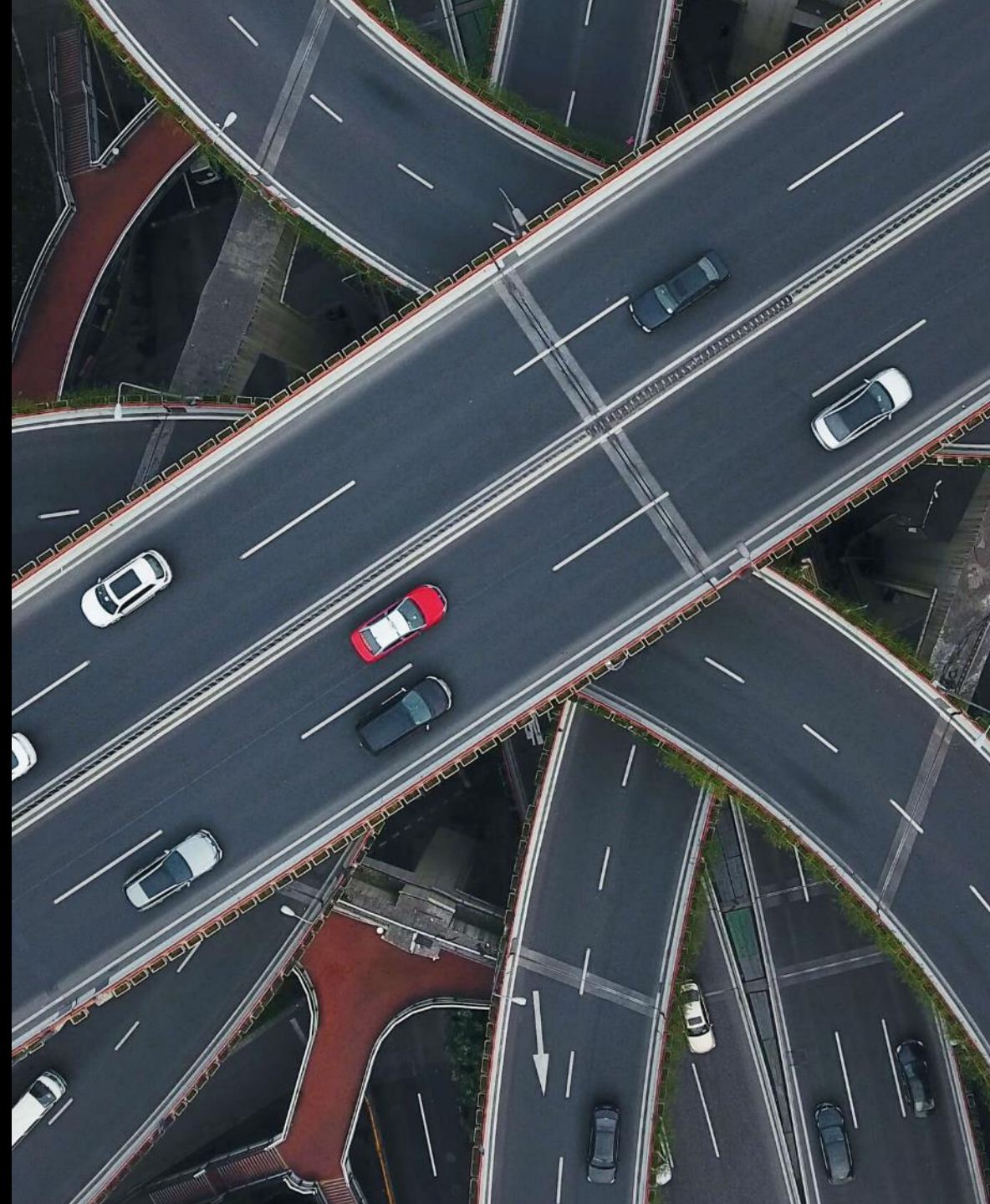


Vehicle Affordability Crisis: The challenge and the opportunity



Executive Summary:

The vehicle affordability conundrum in six numbers

+30%

increase in the price of a new car (\$48k) in the U.S. since 2019.

14%

rate of registered vehicles' MSRP below \$30,000. This was 50% seven years ago.

9.3%

share of new vehicle purchases by A18-34 in Q4, 2023. Lowest share on record.

15%

rate of financed vehicles today with \$1,000+ monthly payment.

43%


households with current monthly payments under \$500. Return to market options minimal in that range today.

50%

of middle-income Americans that delayed new vehicle purchase in 2023 due to cost.

Since 2019, the average price of a new car in the United States has increased by 30% to \$48,000.

- In just seven years, the percentage of registered vehicles with a manufacturer's suggested retail price (MSRP) below \$30,000 has decreased from half of the market to only 14%.
- In March 2023, the average monthly after-taxes salary in the U.S. was \$4,318. The average \$777 **monthly car payment equals nearly 20%** of the average monthly take-home pay.
- Nearly **15%** of today's buyers who finance a new vehicle are **paying more than \$1,000 a month.**



*Today's consumers are more concerned about affordability than ever before, **making monthly payments more relevant** than price when searching for a new car.*

Market factors contributing to the affordability challenges

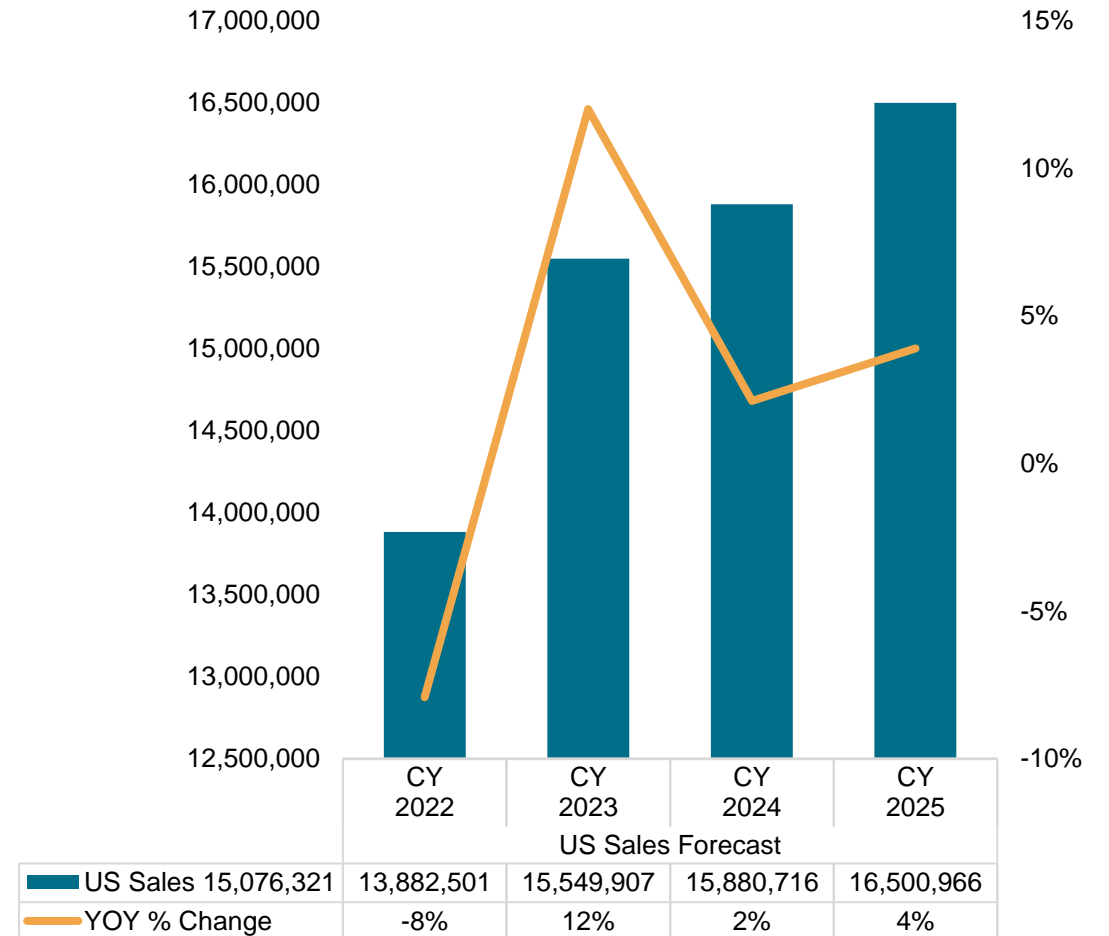
- On average, new car buyers who are carrying negative equity owe \$5,800 more than their car is worth
- This amount represents 12% of the average new vehicle price
- Additionally, the average length of finance contracts for new and used cars is 68 months



Noticeable industry recovery in 2023, but OEM stock discipline and **vehicle affordability will moderate sales growth** over the next two years

The forecast is built around a new, lower level of inventory carrying that works to maintain North American inventory around 2.5 million units or a 45-day supply compared to historical inventory levels between 3.0 to 4.0 million units.

US Sales 2022 – 2025 Forecast



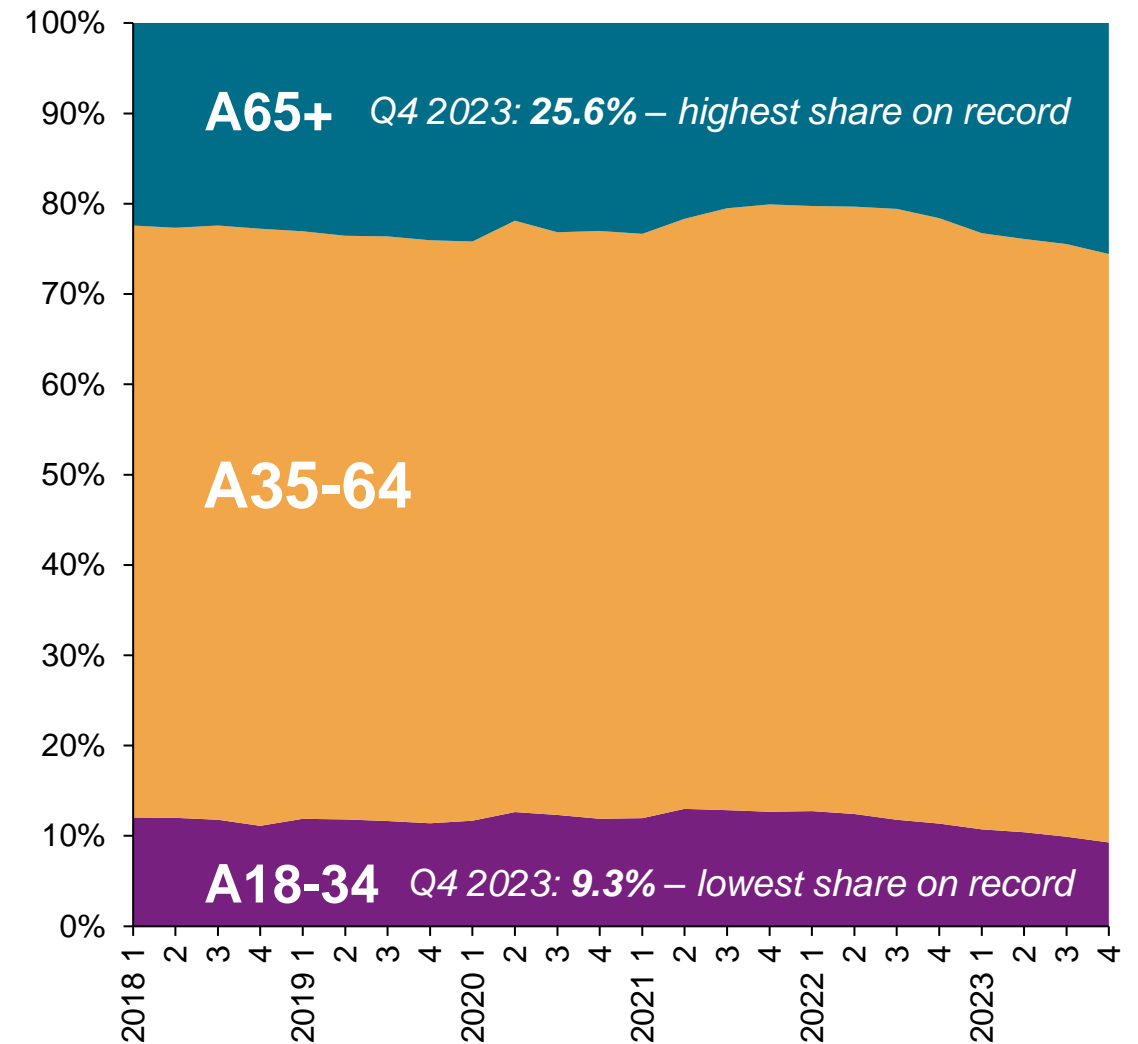
Source: S&P Global Mobility

New vehicle customers are aging

As cost of ownership increases, **younger buyers are getting priced out** of new vehicle consideration.

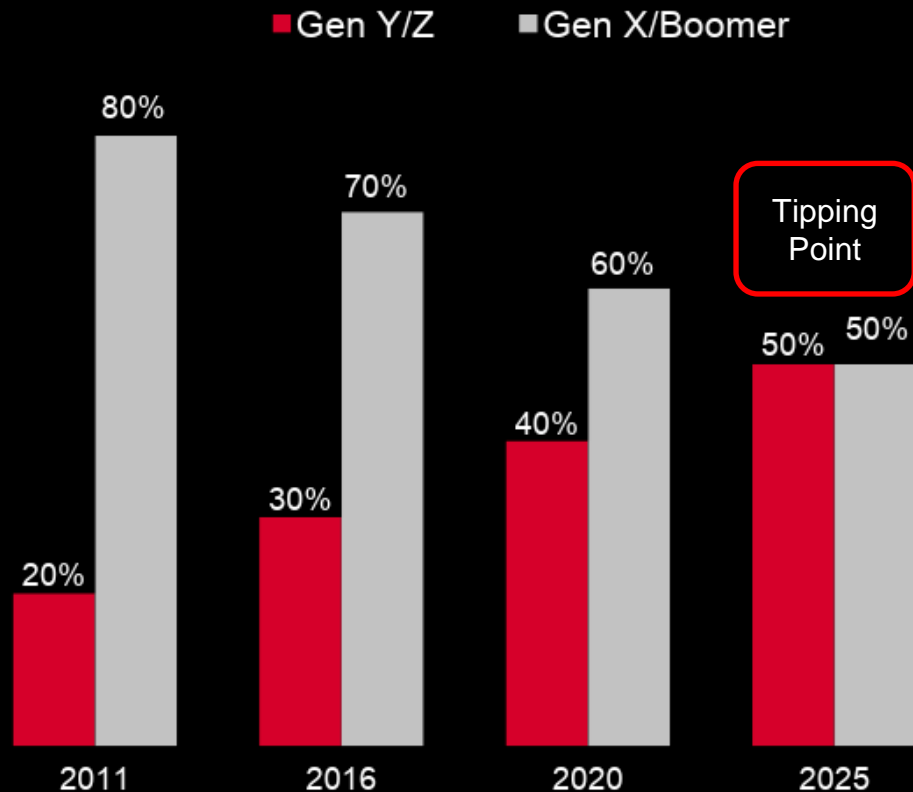
This is **impacting EV consideration** as affordability is now the top consumer concern for EV purchases (48%) surpassing time to charge (46%).

Share of new vehicle sales by age tier



Registration Type: Retail (19).
Affordability sentiment from SPGM survey, Nov. 2023

Car Buying's Changing Demographics



Car Purchases by Age
(Digital vs Analog Consumers)

As Millennials age, they are now the fastest-growing car-buyer segment, and unlike other generations, **Millennials** start their car-shopping process with a set budget in mind. They **focus on monthly payments rather than total purchase price of the vehicle** and are comfortable stretching payments over longer periods. Allowing shoppers to calculate monthly payments during shopping can influence this demographic to buy your car from your dealership.

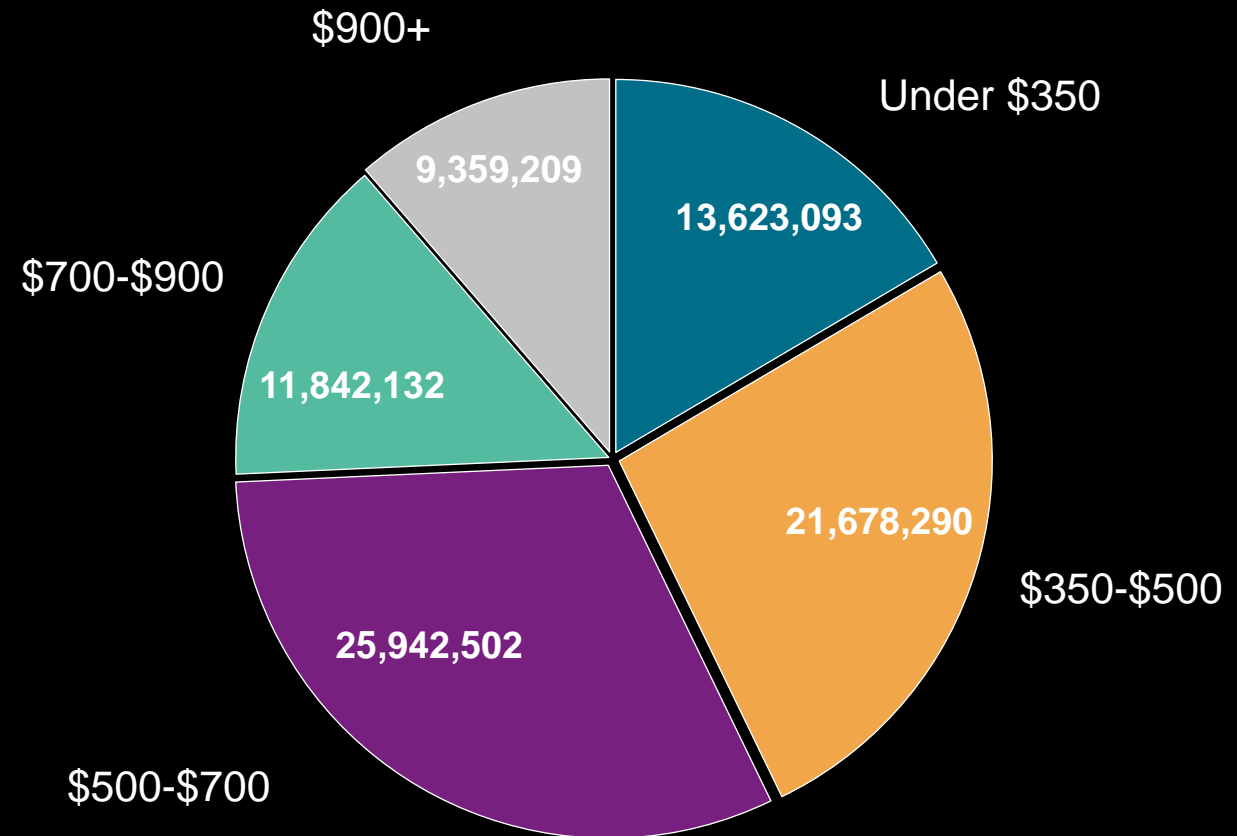
Millennial expectations are different. They are easily frustrated with slow, cumbersome processes; **they are conflict-averse and want a fast and fair deal at a payment they can afford.**

Sizing the market based on monthly payment

One in four households currently paying \$700+ a month. A crowded marketplace for new vehicle sales.

43% of households currently paying under \$500 a month. Options will be limited when they return to market

Households by current monthly auto payment



Target by monthly payment ranges with Polk Audiences

Monthly payment ranges are increasingly important in marketing and selling to today's automotive shoppers. Marketers can reduce waste and improve efficiency by focusing campaigns on households with monthly budgets that align with vehicle affordability.

Using TransUnion data, Polk Audiences offer household automotive monthly payment segments to help marketers reach their customers more effectively.


- <\$350
- \$350-\$500
- \$500-\$700
- \$700-\$900
- \$900+

These segments are available for activation across all media channels – CTV, digital, social, direct marketing, email – as well as for use in first-party data enrichment.



Polk Audiences: Financial Segments Suite

Products

- Powered by  TransUnion
- Purchase new or used. Vehicle age 2-7 years

Lease & Monthly Payment

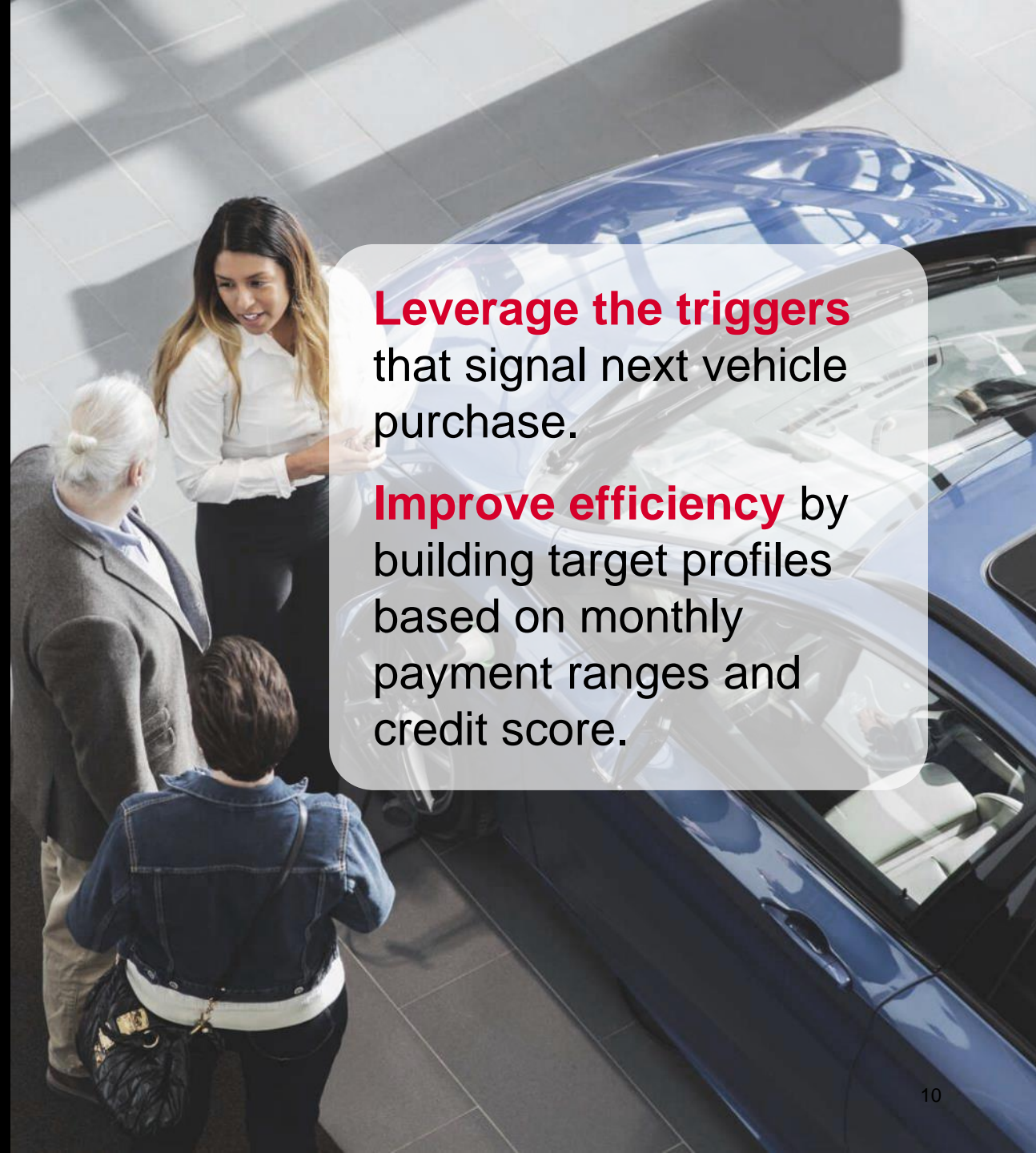
- Lease ends: 3, 6, 9, 12 months, 2 years, 3 years
- Monthly payment (lease or loan): Below \$350, \$350-\$500, \$500-\$700, \$700-\$900, \$900+

Credit

- Credit score: super prime, prime, near prime, sub prime
- Credit profile: thriving, established, up & coming
- HHI: \$75K+, \$100K+, \$200K+, \$250K+, \$500K+

Coverage

- 125M+ US households
- New & used make/model
- Updated every six weeks



Leverage the triggers that signal next vehicle purchase.

Improve efficiency by building target profiles based on monthly payment ranges and credit score.

S&P Global
Mobility

To learn more, contact your
Polk Automotive Solutions
representative or

Email
mobility@spglobal.com

Thank you.

