

COX AUTOMOTIVE

# Automotive Affordability

## 31st Annual Automotive Insights Symposium

February 6, 2025

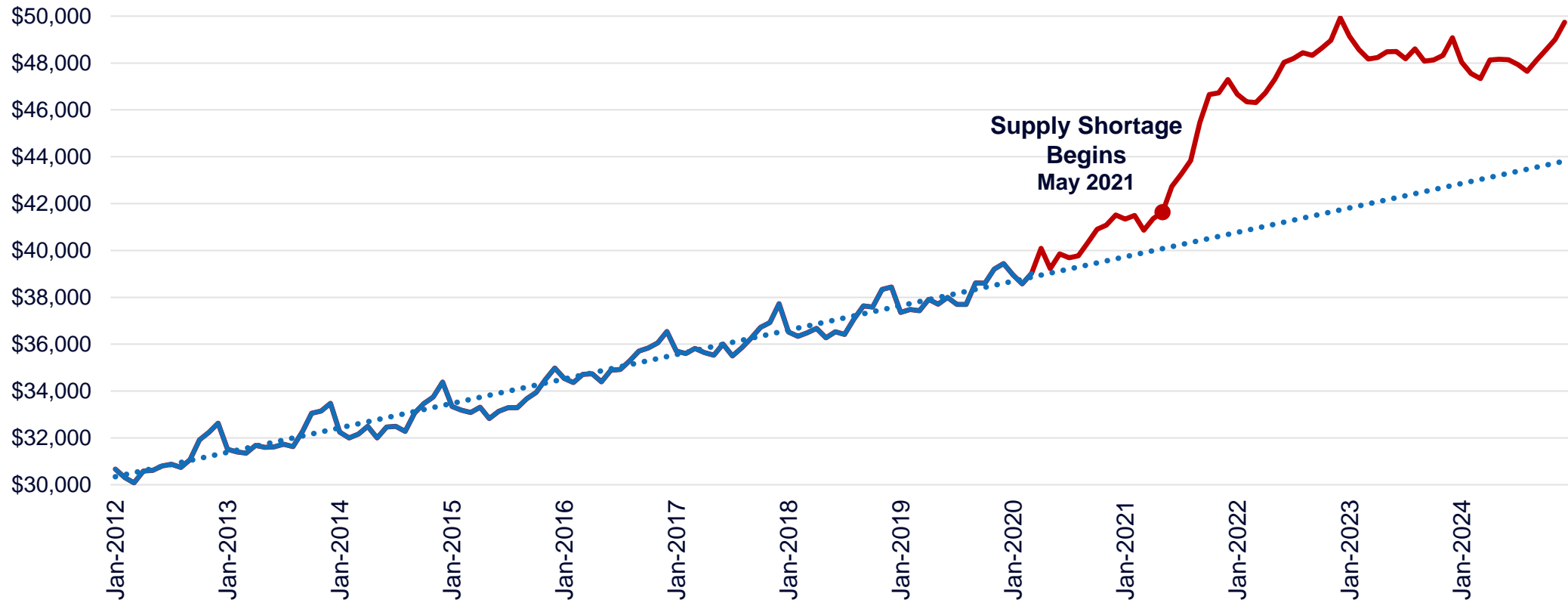
**Erin Keating**

Executive Analyst, Economic and Industry Insights

# Transaction Prices | Now Near \$49,740 – Up 1.3% From Last Year

Close to \$50K peak – about 10% above prior-Covid long-term average

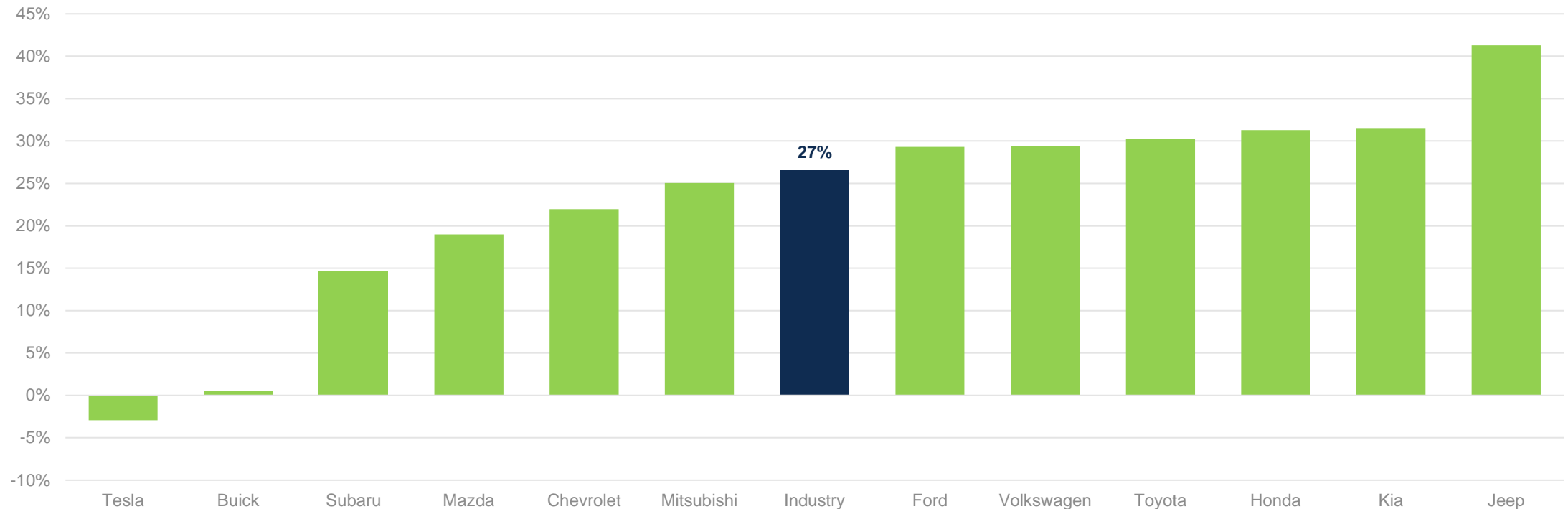
Estimated Monthly Transaction Prices



# Price Change Since 2019 | Subaru Well Below National Average

Affordability a growing concern but less for lower priced brands

Average Change in Transaction Price (CY2024/CY2019)



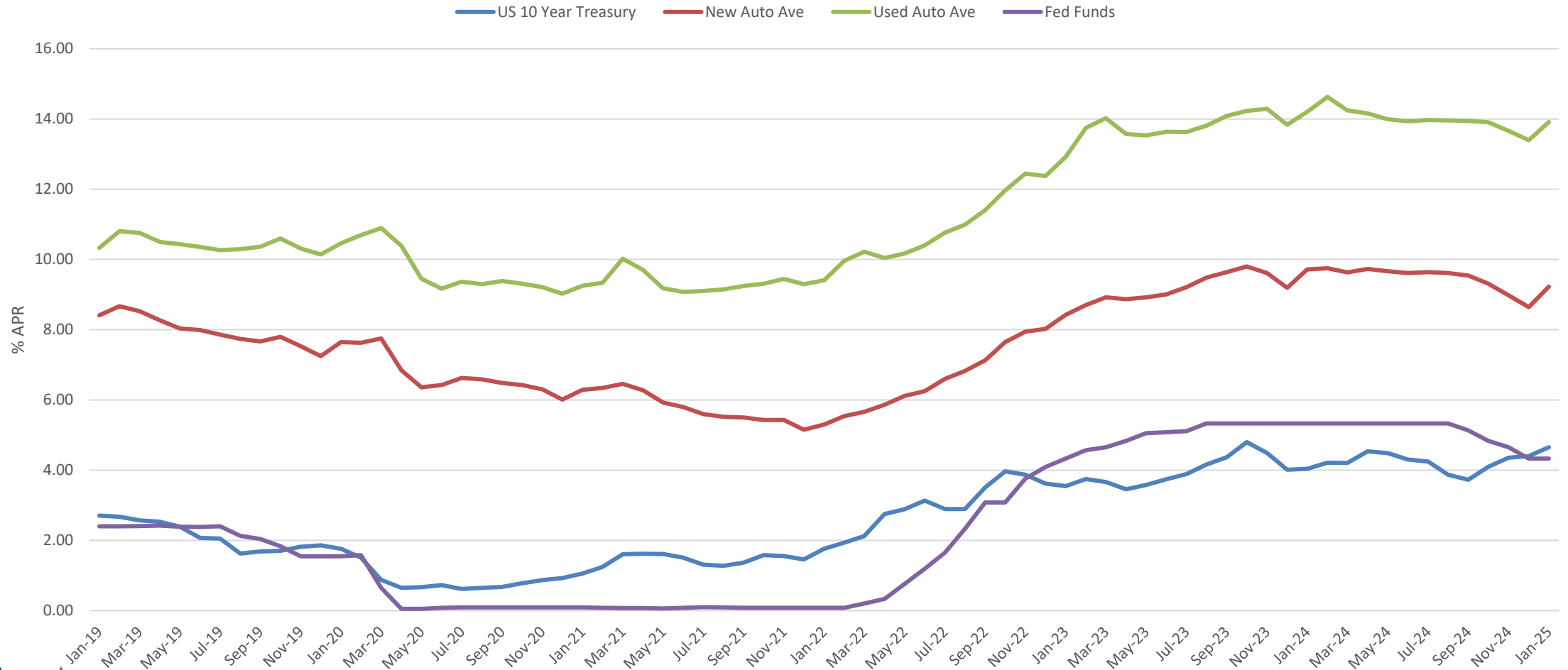
Less Vulnerable

More Vulnerable

# Average Auto Loan Rates Up From Multi-Year Lows in December

Auto rates declined in December but are up in so far in January as the average used rate is 13.91% and new is 9.22%

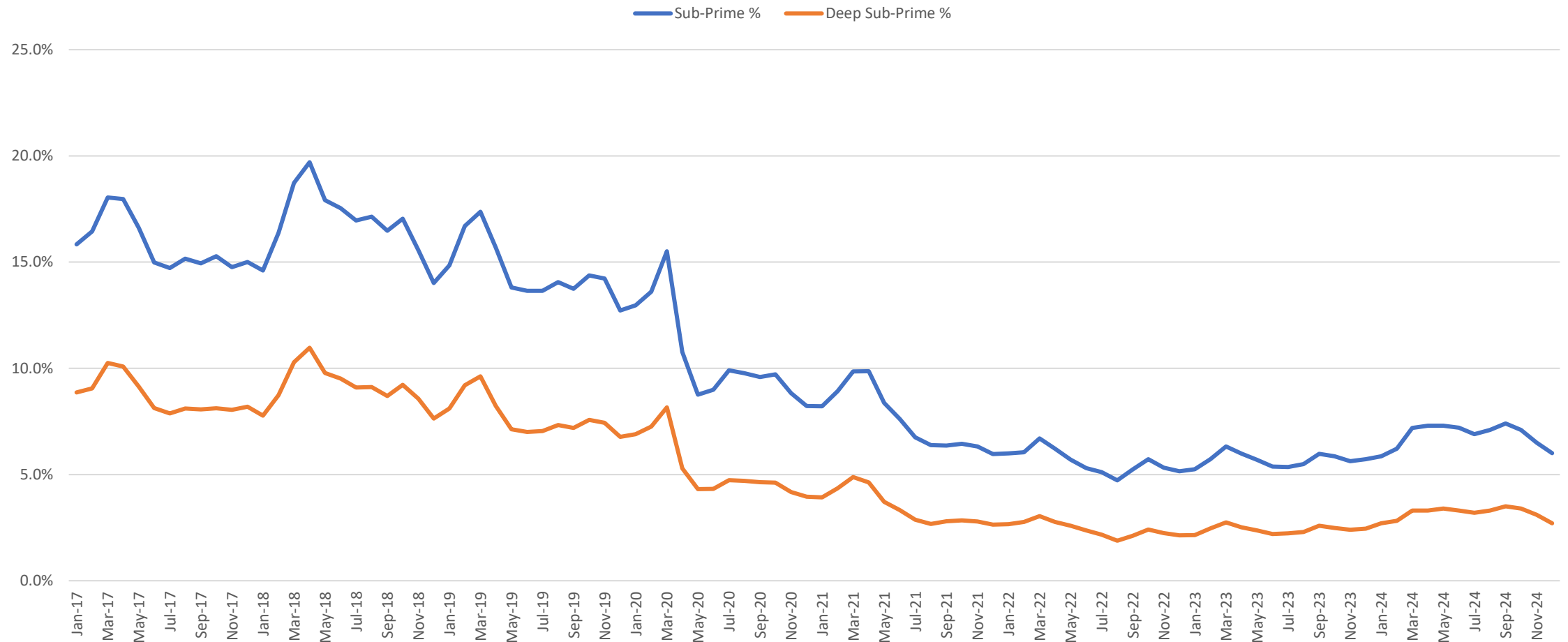
Fed Funds Rate, 10 Year, and Average Auto Loan Rates



# Rates + Pricing Lost Almost 10% of Buying Pool

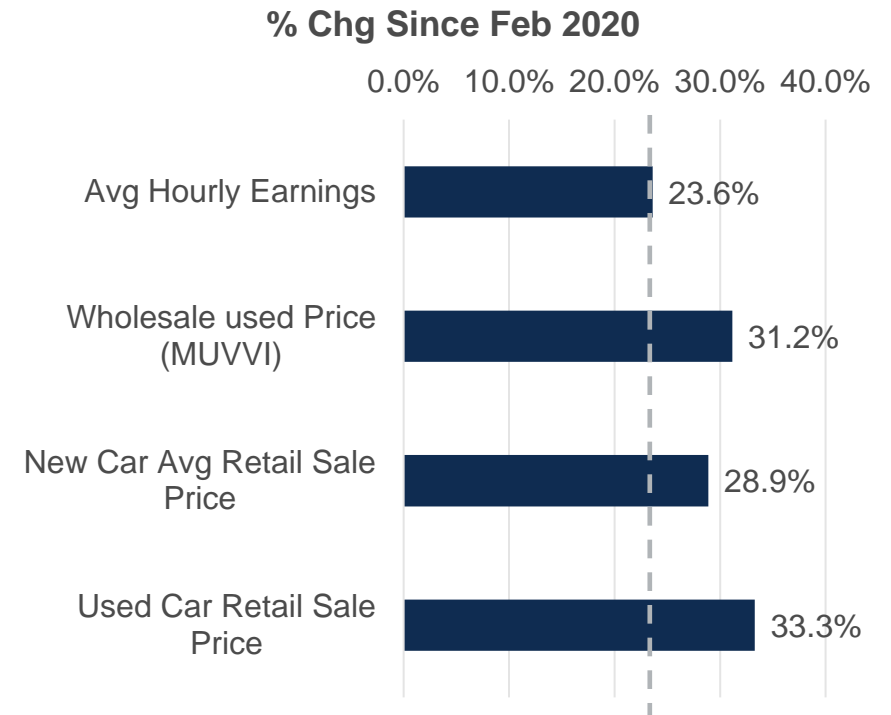
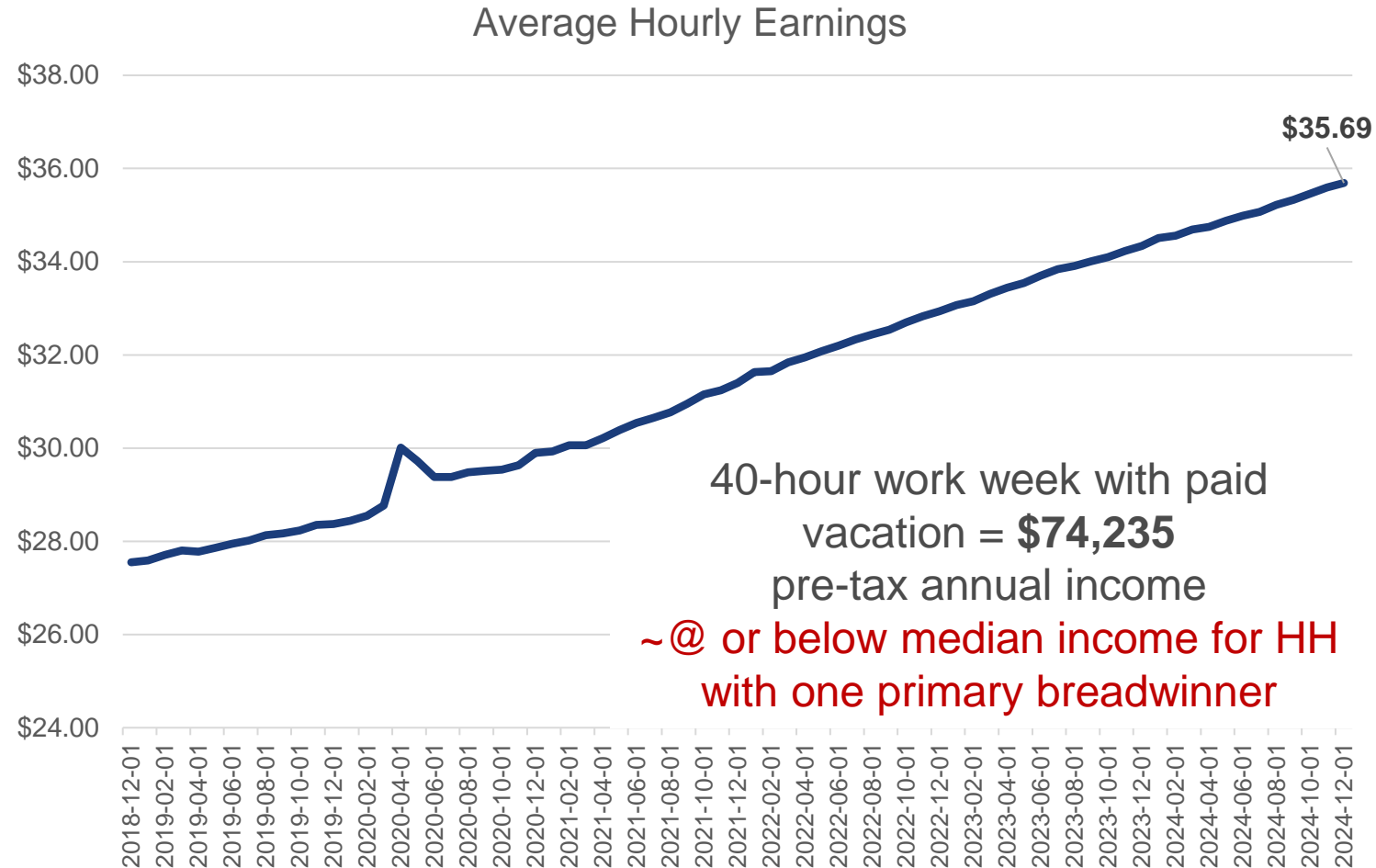
Subprime below 6% until this year; had seen modest improvement of about 2.5 pts from low but fell at year end

Subprime and Deep Subprime Share in New



# Used Car Pricing Still Running Ahead of Average Hourly Earnings

Median income and below households (most used car dependent) hardest hit by cumulative inflation



# Factors influencing affordability

There is no “one” thing that is impacting the growing costs of personal vehicle ownership

## Auto Interest Rates

- Historically low interest rates during the pandemic
- Rising inflation caused Fed Fund Rate to go up
- Delinquencies and defaults rose to highest levels in 20+ years
- Used car value records

## Average Transaction Price

- Historic production loss over the pandemic
- Supply chain snarls pushed demand way beyond supply
- Powertrain transition
- Globalization
- Picky U.S. market

## Total Cost of Ownership

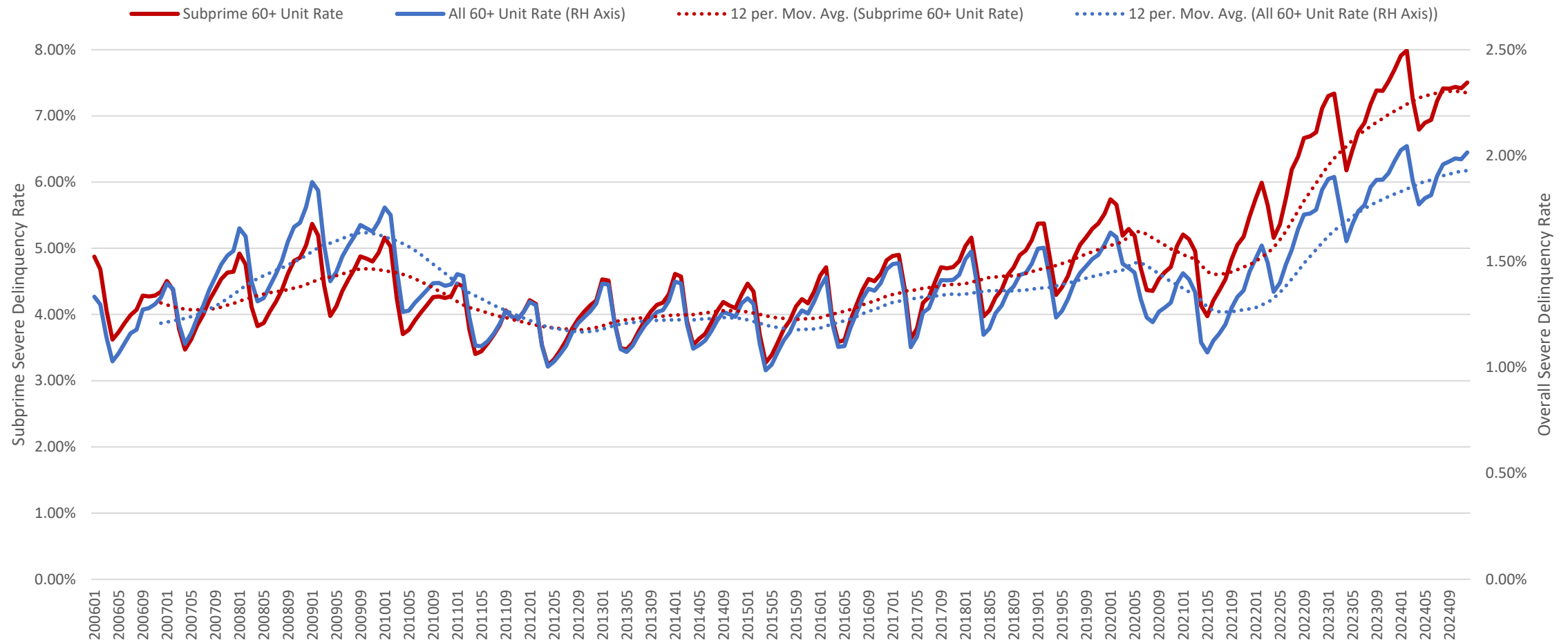
- Insurance costs
- Repairs and maintenance costs
- Alternative powertrain accommodations



# Delinquency Rates Declined in November Before Rising in December

Delinquency rates ended the year up slightly y/y in aggregate but down y/y for subprime

### 60+ Severe Delinquency Unit Rates on Auto Loans

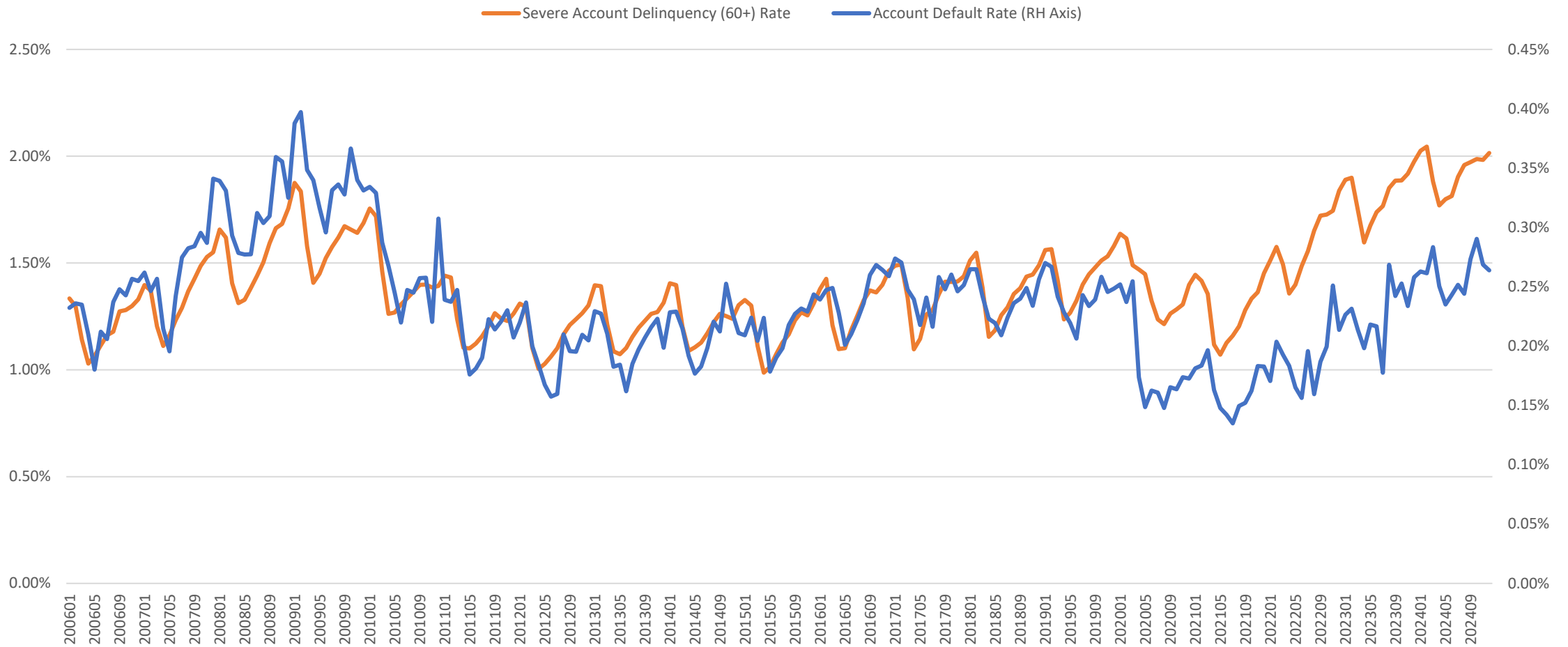




# Defaults Declined in Nov and Dec in Aggregate and for Subprime

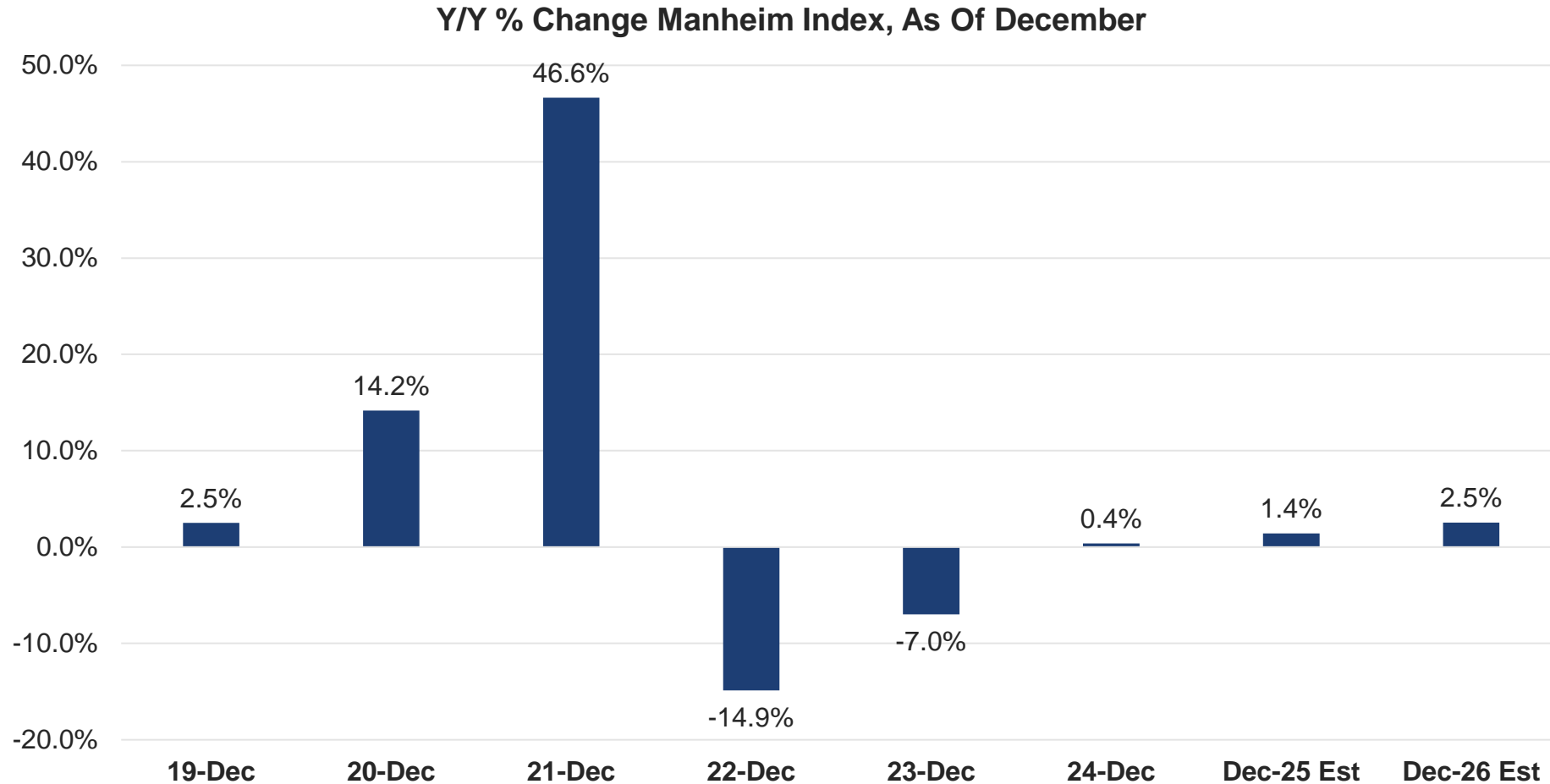
The 2024 default rate of 3.13% was closest to 2007's rate of 3.18%

Auto Loan Delinquency vs. Defaults



# Used Vehicle Value Outlook Sees Return To Normal

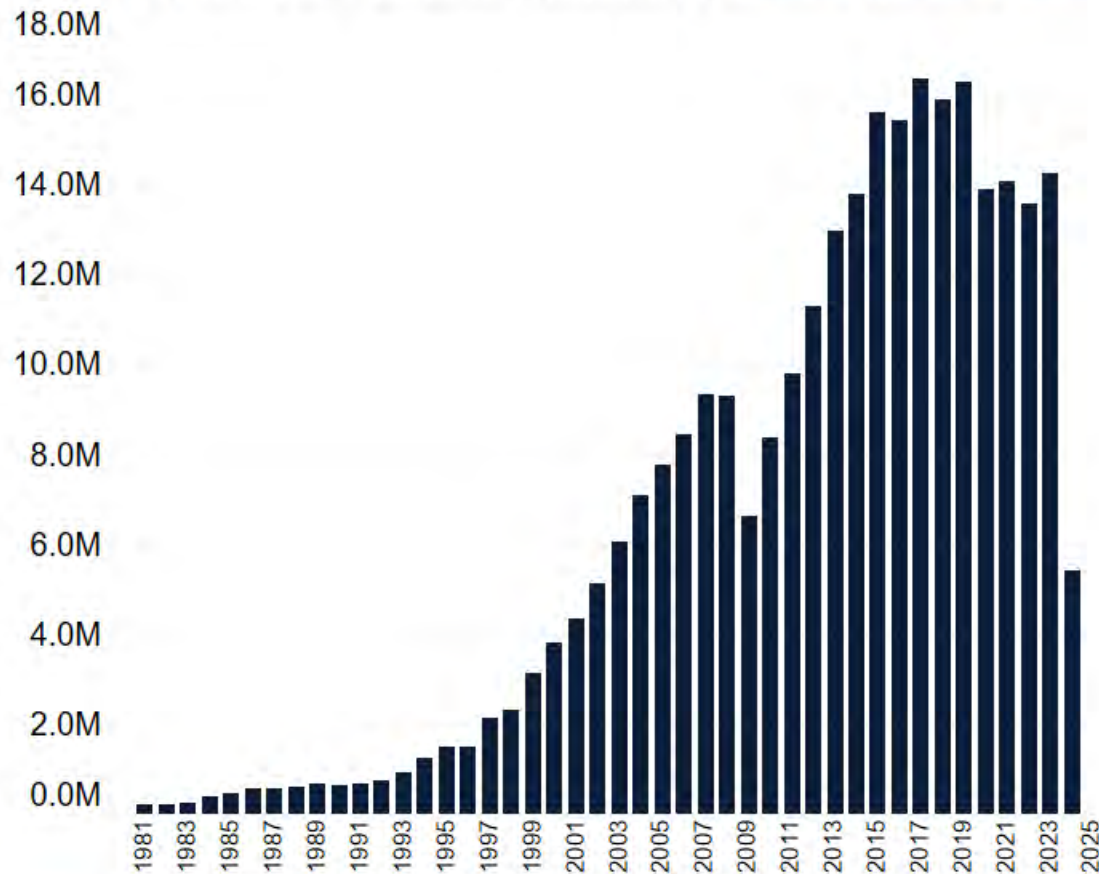
2024 saw more normal depreciation trends vs previous years and we expect normalization to continue in 2025



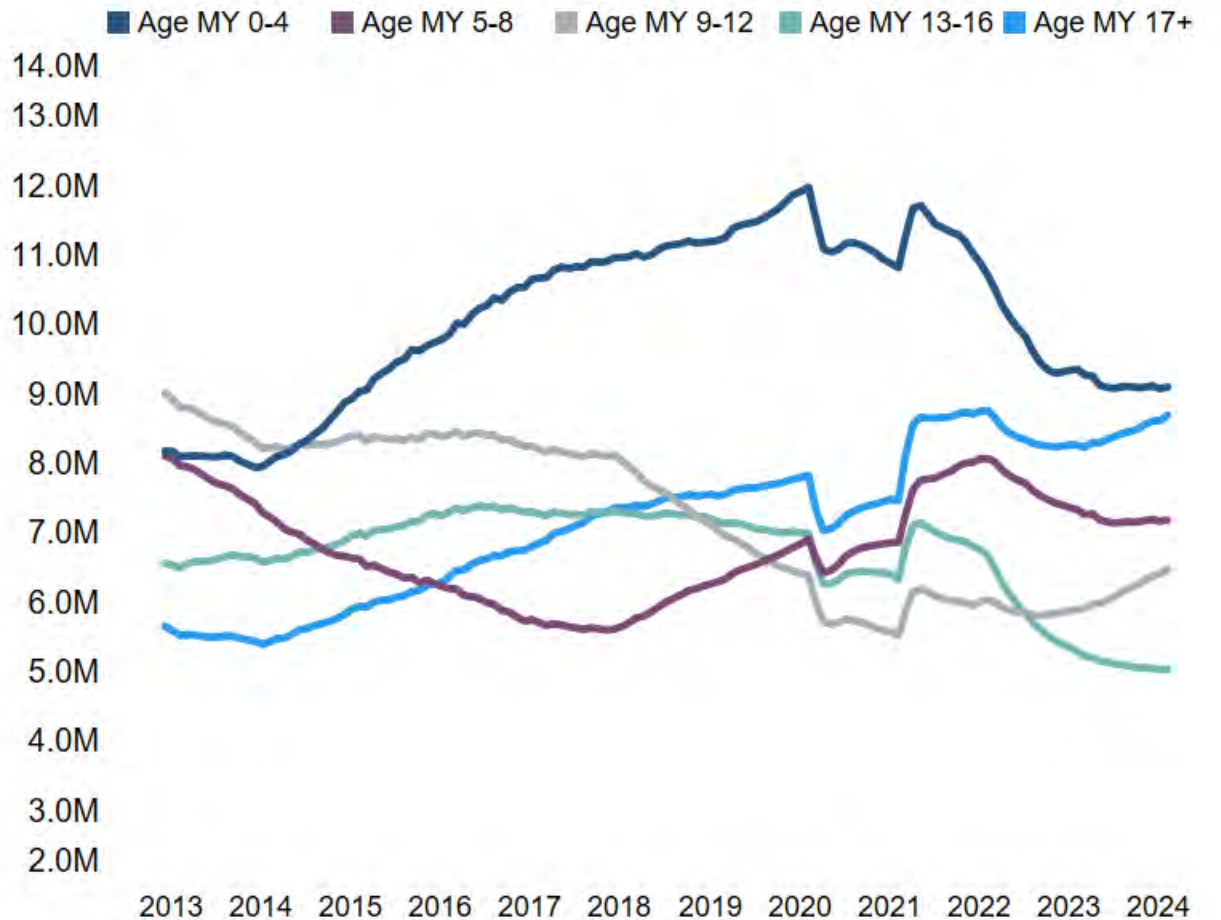
# Used Sales Trends Are a Function of Supply (Type and Age)

2.5+ million fewer vehicles in each model year since 2019

## LIGHT VEHICLES IN OPERATION AS OF as of April 01, 2024



## ANNUALIZED USED SALES BY AGE OF VEHICLE

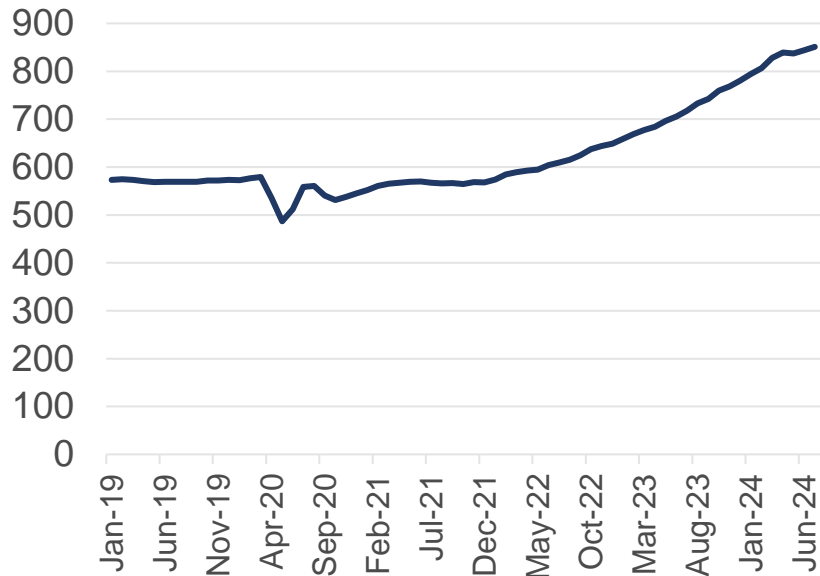


# Total Cost of Vehicle Ownership Also Up Significantly

Maintenance costs leveling off, insurance accelerating; but we are roughly back to pre-pandemic total miles driven

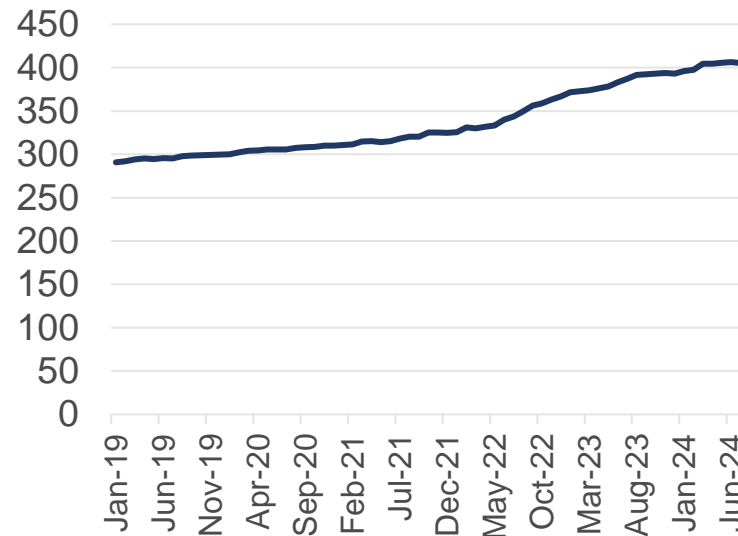
**+18.6% YoY**

### AUTO INSURANCE CPI



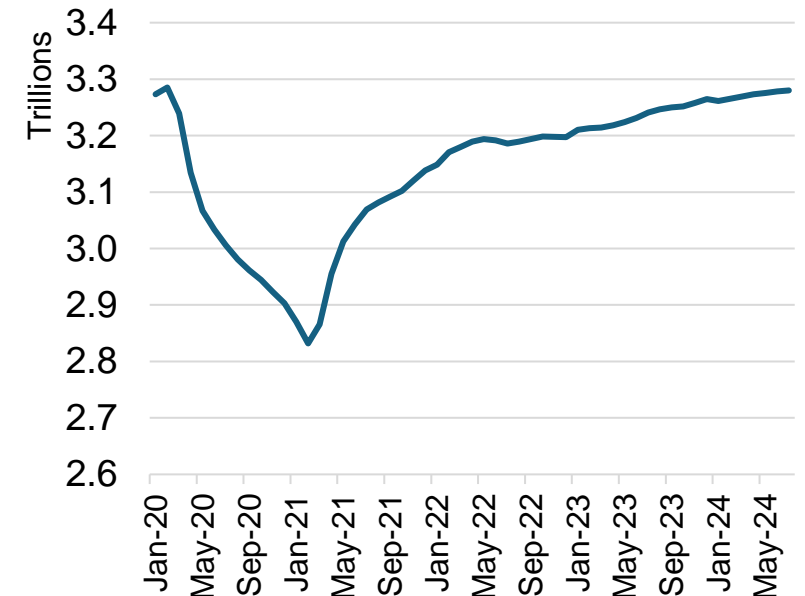
**+32.5% vs 2020**

### VEHICLE MAINTENANCE & REPAIR CPI



**+0.2% vs 2020**

### VEHICLE MILES DRIVEN



# Now for the good news

There are positive signs in the market that show affordability may improve

## Positive signs

- Vehicle sales are anticipated to be over 16mn this year for the first time since the pandemic began
- Incentives are finally creeping back to pre-pandemic levels; Inventory is good, providing options
- Real wage growth; inflation has improved for the lower income quintiles
- Monthly payments are down very moderately

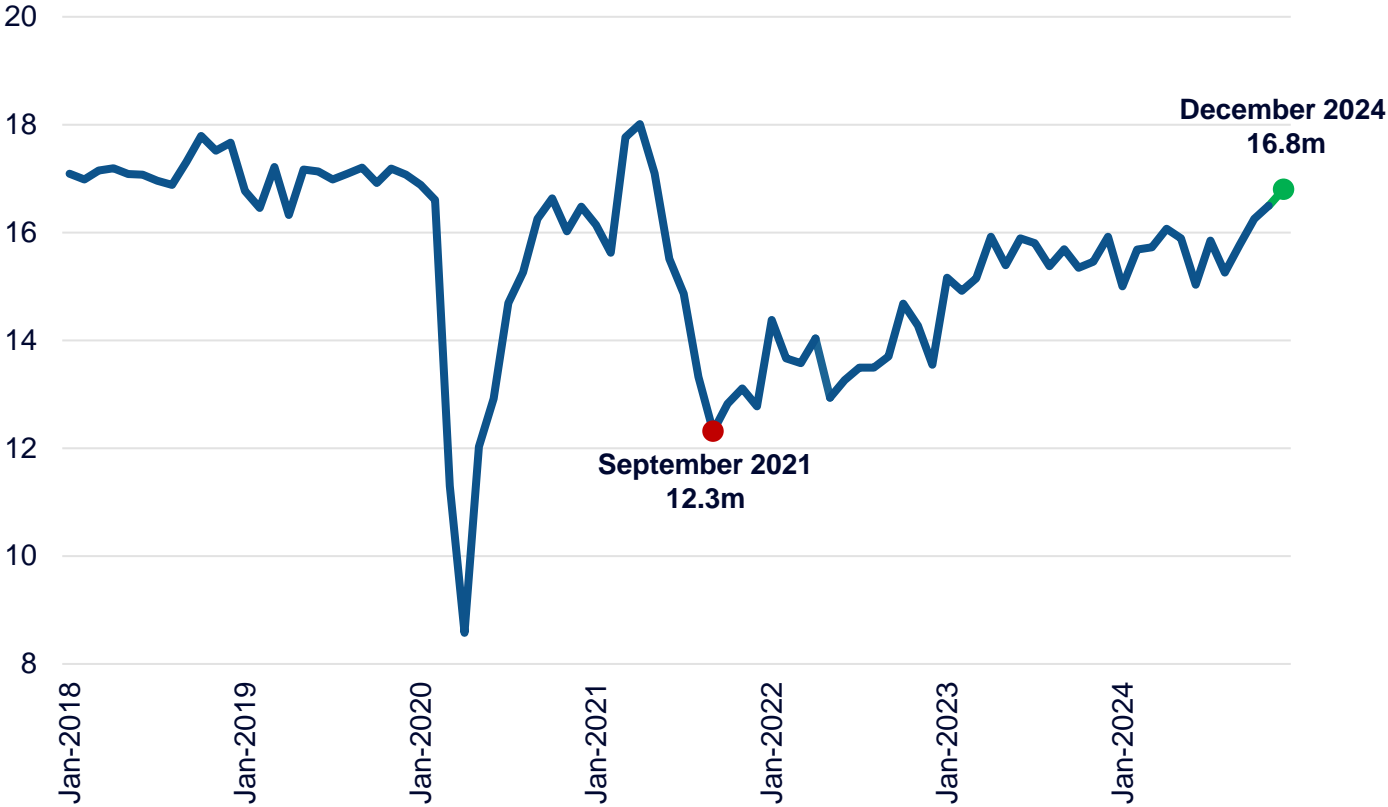
## What can we do?

- Government and municipalities: Continue to push for electric vehicle infrastructure and better public transportation choices and reliability
- Buyers: Understand your monthly budget, work with a dealer, be willing to consider multiple models
- Everyone: Speak to what is available; it's not all gloom and doom

# New Vehicle Sales | Strong Finish To 2024 – Trump Bump

Higher sales pace in Q4 takes sales to best year since 2019

Monthly Light Vehicle Sales SAAR (millions)



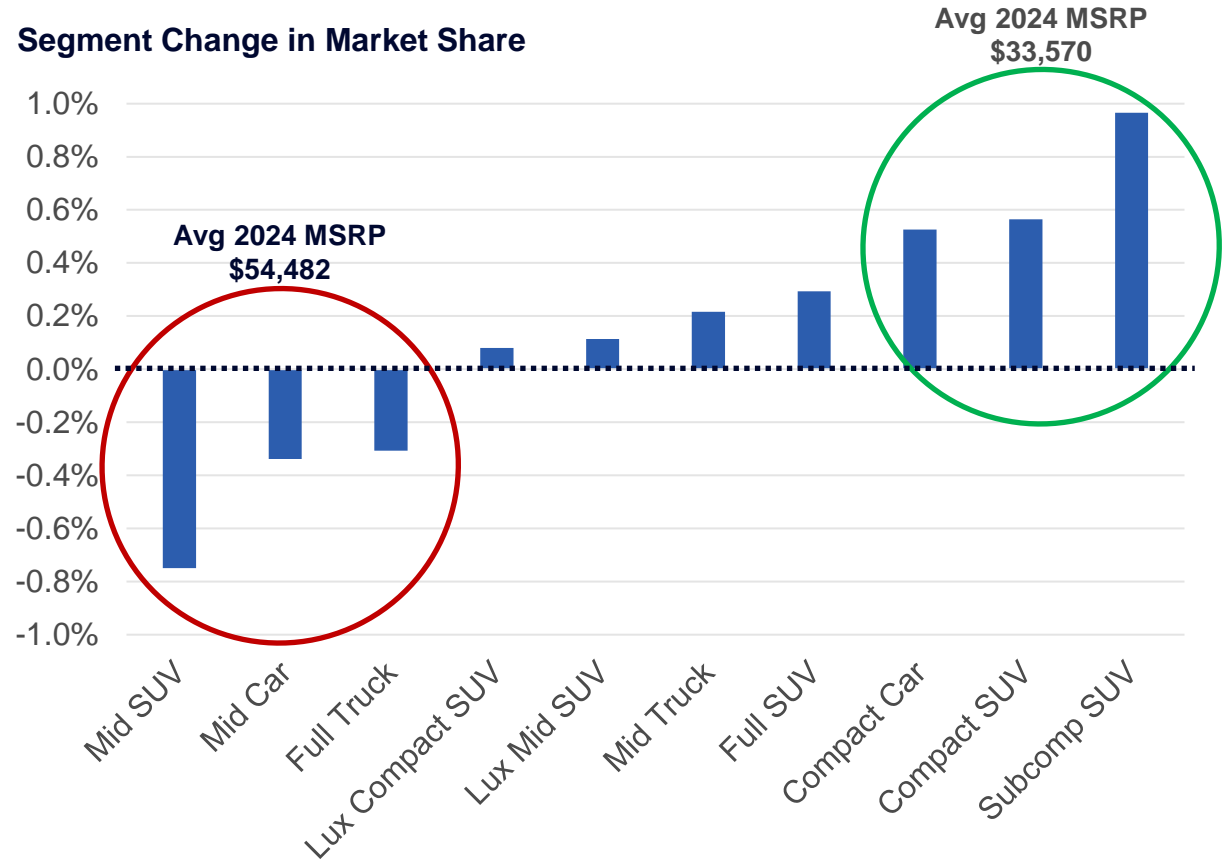
**CY2023: 15.5 million**  
**CY2024: 15.9 million**  
**F2025: 16.3 million**  
**Up 2% - 3%**

# What's Selling In 2024 | Affordability Driving This Year's Gains

Leasing of alternatives driving market improvement – and sales of smaller vehicles

	Change From 2023
All Channels	+ 2%
Retail Purchases	- 5%
Retail Leasing	+ 19%
Rental Fleet	- 1%
Commercial Fleet	+ 7%
BEV	+ 8%
PHEV	+ 19%
HEV	+ 26%
ICE	- 2%

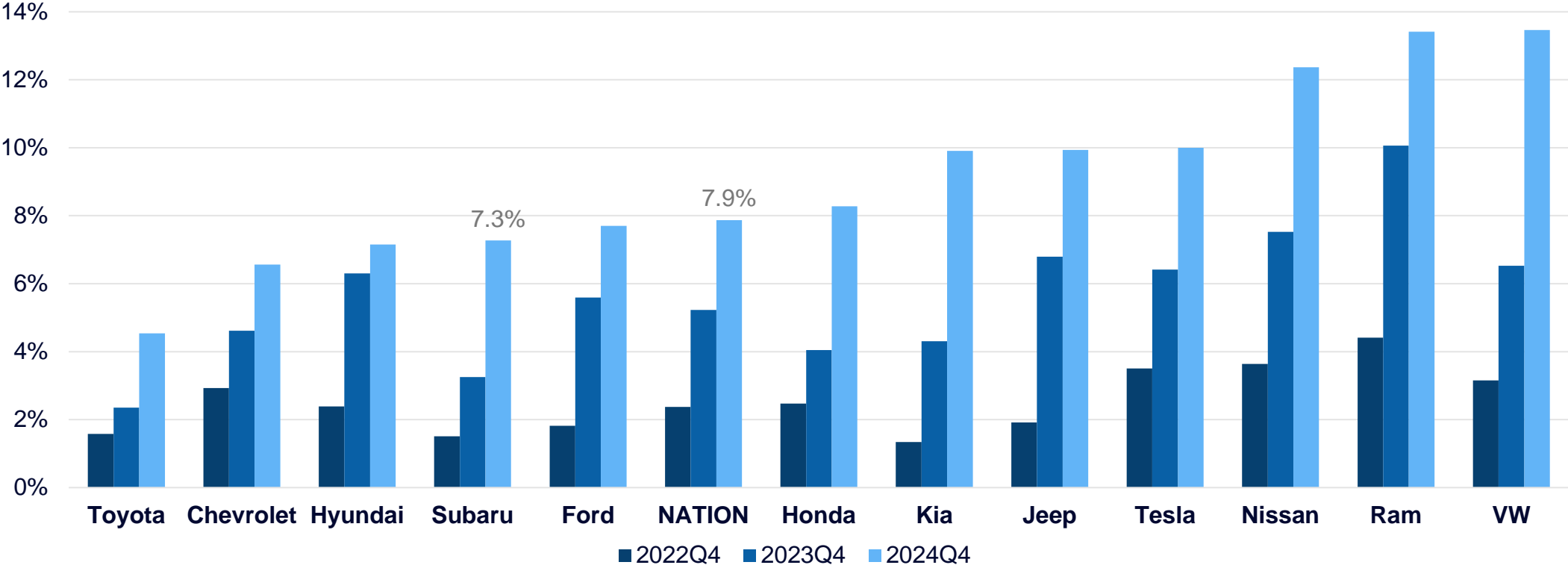
Segment Change in Market Share



# Brand Incentives | Rising For All But Amounts Vary

Subaru remains relatively low compared to VW, RAM and Nissan

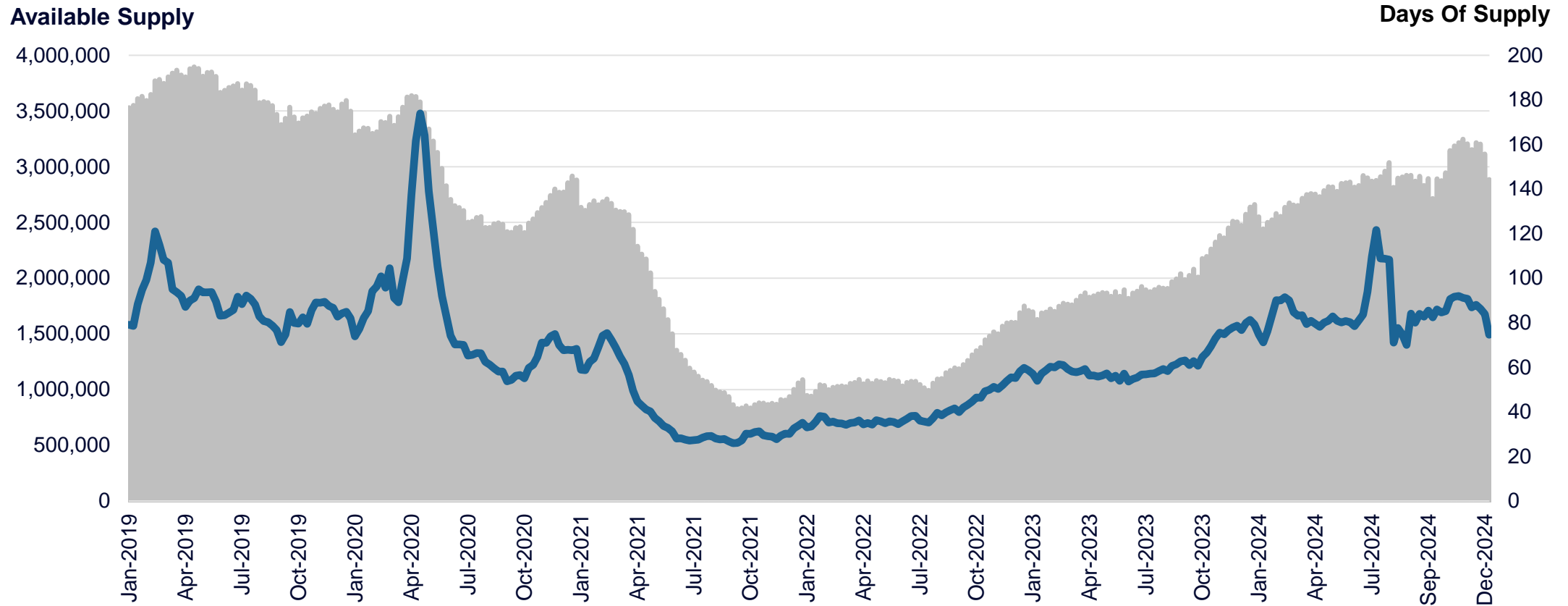
Incentive % of Transaction Price





# New Vehicle Inventory | Back To Pre-Covid Levels

Currently 400K more units vs one year ago; Days of Supply at 75

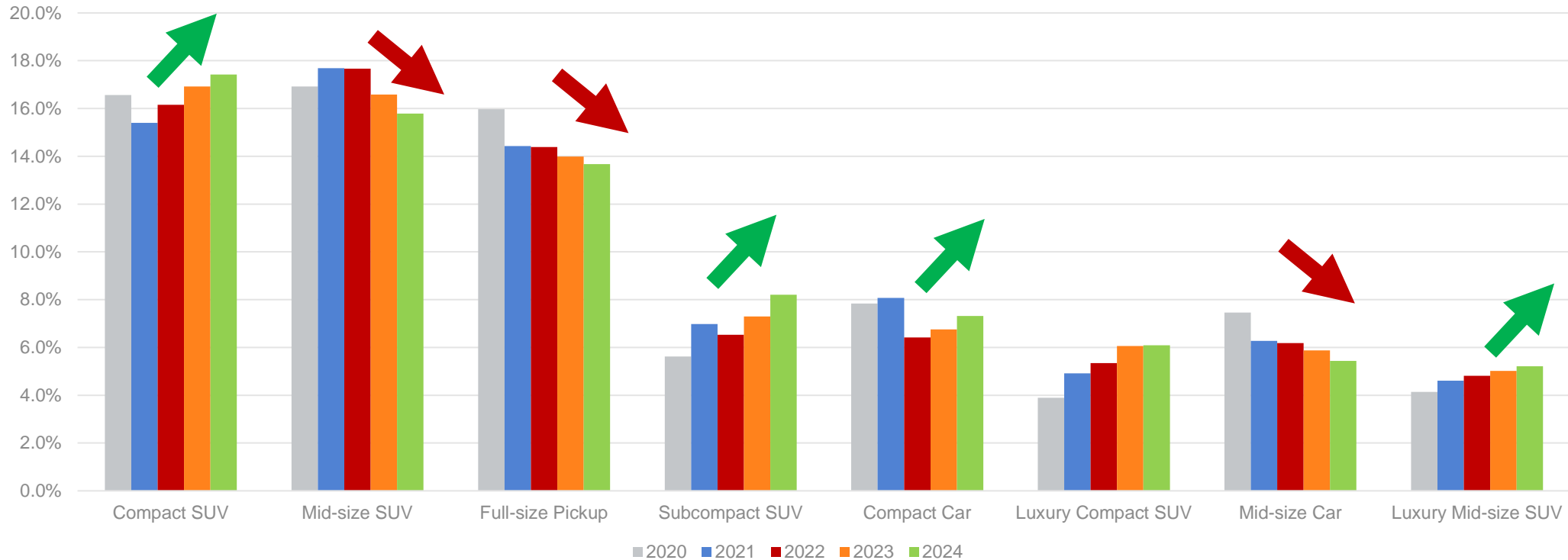


# Segment Share | Smaller Sizes Gaining

Consumers willing to buy smaller vehicles to fit their budget

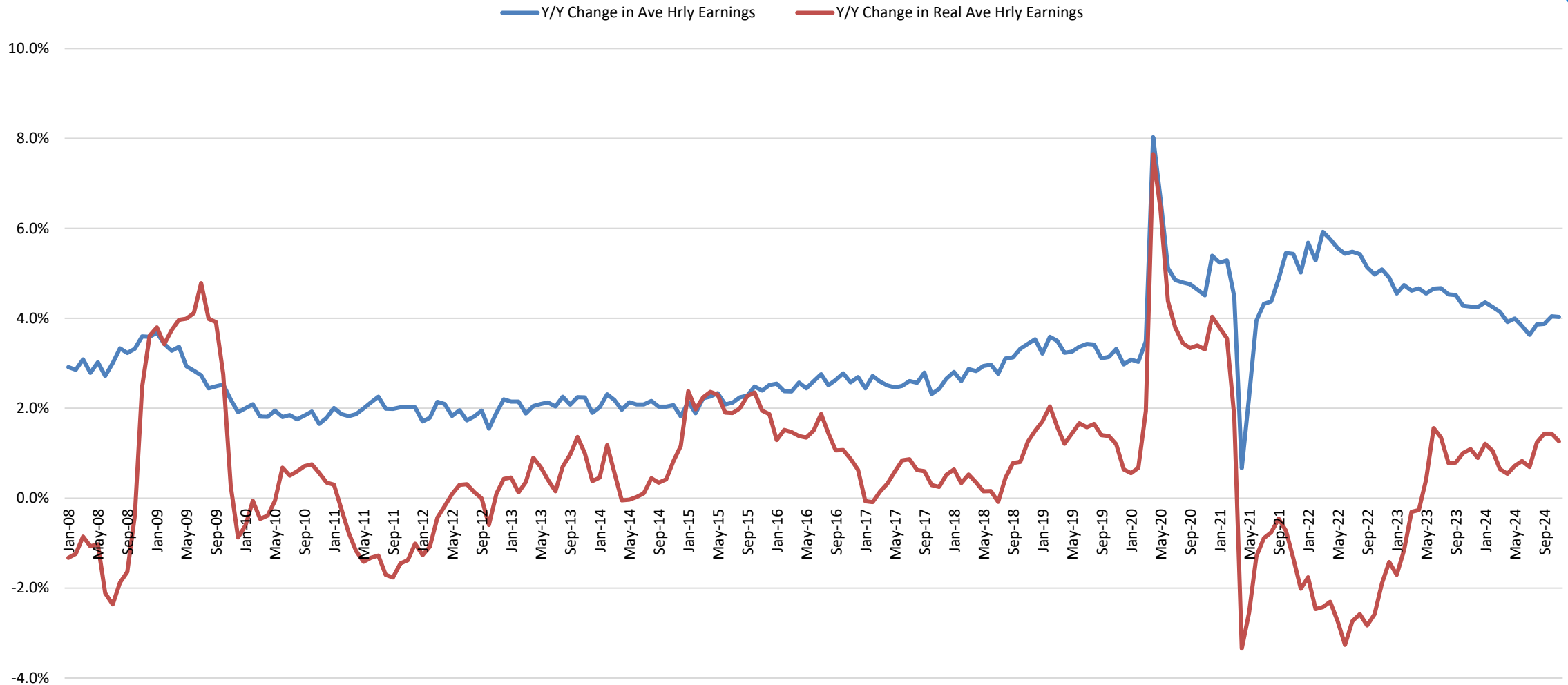
### Top 8: Segment Share of Total Light Vehicle Sales

Top 8 Segments = 80% of the market



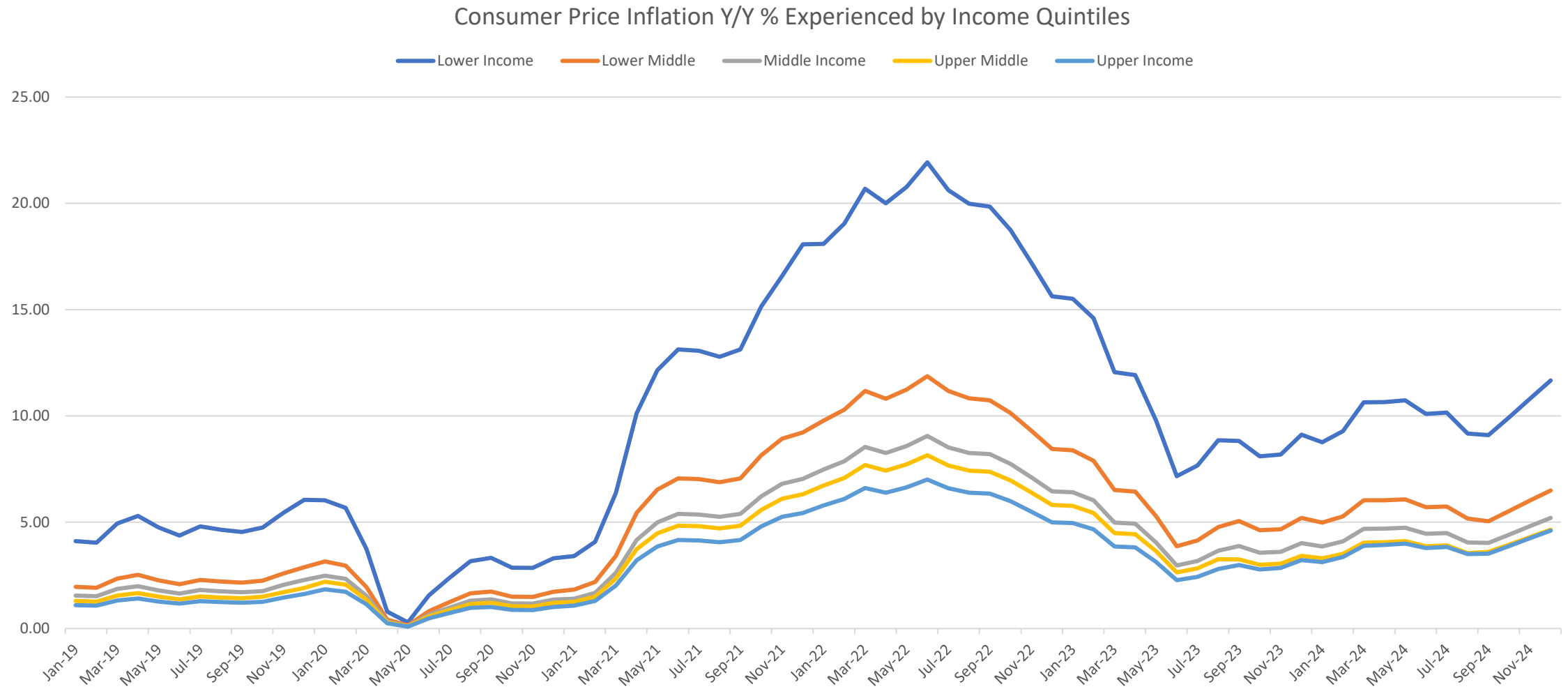
# Real Earnings Positive Since May 2023

Nominal wage growth reaccelerated in recent months while inflation declined, so real earnings growth accelerated



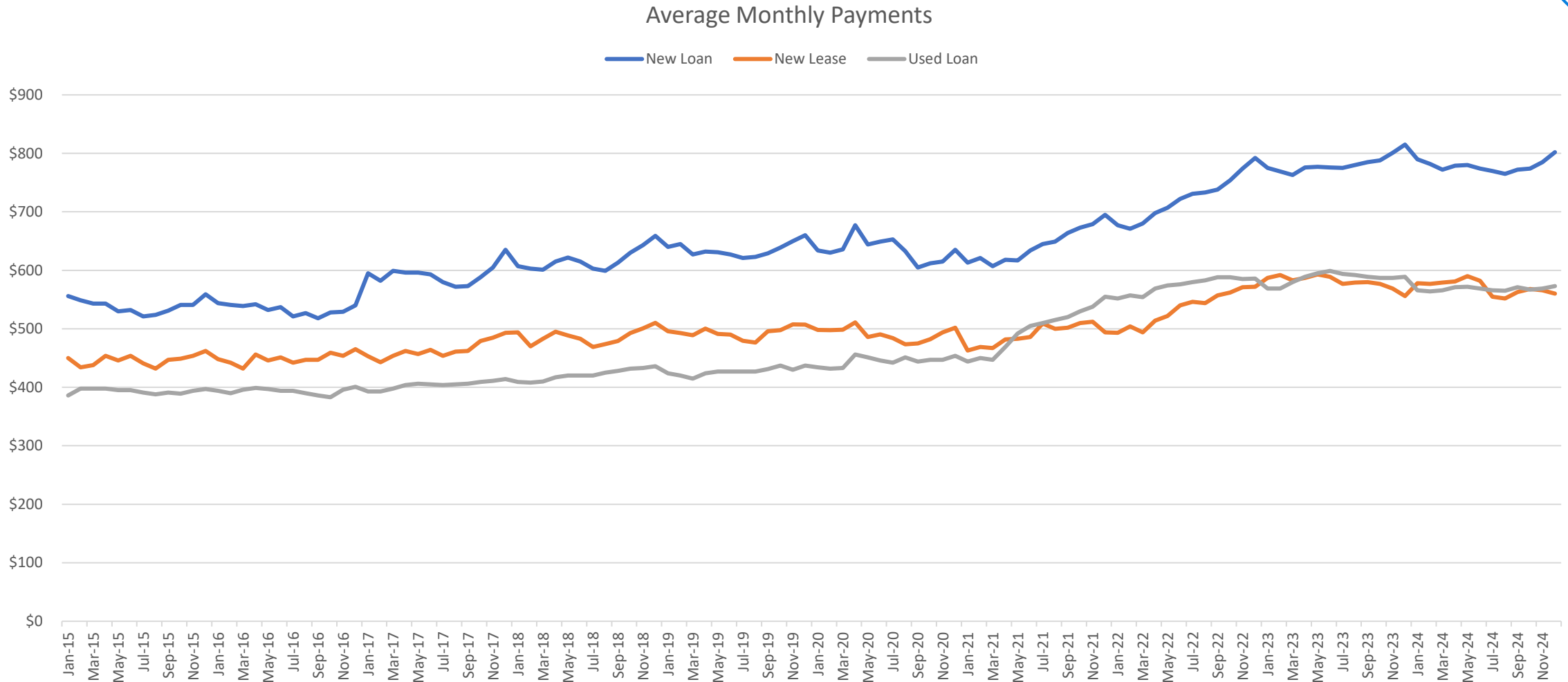
# Inflation Increased Again in December; Worse for Lowest Quintile

Inflation increased across all tiers, but the lowest quintile back to 11.7% inflation



# Average Payments Are Down Modestly in 2024

Average payments still up 10-31% since 2019 and still out of reach for many households



## Risks to Outlook

- Disruptive policy changes to tariffs, fiscal spending, and immigration
- Stock market correction from elevated valuations
- Bond market selloff drives longer term rates higher and tighter credit conditions
- Geopolitical: War in Israel; Russia in Ukraine; China in Taiwan; U.S. relations with China
- Labor Market Dynamics: Labor force declines resulting in persistent wage inflation
- Upside risks:
  - Population and labor force decline less negative from less severe shifts in immigration;
  - Strong income gains sustain stronger-than-expected consumer spending;
  - Productivity gains from capital investment and AI

## 2025 FORECASTS

Change from 2024

Thanks so much!

**16.3M**  
+2.8%  
NEW SALES

**13.3M**  
+1.7%  
NEW RETAIL SALES

**3.0M**  
+7.7%  
FLEET SALES

**3.3M**  
+4.2%  
NEW LEASE  
VOLUME

**25%**  
+1.0%  
LEASE  
PENETRATION

**2.5M**  
-1.6%  
CPO SALES

**37.8M**  
1.0%  
USED SALES

**20.1M**  
1.2%  
USED RETAIL SALES

**+1.4%**  
DEC 2025 Y/Y  
MANHEIM USED  
VEHICLE VALUE  
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