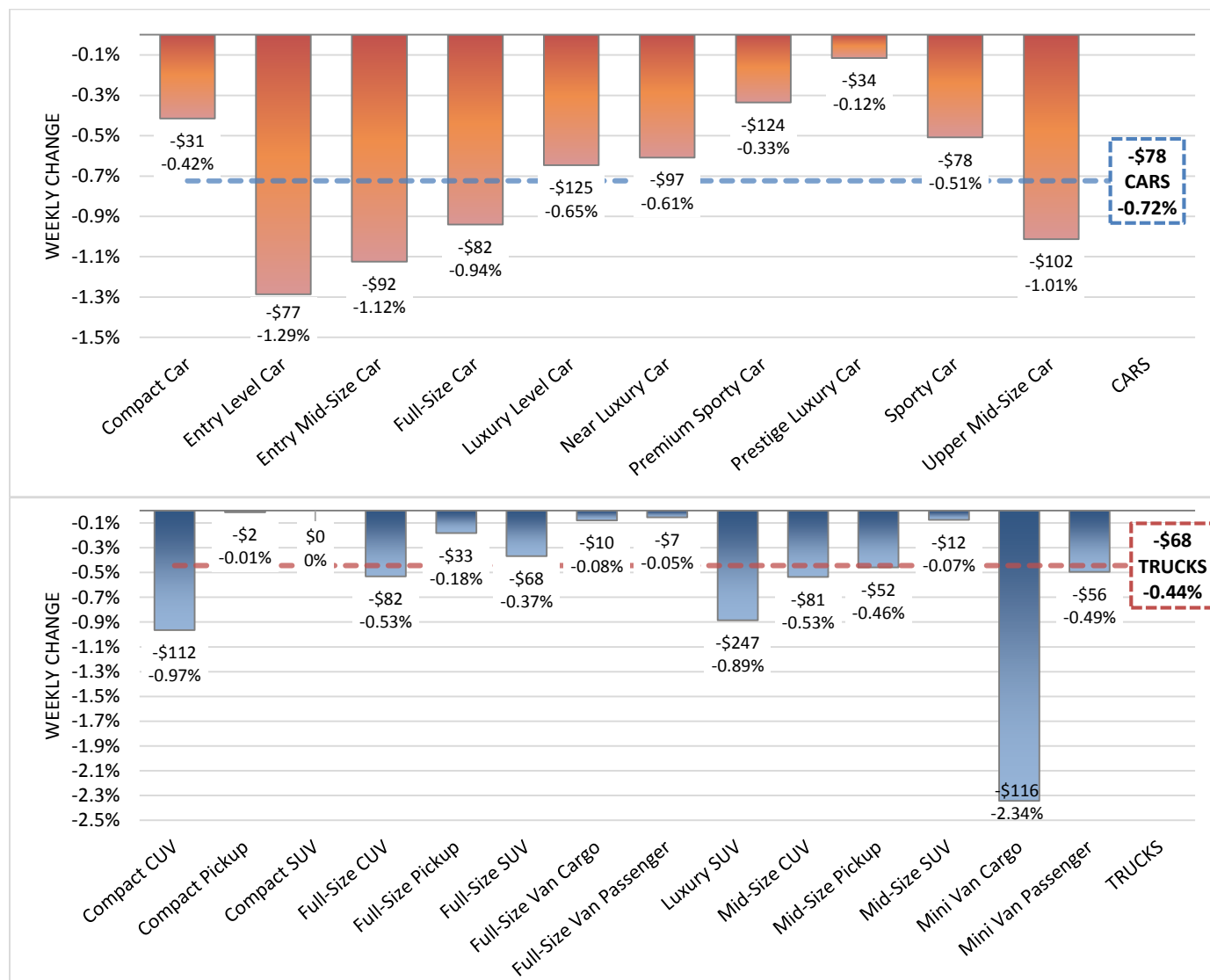




“Wholesale values have declined at a relatively high rate in recent weeks, a foreseen trend, caused by the impact of seasonality.”

Anil Goyal, Vice President of Automotive Valuation and Analytics



Model Years: 2007-2013, Volume Weighted Wholesale Average Values, Weekly Change from 11/6/15 to 11/12/15

Cars and Trucks Depreciation Rate Increases Year-Over-Year

- Volume-weighted, overall car values decreased by 0.72% last week, one year ago they declined by 0.42%.
- The Entry Level Car and Entry Mid-Size Car Segments saw the largest depreciation this past week with decreases of 1.29% and 1.12%, respectively.
- Volume-weighted, overall truck values decreased by 0.44% last week, one year ago they declined by 0.31%.
- Compact Pickup and Compact SUV saw little to no change this past week with -0.01% and 0%, respectively.

Sentiment from the Auction Lanes

Our editors and personnel attend about 60 auctions every week across the country to provide key insights:

“Sale was weak today with many ifs and no-sales.” -Herb from PA

“Prices continue downward in this location on most segments.” -Jim from WA

“The market trend in this area is steady, cars still a bit weaker than trucks.”

-Richard from WI

“Prices are down slightly from last week in this particular area.” -Norm from IL

“Dealer lanes were slow this week, only filling select sold orders and maybe a few holes in the lot.”

-David from TX

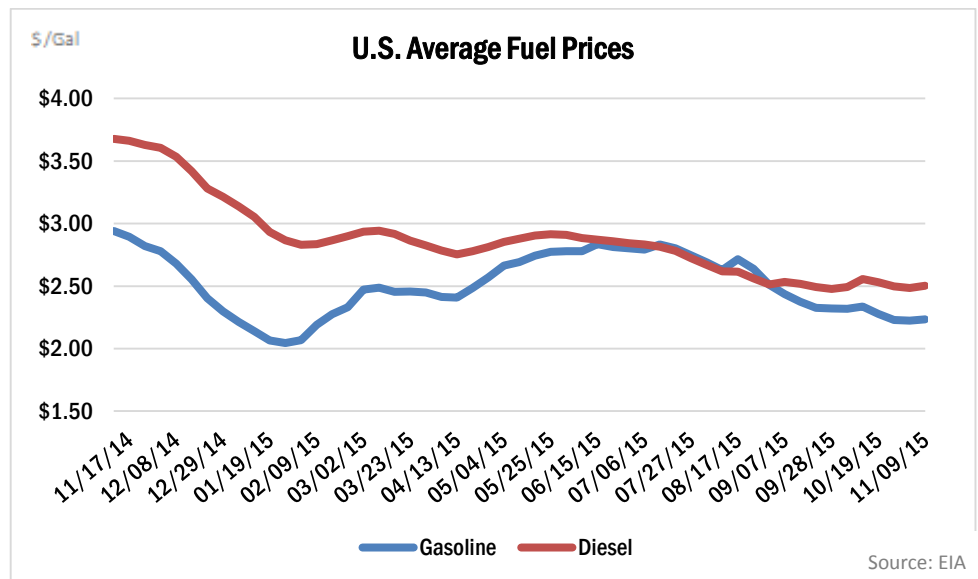


Industry Events

Black Book personnel will be attending several upcoming events. Among them:



November 16 – 20, 2015
Scottsdale, AZ



Fuel Prices Rise Slightly

- Gasoline price increased last week by \$0.011 to \$2.235.
- Diesel price increased last week by \$0.017 to \$2.502.

Vehicle Highlight



2016 Chevrolet Camaro 2D Coupe has a base MSRP of \$25,700 and will be available in LT and SS trim variants. There are three engines, a 2.0L Turbo (275-hp) standard with LT trims, an optional 3.6L V6 (335hp) paired with an 8-speed automatic transmission and the 6.2L V8 (455hp) standard on SS trims. Close competitors include Ford Mustang and Dodge Challenger.

INSIGHTS FROM REMARKETERS

Black Book recently interviewed Tom Cornellier, Manager, Auction Operations & eBusiness, Vehicle Remarketing at Ford and Dan Kennedy, Manager, Remarketing at GM for their insights.

Question: With supply continuing to increase moving forward, what are your plans for optimizing the sales of your inventory across wholesale channels and regions?

Cornellier: We have a robust process that we will continue to apply. We are going to have some extra personnel support at our high volume locations to manage our business at auctions. We work with transport companies and auctions to assess their readiness. It's really about the blocking and tackling looking for areas to address where the process might get constrained. As far as regionality goes, it is always a concern as we have more cars coming back in lease-heavy states in the Northeast and Michigan. So, we have to do some redistribution. We know that the truck and rail capacity is constrained and we work through capacity issues with transportation companies. We do some marketing with our auctions to promote vehicles at the location and not redistribute where it makes sense. Regarding channels, we have a good mix of upstream for off-lease and physical auctions.

Kennedy: We have now partnered with GM Financial (GMF) in remarketing efforts. We have linked our rental and company vehicles with their off-lease vehicles into the GMF DealerSource upstream online channel. Vehicles will continue to receive any needed repairs and recondition to help dealer throughput, which helps get vehicles to the retail segment quickly. We also have our FrontLine Ready, which is a pre-certified program for our certified Pre-Owned dealers. When a GM-certified dealer purchases these vehicles, the vehicle has already met 172-point inspection that is performed by a GM certified dealer. Our GM Sponsor Plus program is used for any cosmetic work that is needed on the vehicle, and lets the dealer perform any mechanical work. We continue to ship vehicles for value, placing the right vehicles in the right market. We get vehicles from a variety of locations across the country which provides us with the opportunity to provide a good mix of vehicles to the 34 physical auctions where we do business.

Question: SUVs and Pickup trucks have done exceptionally well in values lately. What are your expectations for these segments in 2016?

Cornellier: Trucks and large SUVs are going to continue to be bright spots. We don't see much in the way of degradation, particularly in pickup trucks. Fuel prices are cooperating and the economy continues to march along and we see a strong market for these segments.

Kennedy: As long as the economy stays strong, gas prices stay low and the volume stays relatively consistent, we don't foresee a big change in the current direction. We believe that SUVs and Pickups will continue to perform well next year. We are not seeing large spikes in volume increases overall; however, there may be some models where values could fluctuate due to volume increases.

Question: CPO has seen great success in the industry. How has CPO changed the way you remarket your vehicles?

Cornellier: It's been a complement helping the demand side. It's all part of the retail to wholesale chain. Our CPO team does a really good job of working with the dealers to sell the value of CPO to the retail customer. That creates the downstream demand we need at auction to support prices. It hasn't changed our remarketing approach but has been complementary to it and has helped in optimizing the used channel.

Kennedy: We work very closely with our CPO team to make sure we coordinate our business. We link our certified retail program with our wholesale process – both upstream and at physical auctions. Ideally, if we drive demand at the retail level, we can influence the demand at the wholesale level. One of our key objectives is to get the vehicle ready for sale quicker through our FrontLine Ready and Sponsor Plus programs. When we can help our dealers increase their throughput, they are able to sell more vehicles quickly and will be more receptive to come back to us for additional vehicles more frequently. It becomes a win-win for us all. Our programs are competitive and ensure that our dealers see them as value adding.

Question: What opportunities and challenges do you see in remarketing in the next year?

Cornellier: Because auction-based remarketing is so operational, the challenge we will need to work through is absorption of additional volume. For example, we recondition our cars to high standards so we need the shops to be staffed appropriately. Regarding opportunities, there is a lot of continuing innovation out there and we look forward to identifying ways to improve our efficiencies and by extension our retentions in cooperation with our auction partners.

Kennedy: As volumes increase, values are impacted, particularly in some segments. As we are running national programs, it's important that we remain consistent in how we manage our business and programs. Secondly, we will continue to work on how we continue to grow value in our CPO program to help drive retail demand so it funnels down in to wholesale demand. Lastly, continuous growth of upstream sales that help reduce our cost and service our customers with just-in-time inventory.