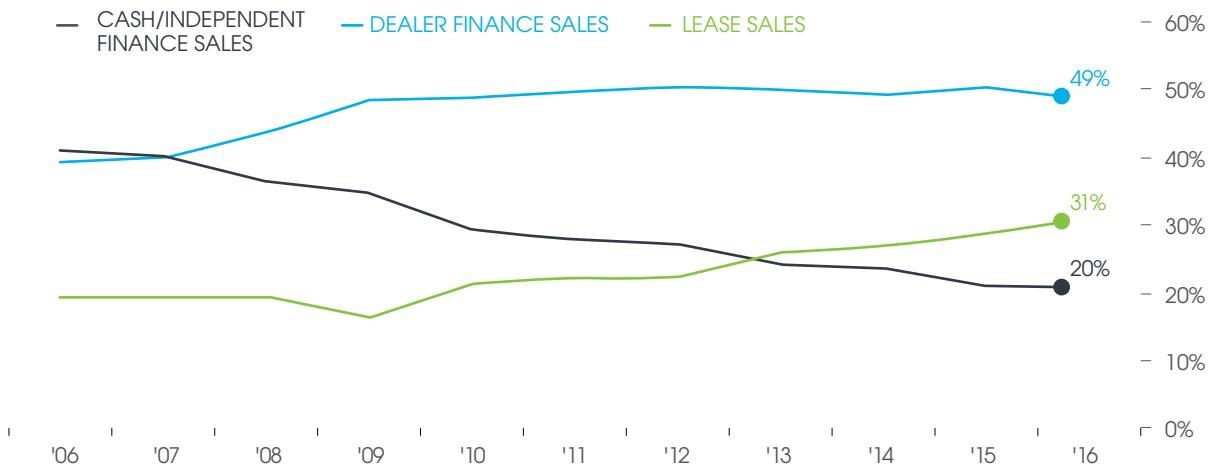
LEASE PERCENTAGE OF NEW VEHICLE SALES



Leasing continues to grow as a percentage of new vehicle sales. In 2016, it increased to 31% (from 29% in 2015).

80% of Americans Finance at Their Dealership

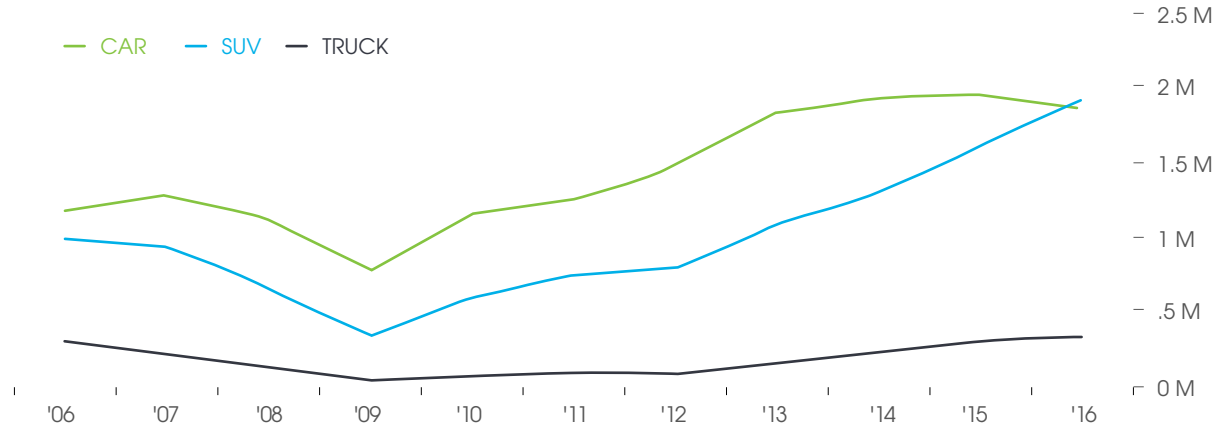
SALES BY PURCHASE METHOD



The way consumers pay for their vehicles has completely changed over the past decade. Ten years ago, cash/independent finance was the most prevalent way people purchased a vehicle. That dropped from 41% in 2006 to 20% in 2016. In its wake, financing at the dealership (OEM/dealership-affiliated bank) has increased along with leasing.

SUVs, Trucks Power Leasing Growth

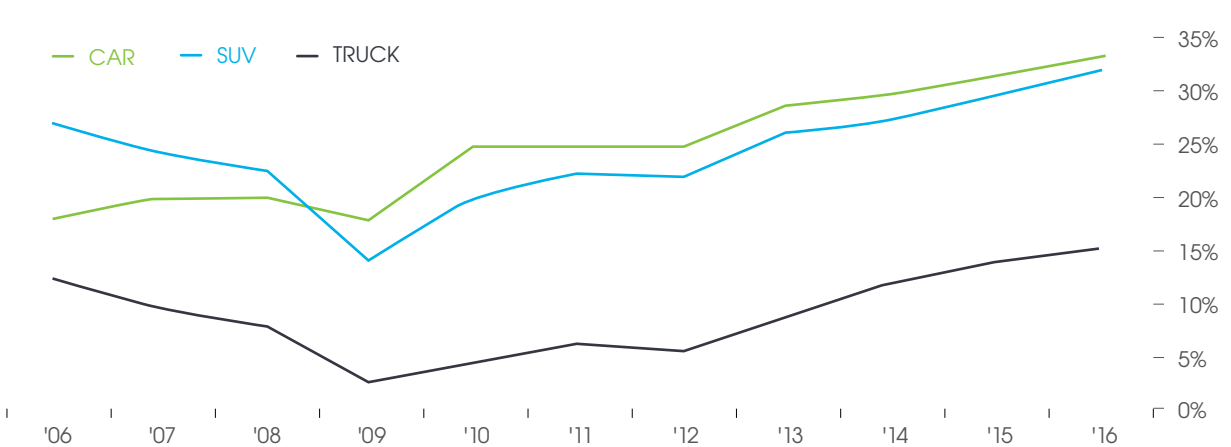
LEASE VOLUME BY VEHICLE TYPE



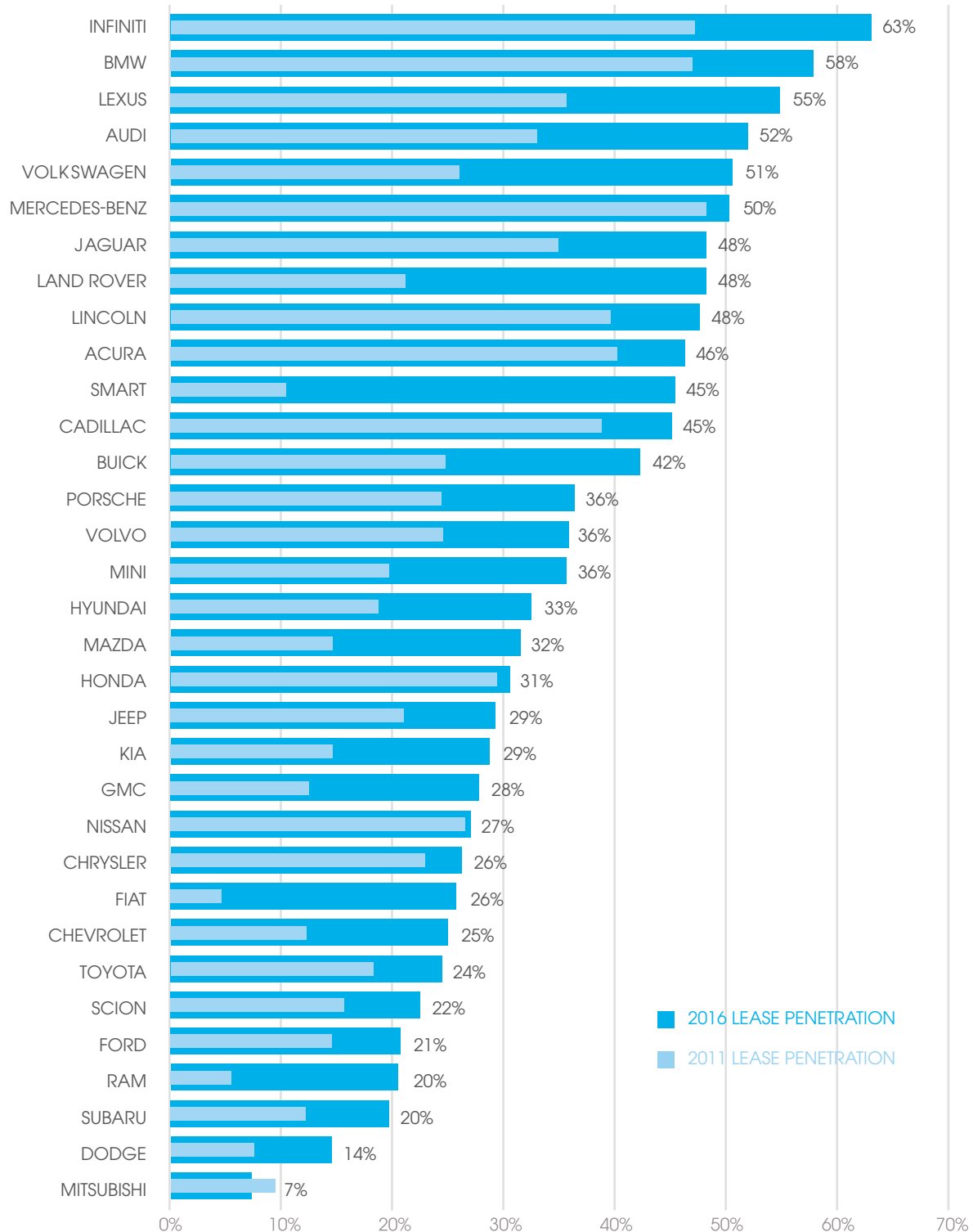
Among the major vehicle segments, car lease volume is declining, which is in line with the greater market trend of declining sales. However, SUV sales climbed in 2016, outselling passenger cars for the first time ever. With that, we watched SUV lease volume grow to 1.9 million units and SUV lease penetration rate rise to 32%. Pickup trucks also experienced a lease volume boost. In 2016, 15% of trucks were leased, which grew from 14% year over year.

With gas prices low and fuel efficiency improved, consumers are flocking to pickups and SUVs. The downside is the cost as they are considerably more expensive than passenger cars. Leasing reduces this burden and has been an avenue for consumers to purchase pricier vehicles.

LEASE PENETRATION BY VEHICLE TYPE



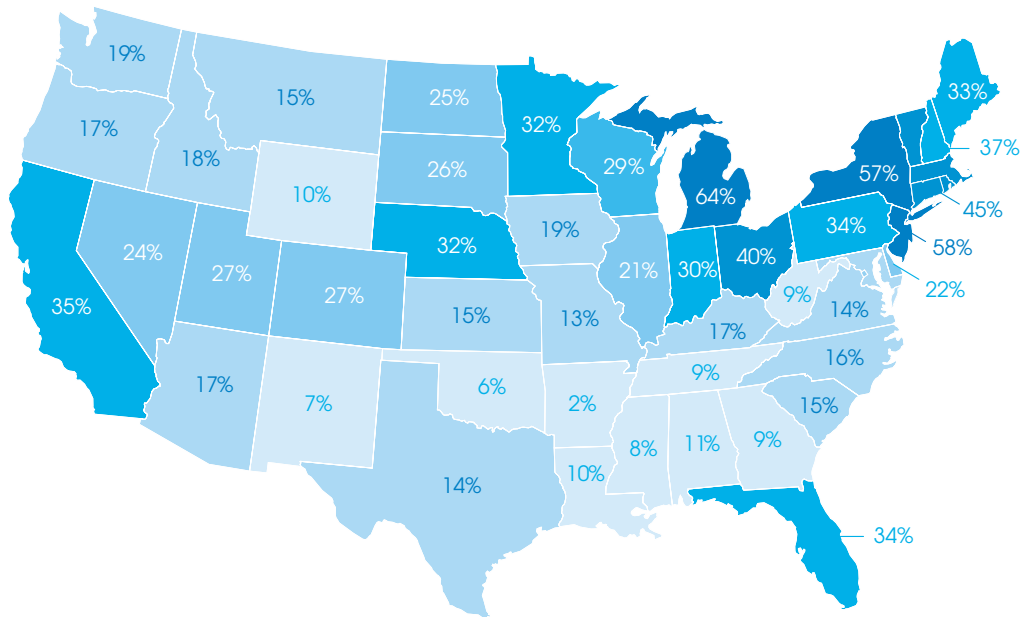
Nearly All Brands See Leasing Bump



Every brand except Mitsubishi experienced more leasing over the past five years. The Japanese big brands — particularly Honda and Nissan — saw the least growth, as they historically lease many vehicles anyway. Significant growth has come from truck/SUV brands such as Ram, GMC and Land Rover as the market flocked to these vehicles.

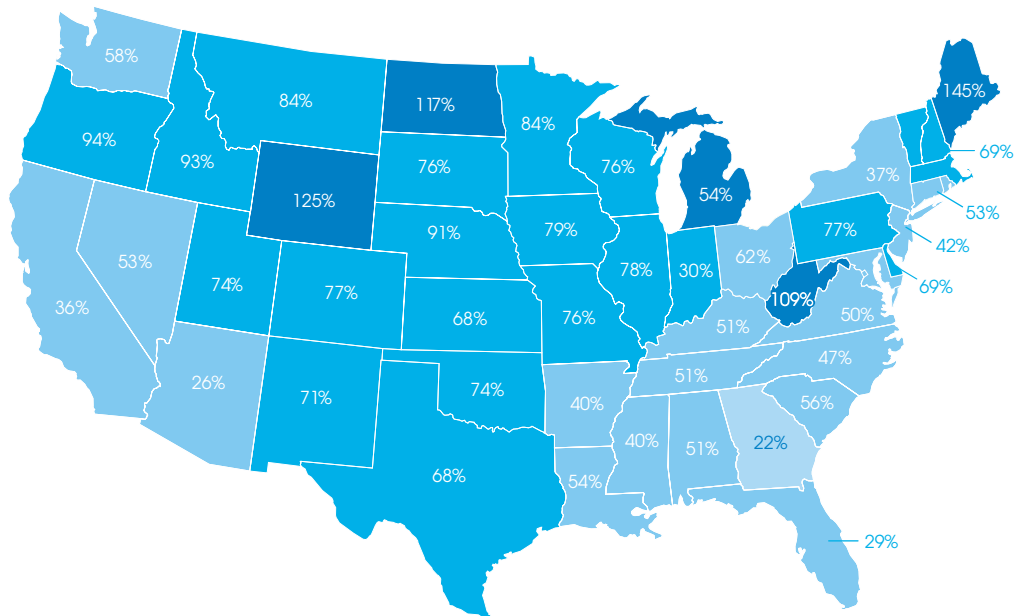
Lease Penetration Skews Regionally

2016 LEASE PENETRATION BY STATE



Lease rates vary wildly across the country. The tri-state area (NY, NJ, CT) tops 45%, while many states in the Southeast have lease penetration rates of less than 10%. Michigan, home of the domestic auto industry, has the highest lease penetration rate in the country.

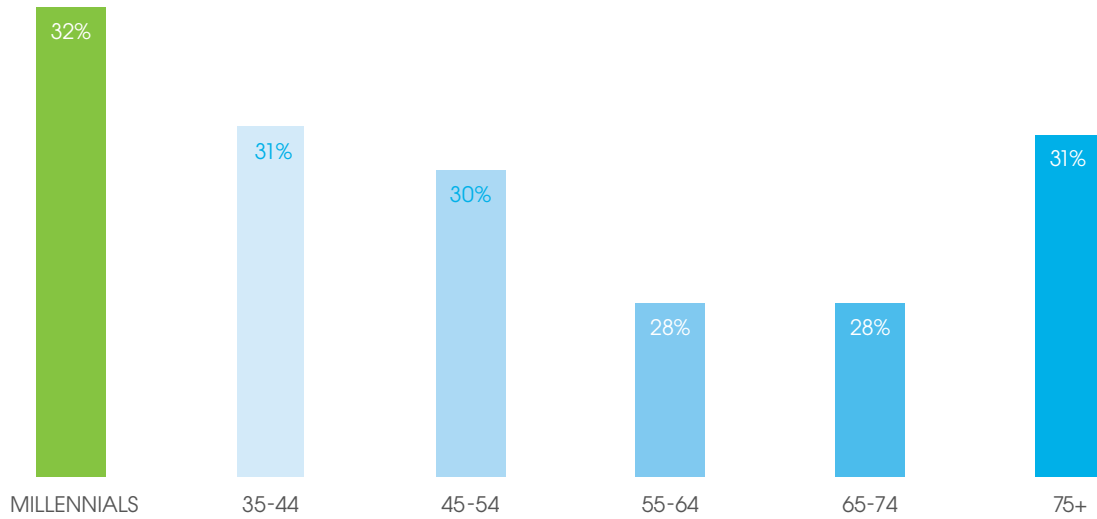
2016 VS 2011 LEASING GROWTH



Leasing has grown in most states, but the middle of the country has seen the highest increase in leasing over the past five years. Lease penetration levels there are now closer to many coastal state rates.

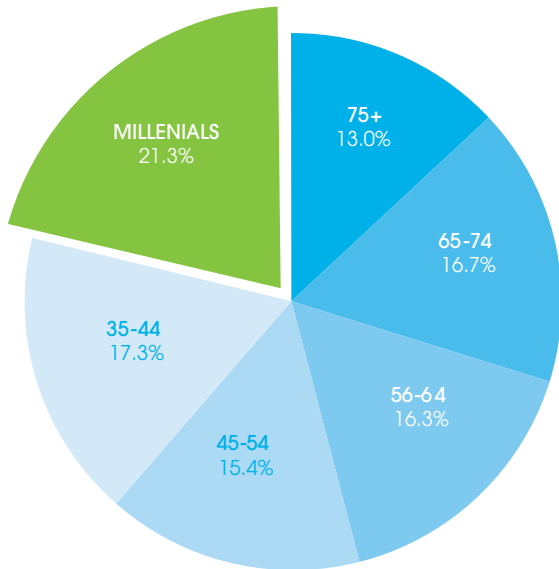
Leasing Entices Younger Buyers to Enter New Car Market

2016 LEASE PENETRATION BY AGE GROUP

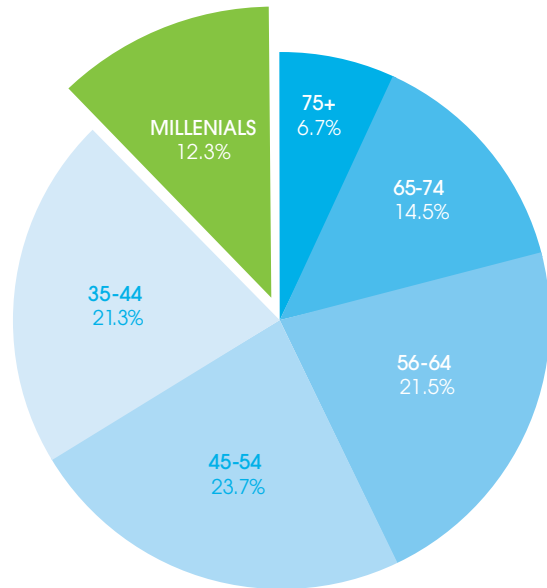


Millennials lease rates are proportionally higher compared to other age groups. And it's only increasing — going from 21% in 2011 to 32% in 2016.

AGE OF LESSEES WITH INCOME UNDER \$50K

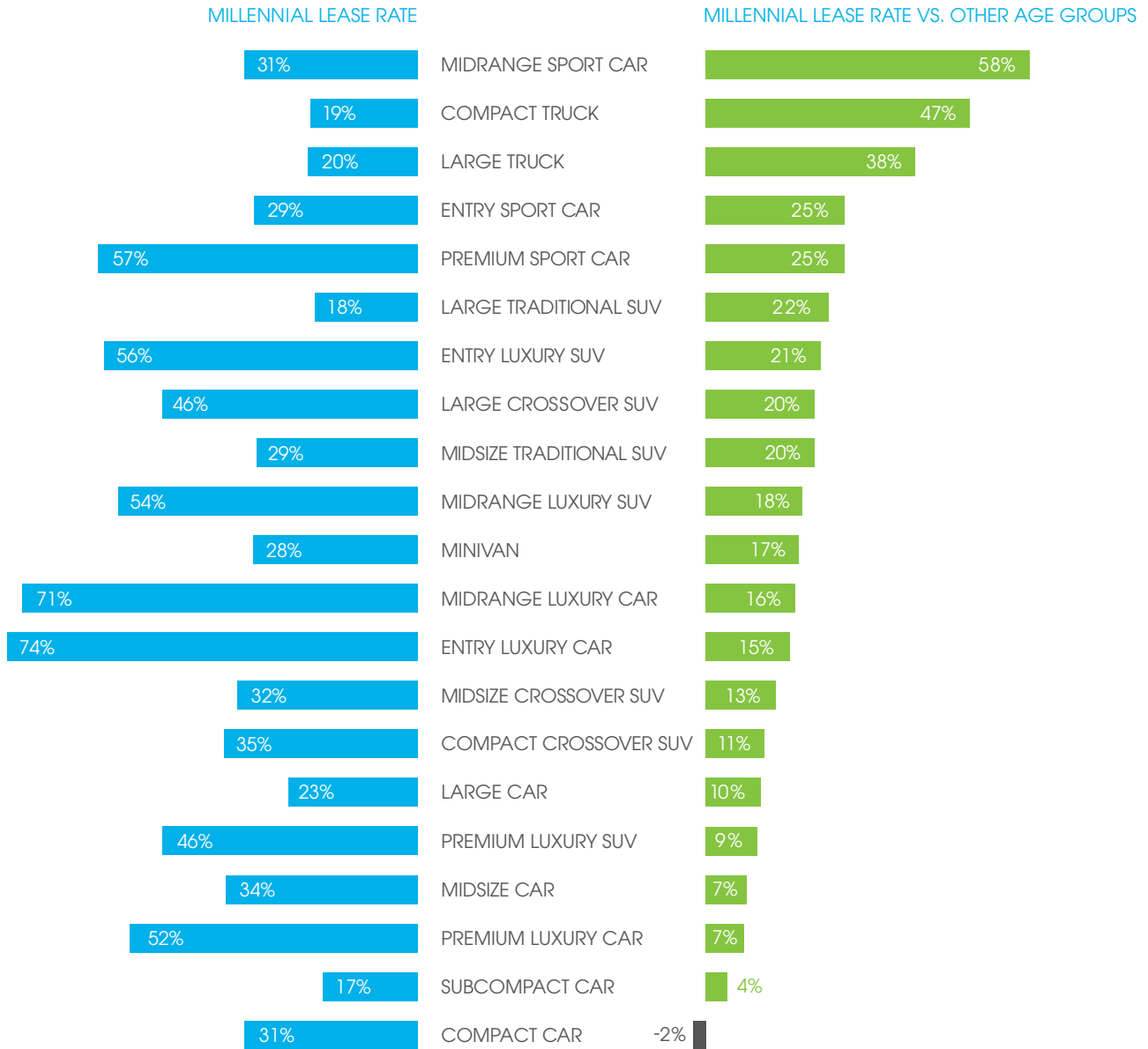


AGE OF LESSEES IN ALL INCOME BRACKETS



Among all income brackets, millennials account for 12% of all lessees. However, among households with incomes less than \$50K, millennials make up 21% of all lessees, the largest of all age groups. These lessees provide a tremendous opportunity for automakers and dealers since they are likely first-time new-car buyers who will provide multiple opportunities for repeat purchasing.

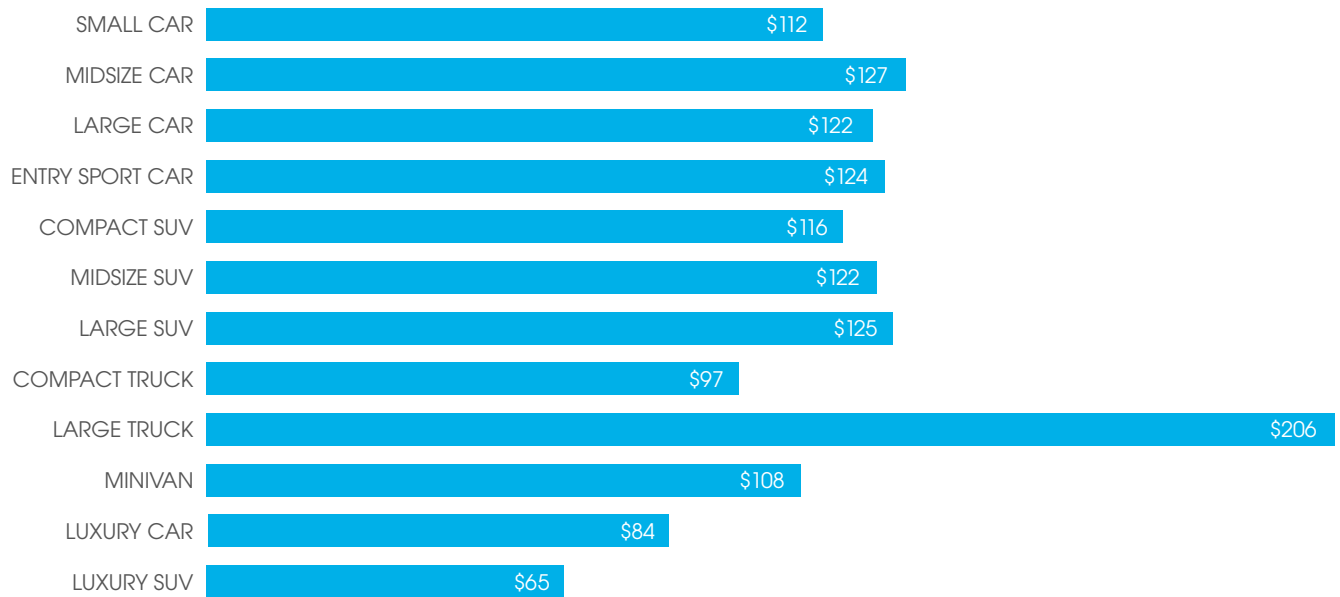
Millennials Leasing More Trucks, SUVs



When compared to other age groups, millennials proportionately lease more of every segment, except compact cars. Millennials also lease more trucks and SUVs than other age groups and are helping drive the growing trend of truck and SUV lease popularity.

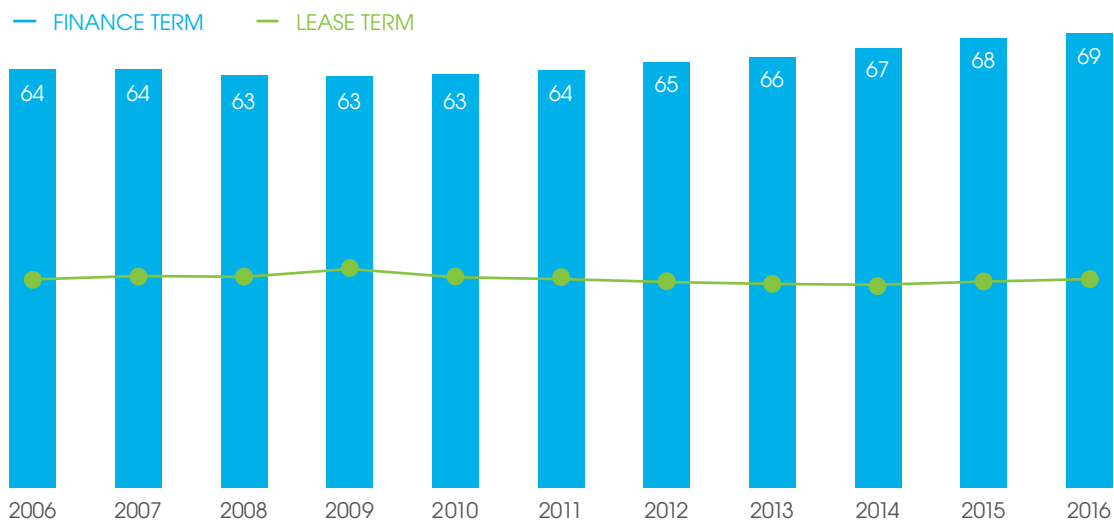
Attractive Monthly Payments Keep Consumers Leasing

LEASE MONTHLY PAYMENT SAVINGS



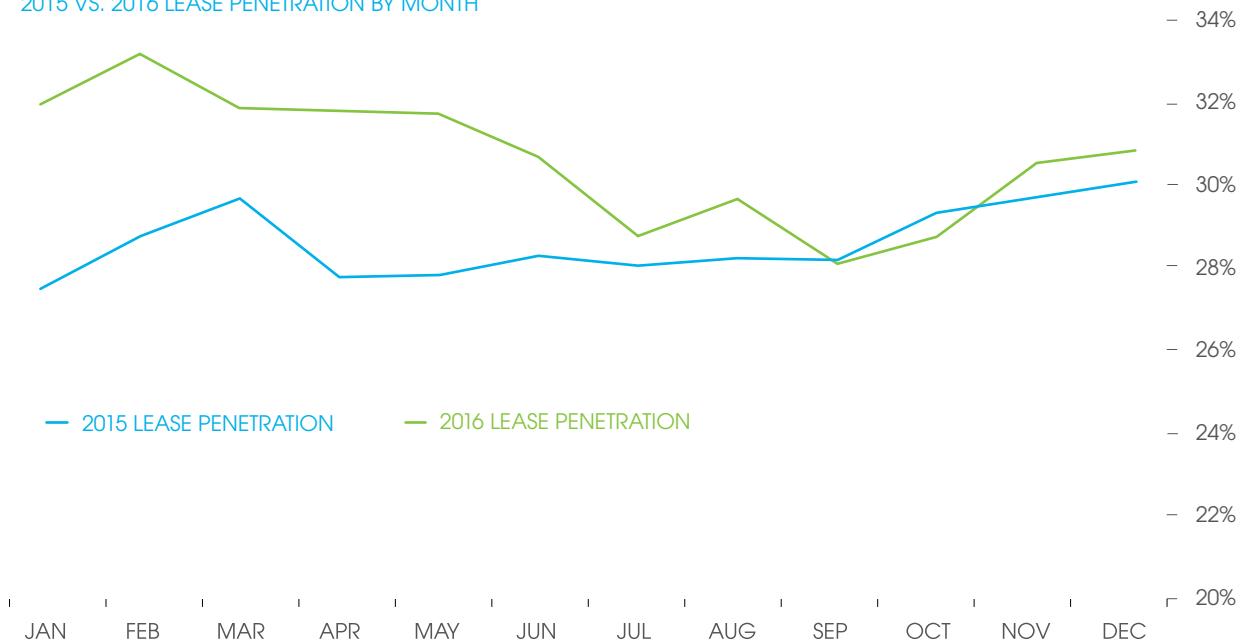
Lessees save \$120 per month on average compared to people who choose to finance. Lease terms average 36 months, while finance terms continue to lengthen, averaging 69 months in 2016. Among the new car segments, full-size pickup lessees save the most over financing. Lease payments on trucks are helped by high residual values, keeping monthly payments low.

2016 MONTHLY AVERAGE TERMS



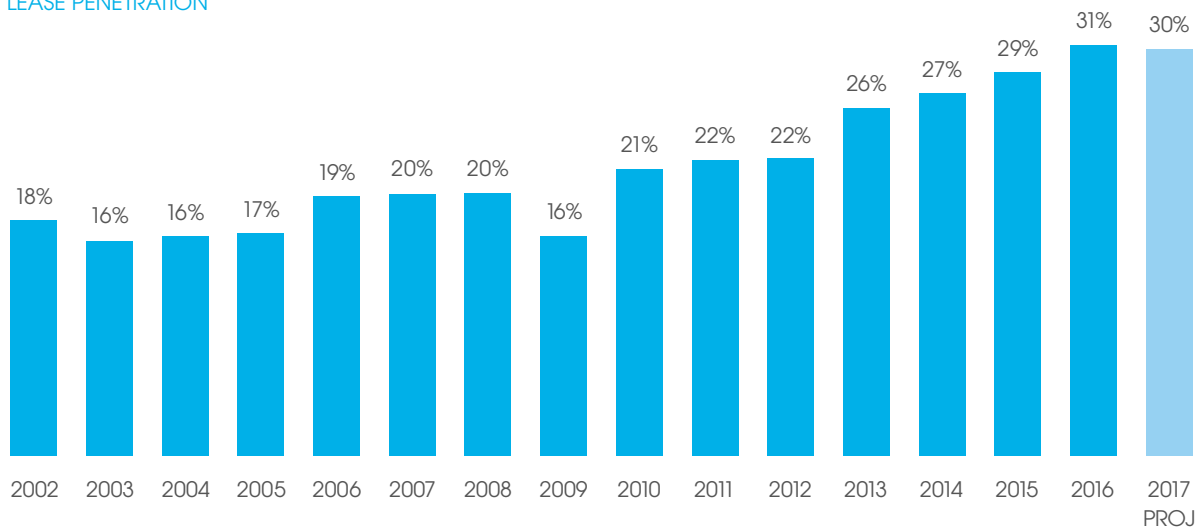
Leasing Expected to Stabilize in 2017

2015 VS. 2016 LEASE PENETRATION BY MONTH



The outlook for leasing, even as rates flatten, is positive since we expect it to continue at a very high rate compared to historical averages.

LEASE PENETRATION



The escalation of transaction prices from increased content and technology, the market swing toward light trucks, and the growing millennial influence should keep leasing levels high. In 2017, we expect leasing to continue to be 30% of the new vehicle market.

