CANADIAN
BLACK BOOK
AND
FITCH RATINGS

# VEHICLE DEPRECIATION REPORT 2025

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## WE ARE SO CLOSE TO CAR MARKET 'RECOVERY MODE'

As the brutalist Canadian Auto industry started to subside, the car market has been realizing results through some market normalcy. If it weren't for the newly appointed United States President, we would likely be off to a very traditional start in 2025. Yet here we are forced to succumb to more volatility and market factors we would not have fully expected. What happened in 2024 was really the beginnings of a market correction on new supply, used retained value, and overall regularities we'd come to expect from a pre-pandemic car market.

With new car volume rising and used car values falling, 2024 opened Canada back up to greater vehicle affordability in both the new and used car markets. With interest rates declining as inflation returned to the fiscal policy benchmark, rising days' supply for new cars brought on increased incentive spend, mostly for those brands that haven't supported electrification or marketable affordability through their mainstream model lines. This resulted in an 8% uptick in new car sales volume and an average value decrease of almost 8% on 4-year-old vehicles. Very strong yet measured market recovery results after roughly 36 months of significant pressure from vehicle supply chain issues and macroeconomic inconsistency.

The electric car market has been even more volatile, as 2024 brought more questions forward on whether these models were viable in the mass market, after significant North American demand was brought on by large form product scarcity. With inventory for these models now building up so quickly in reference to the market's relative adolescence and early adopter market development stage, the key players of the market had a strong-hold on limiting this volatility or intensifying it. As we look back in the rearview mirror, volatility definitely intensified. Due to this, 4-year-old battery-electric vehicle retention took a nosedive with the highest year-over-year decrease among fuel types of 14%, almost doubling the market average and undercutting the next highest fuel type retention by almost 9%.

Let's then gain a better understanding into the impact of what transpired, why the car market is in its particular state today, and the variables we can monitor to provide a lens into market depreciation and the Canadian economy in 2024.

Welcome to the 2024 Vehicle Depreciation Report, brought to you by Canadian Black Book with support from the Fitch Group.

## AUTO ASSET BACKED SECURITIES (ABS) PERFORMANCE DETERIORATING AMID MACRO PRESSURES

Fitch expects Canadian auto loan asset-backed securities (ABS) performance to deteriorate leading to higher delinquencies and losses relative to 2024, driven by sustained pressure on borrowers from elevated household debt, a softening economy and weakening labour market. Rating upgrades of subordinate notes persist, supported by performance within initial loss proxies, building credit enhancement, and rapid amortization.

Canada's economic outlook remains closely tied to U.S. trade policy due to geographical proximity and deep economic interdependence. The ongoing trade war is expected to weigh on economic growth, with Fitch forecasting growth to slow to 0.9% in 2025, leading to a mild recession. While quarterly growth is expected to pick up in 2026, the annual average rate will remain subdued.

The U.S. effective tariff rate (ETR) on Canadian goods is projected to rise to around 10%, up from 0.1% in 2024, though adjustments made by Canadian exporters to comply with USMCA requirements have helped mitigate some of the impact relative to Fitch's earlier expectations. Goods exports plunged in 2Q25 due to front-running of U.S. tariffs, especially for sectors heavily reliant on U.S. demand. Tariffs have also led to a contraction in investments and more employers being cautious with their hiring plans.

Unemployment remains a key factor for auto loan ABS performance, influencing both consumer confidence and income levels, with knock-on effects on borrowers' ability to service debt. Fitch forecasts unemployment to rise modestly in 2025 to 7.1% from 6.9% in July and further increase in 2026 to 7.3%. The impact of job losses along with slower wage growth, slower population growth, elevated debt servicing costs and tariff-driven price pressures are expected to dampen consumer spending – forecasted to slow to 2.0% in 2025 and 0.7% in 2026.

Despite anticipated rate cuts by the Bank of Canada, debt servicing burdens remain high and expected to increase, as many mortgaged households have yet to fully adjust to higher rates and face increased payments upon renewal. Rising financial stress is evident in the level of auto loan and credit card 90 day past due delinquencies which are at the highest levels since 2015 per the Bank of Canada, and consumer insolvency filings up by 5.0% year-over-year for the twelve months ending June 2025.

Fitch observed higher delinquencies and losses in Canadian auto loan ABS transactions in 2024, especially in the 2023 vintages with losses above the 2020-2022 vintages, but remained stronger than pre-2019 vintages, which contrasts the levels in the broader market due to the higher quality of the collateral backing the transactions, typically prime and super-prime borrowers and lower concentrations of extended term loans. In total this helped contain losses from significantly rising in 2024.

Subprime auto loan performance is more exposed to inflation and employment pressures, particularly among higher-leveraged, lower-income households with limited savings to buffer shocks. While these borrowers face elevated risk, Canadian auto ABS pools have limited subprime exposure, supporting overall portfolio resilience.

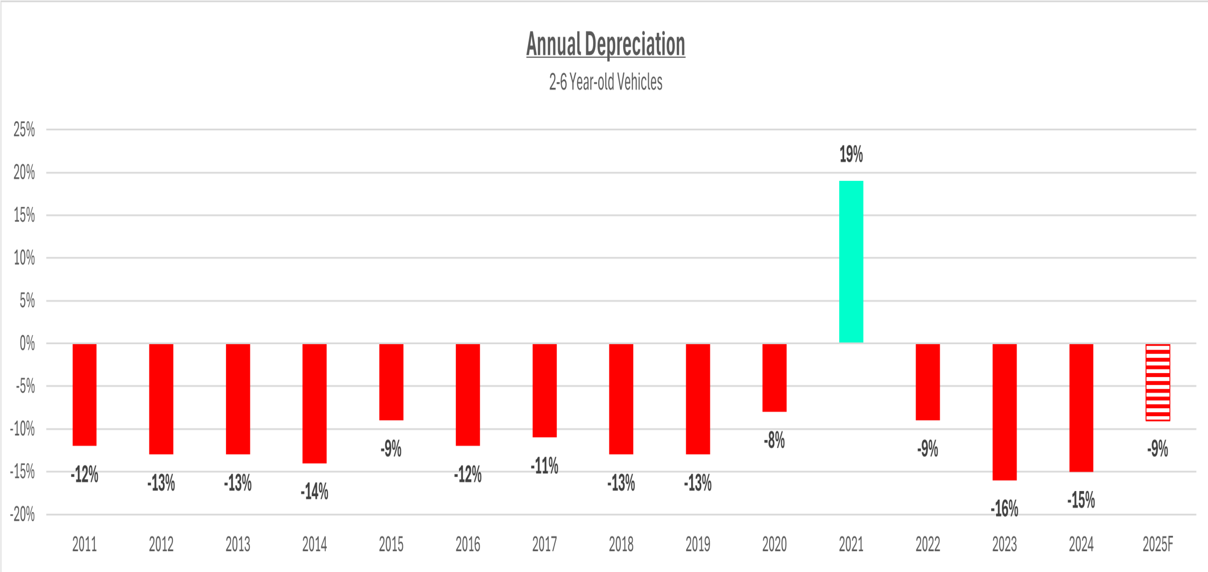
Robust wholesale values for used vehicles have helped contain loss severity for auto ABS, though values have softened off recent highs. Fitch expects further softening, due to changes in new vehicle supply and incentives coupled with affordability issues and economic weakness. However, continued low off-lease volume and potential tariff-driven price increases for new vehicles are expected to partially offset this downwards pressure on values, ultimately supporting auto ABS performance in 2025.

## HIGHER PRICED NEW VEHICLES ARE IMPACTING DEPRECIATION TRENDS

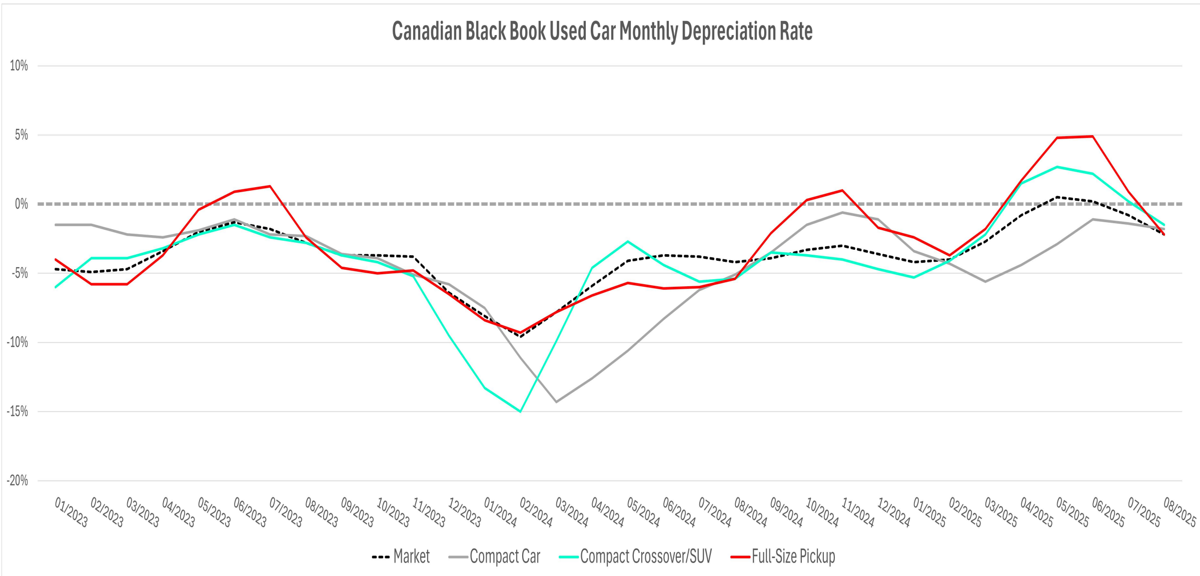
Depreciation is back in fashion and the Canadian car market has been correcting values over the last 24 months. With consecutive years of greater average annual depreciation of 15.8% in 2023 and then 15.5% in 2024, the market has had some work to do on bringing things more in line with typical used car values; but there is still more needed. Over the 9 years prior to COVID-19, annual depreciation trends averaged 12.2%. Seeing as much as 16% identifies the necessity for new cars to come down in price to support used demand amidst diminishing inventory levels in the years ahead.

If we break out these two years, there has been a definitive reflection of the market transitioning to depreciation norms. In 2023 the split between vehicle type was vast, where Passenger Cars depreciated only 10.1% versus a much higher rate of 19.8% for Light Trucks, as budgetary concerns and rising fuel costs drove consumers to cheaper vehicles. 2024 reduced this gap while slightly decreasing the overall measure, growing average depreciation for Passenger Cars to 18.4% while Light Trucks decreased to 14.6%. The largest changes were seen in Luxury Car and Prestige Luxury Car segments, which worsened annual depreciation to the amount of 23.0% and 32.1% respectively. Bringing them to the greatest segment level depreciation seen in 2024 and trending similarly so far in 2025. The positives for the Light Truck segments were in Full-Size Luxury Crossovers and Minivans. Showing us that demand for large crossovers here and in the U.S. is alive and well, and the Commercial Van market is still underserved, directing associated demand towards Minivans for volume support.

With further development for Mainstream brands, many are recognized to be more premium now than ever before. The help of standardized infotainment screens along with the introduction of electric vehicles has democratized some previous separations that luxury-only characteristics had built up; therefore, we believe there is still exposure affecting the value of Luxury brands in the used car market.




The monthly perspective from this dataset opens the deeper narrative around the performance of depreciation in 2024. As we noted, it was an improvement against the 2023 result, but the 24-month low point was pinpointed around the first 2 months of last year.



Anticipating our market returning to normal depreciation levels, we still have not had a full calendar year of average value degradation like we originally forecasted prior to the start of 2025. Do not mistake this for a weakening used car market as we still have significant supporting factors for high value retention. Take our overall 48-month retention projections as a good indication that depreciation will be mitigated for years to come but consistently refers to the return of more normalized levels pending the correction of some influential factors.

We still see segments like Full-Size Pickups and Compact Crossovers outpacing monthly depreciation rates. Therefore, we can assume that in such a normalizing marketplace, these types of model segments will bolster greater strength over the general market.

## PRIME AUTO ABS ASSET PERFORMANCE OUTLOOK: DETERIORATING | RATING OUTLOOK: STABLE

Canadian auto loan ABS performance continued to normalize in 2024, with delinquencies and losses in December up YoY, but remaining below pre-pandemic levels. While macroeconomic pressures have weighed on performance, strong loan eligibility criteria, improved net wealth and savings among prime consumers, and sustained vehicle utility have helped prevent a material increase in losses. With economic growth expected to slow, delinquencies and losses will remain a key area of focus.

Fitch's 2025 asset performance outlook for prime auto loan ABS is deteriorating, relative to 2024, with expectations of continued consumer pressures expected as a result of the global trade war. Tariffs are anticipated to drive higher consumer prices, weaker economic growth, and a moderate rise in unemployment. Although performance is expected to weaken in 2025, ABS will likely outperform the broader market, supported by strong collateral quality, consisting mainly of prime and above borrowers. The weighted average FICO for auto loan ABS transactions issued in 2024 was 771, consistent with the 765-776 range observed in 2017–2024 vintages.

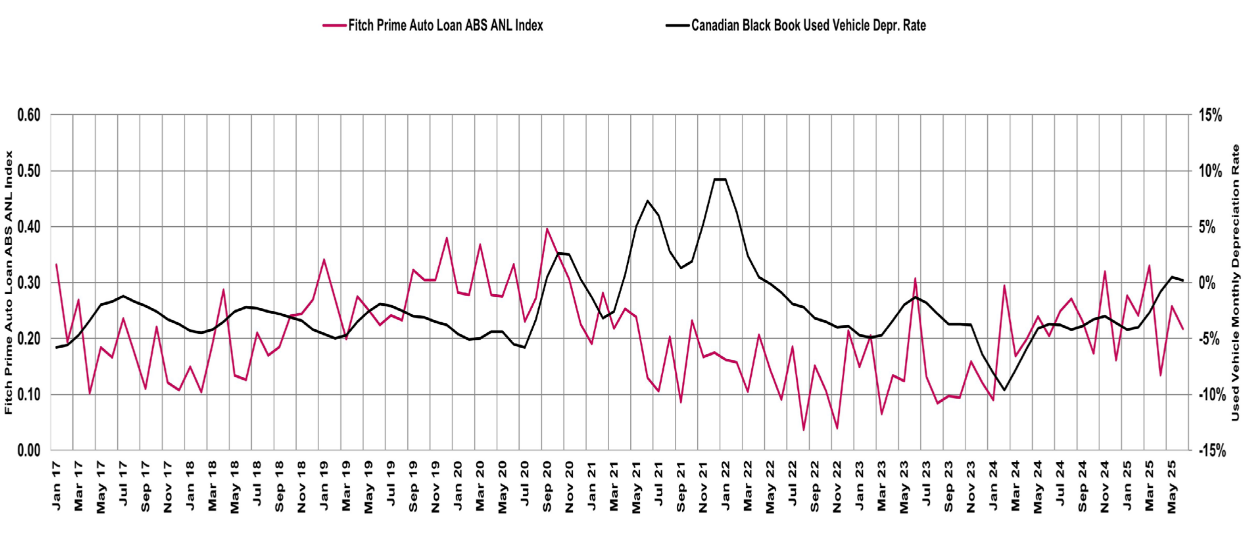
As of December 2024, the 60+ day delinquency index for prime auto loan ABS rose to 0.17%, up from 0.12% a year earlier, reflecting persistent macro pressures. Despite this increase, delinquencies remain below the historical index high of 0.39% recorded in May 2020. Similarly, Fitch's annualized net loss (ANL) index increased to 0.16% by year-end, up from 0.12% in December 2023 and from the record low of 0.04% in November 2022. On a trailing 12-month average basis, the ANL index reached 0.22% in December 2024, compared to 0.14% a year prior, though still remains strong relative to historical auto ABS performance.

In addition to the higher default frequency observed, the continued softening in used vehicle values has also led to higher loss severity. Fitch's recoveries index declined to 55.20% in December 2024 from 74.98% a year earlier, with most of the drop occurring after 1Q24. This trend mirrors the Canadian Black Book's used vehicle retention index, which fell by 5.3% during this period as new vehicle supply improved and demand softened due to affordability constraints. Despite this normalization, Fitch's index in 2024 remained stronger compared its 2019 annual average of 45%. While wholesale market values are forecast to soften in 2025, according to Canadian Black Book, the decrease is likely to be modest, helping to continue to support recoveries for auto loan transactions in the near-term. However, a material deterioration in Canada's economy above our expectations would likely result in significantly weaker recoveries and further stress on auto loan ABS performance.

In terms of the collateral compositions in Canadian prime auto loan ABS pools continues follow trends in the auto industry, with a growing share of larger, higher priced vehicles, pressuring affordability and raising payment to income ratios. Extended term loans greater than 60 months, including up to 84 months, remain prevalent helping borrowers manage monthly payments. A key difference between within auto loan ABS transactions is the concentration of greater than 72 months loans, with the industry seeing these loans account for over 50% compared to ABS transactions which around about 30%. Further, 96-month terms are becoming more popular in the industry at 10% of all new car loans, but these have yet to be included in Canadian ABS transactions rated by Fitch.

Longer terms increase the risk for higher loss severity as slower amortization can result in recovery proceeds being insufficient to cover outstanding loan balances. However, this risk is partly mitigated in auto ABS by tighter underwriting, with extended terms generally reserved for higher quality borrowers.

Fitch Canadian Auto Loan ABS ANL Index




Source: Fitch Ratings, Canadian Black Book

## AUTO LEASE ABS ASSET PERFORMANCE OUTLOOK: NEUTRAL | RATING OUTLOOK: STABLE

Fitch Canadian auto lease residual value (RV) index softened in 2024, ending the year with a 16.5% gain—down from 23.2% a year earlier and below the year-end 2019 and annual average of 22.8%. The decline reflects lower used vehicle values as new vehicle inventory improved and incentives increased, and also partly due to the index's higher concentration of luxury vehicles, reflecting the predominance of luxury platforms among Canadian ABS issuances. Luxury vehicles have experienced a steeper depreciation than the overall market driven by affordability pressures, rising lease penetration rates since the 2020 and 2021 lows and increased competition.

Fitch's index recorded $446.08 million in returned vehicles in 2024, up from $364.94 million in 2023, but slightly below the pre-pandemic 2019 level of $467.60 million. Turn-in rates vary by platforms, with non-luxury platforms continuing to see rates below the pre-pandemic historical levels, though are rising, while luxury platforms have seen increased turn-ins. These trends reflet differences in inventory levels, incentives and the use of lease-pull ahead programs to encourage early lease returns. Higher turn in rates generally correlate with RV performance in auto lease ABS, as increased off-lease supply can lead to softening used vehicle values. However, many returned vehicles in ABS transactions continue to be purchased by dealers and upstream disposition channels rather than be sold at auctions, supporting RV performance.

Fitch's 2025 asset performance outlook for Canadian auto lese ABS is neutral relative to 2024, reflecting expectations for modest declines in used values amid continued supply constraints and robust demand. Affordability concerns and consumer stress will continue to be a key theme, putting downwards pressure on values, driving continued bifurcation within segments. However, low off-lease supply and potential support for RVs from industry tariffs are expected to offset some of this pressure, as more consumers turn to used vehicles in response to higher new vehicle prices and lower availability of models due to manufacturer production shifts. These factors should prevent RVs from significantly declining, keeping RVs in gain territory and supporting asset and ratings performance.

Early impacts from tariffs were seen in Fitch's auto lease RV index which rose to a 20.2% gain in May 2025—boosted by consumers pulling forward purchases ahead of anticipated tariff-related price increases—before moderating to a 16.4% gain in June, in line with December 2024 levels. Though this effect has since worn off, leading to an RV gain of 16.4% in June for the index.

Fitch expects increased residual value (RV) stress for transactions securitized with a higher proportion of battery electric vehicles (BEVs), which continue to lag in value retention and demand compared to internal combustion engine (ICE) or hybrid vehicles. This pressure could intensify if technological advancements render newer BEVs more advanced and affordable than current models. Notably, lease transactions have a higher share of EVs than loan transactions, reflecting the greater availability of tax credits for leasing prior to the termination of the federal incentive program, as well as consumer concerns over range and residual values. Looking ahead, RVs for EVs are expected to remain highly dependent on the level of government incentives, as EV market share continues to grow.

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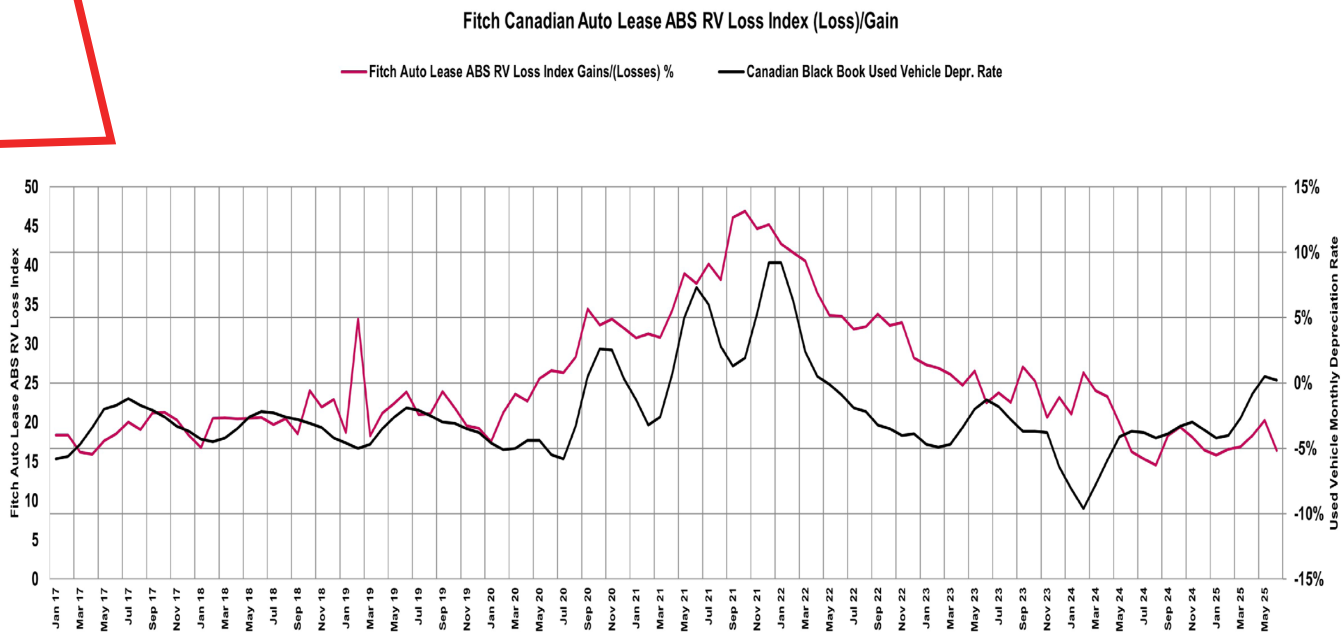
Rating upgrades within auto lease ABS persist due to strong performance within initial loss proxies, build in credit enhancement levels, de-levering structures as well as Fitch's conservative establishment of securitized residuals.

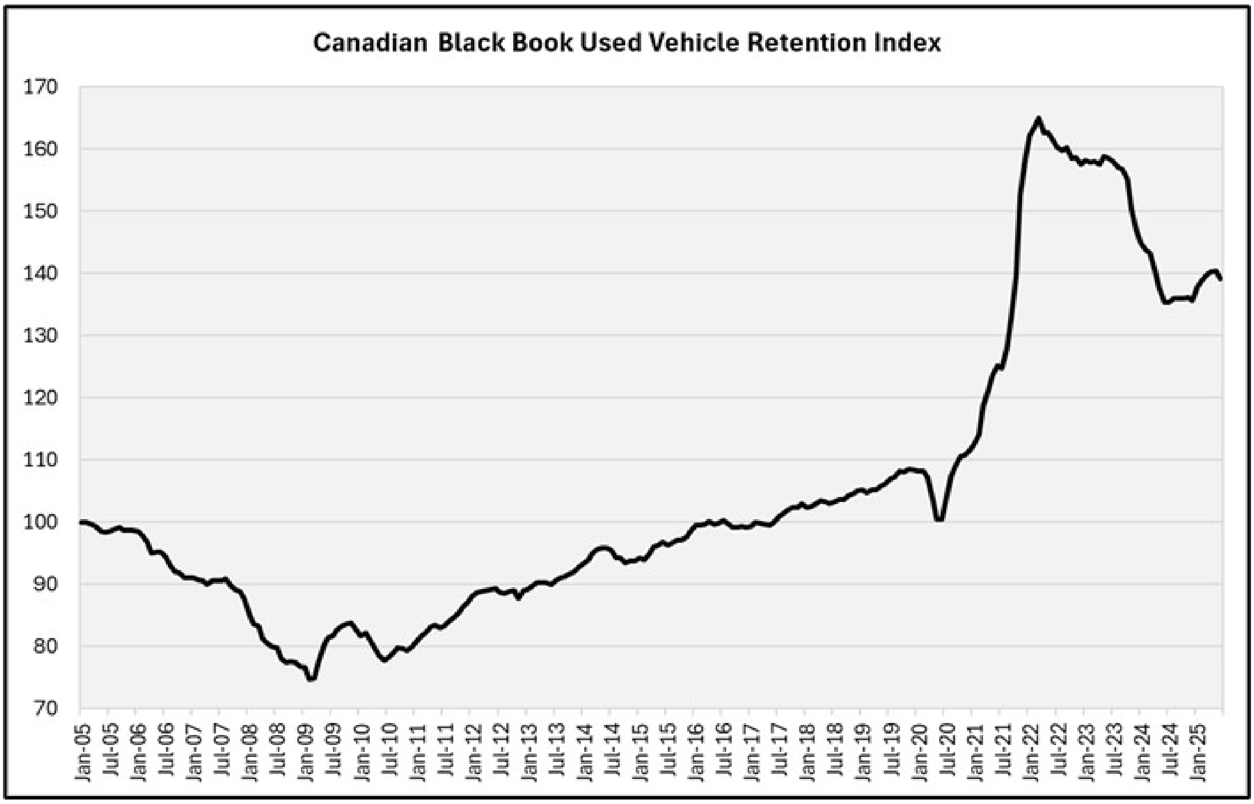



Source: Fitch Ratings, Canadian Black Book

## CANADIAN BLACK BOOK USED VEHCILE RETENTION INDEX

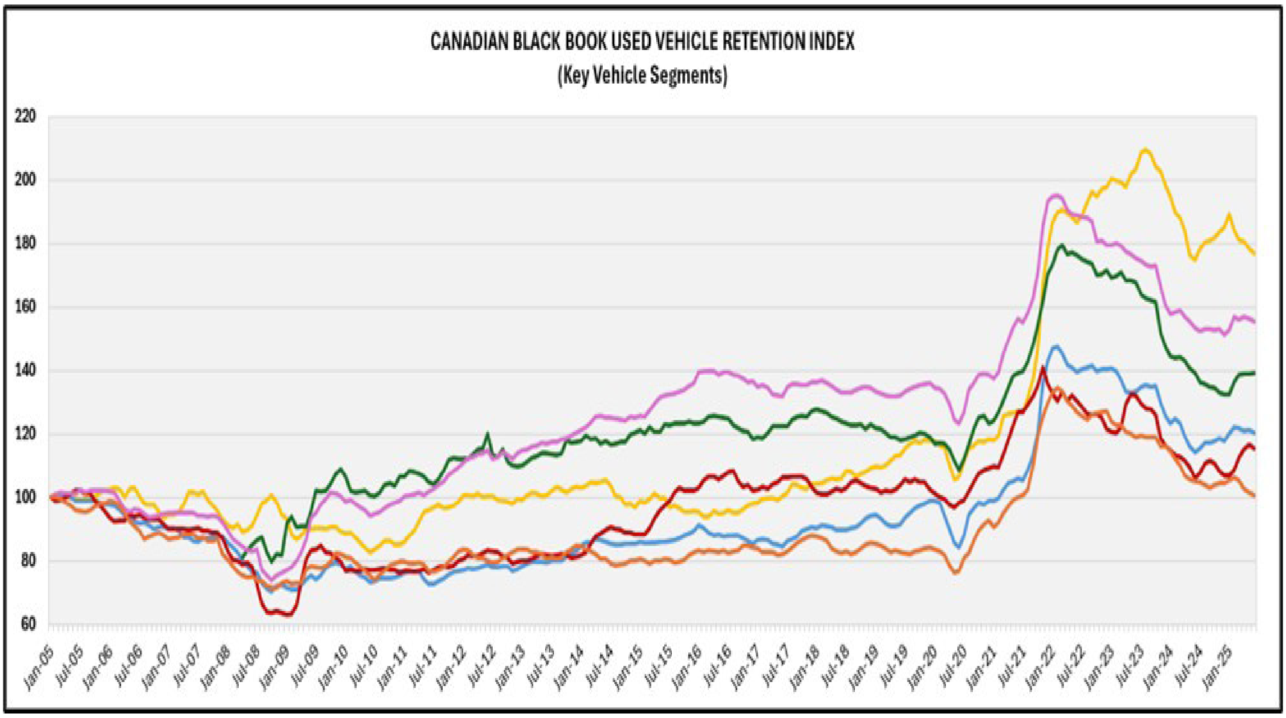
The purpose of Canadian Black Book's Wholesale Used Vehicle Retention Index is to provide an accurate and unbiased view of the strength of used vehicle wholesale market values. The Index is calculated using Canadian Black Book's published Wholesale Average value of 2 to 6-year old used vehicles as a percentage of original typically equipped MSRP. The Index is adjusted for seasonality. Canadian Black Book's Wholesale Average is a benchmark value for used vehicles selling in Canada, with vehicle quality of wholesale auctions in average condition.

Last year our Market Retention Index provided insight into where our market was correcting overall value and why. With a total loss in value of 7.8%, we reiterate the point that this was a measured and logical decline of record value retention in year's past. We ask nothing more than a gentle return to Earth. The index started at 146.8 and decreased to 135.7 with an average percentage decrease of 0.6% each month. Passenger Car segment indices declined on average 20.86 points in comparison to a much more feather-like 7.70 points for Light Truck segments. Recognizing where the market's organic concentration of demand lies when returning to the current equilibrium state of the average consumer of today's market.



| Market | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2005 | 100.0 | 100.0 | 99.6 | 99.4 | 98.5 | 98.3 | 98.6 | 98.9 | 99.2 | 98.7 | 98.7 | 98.7 |
| 2006 | 98.5 | 97.9 | 96.8 | 95.0 | 95.1 | 95.2 | 94.4 | 93.1 | 92.0 | 91.8 | 91.1 | 91.1 |
| 2007 | 91.1 | 90.8 | 90.6 | 89.9 | 90.7 | 90.6 | 90.5 | 90.9 | 89.9 | 89.1 | 88.8 | 87.7 |
| 2008 | 85.1 | 83.7 | 83.3 | 81.3 | 80.4 | 80.0 | 79.8 | 78.1 | 77.4 | 77.6 | 77.4 | 76.8 |
| 2009 | 76.6 | 74.8 | 75.0 | 77.4 | 79.9 | 81.4 | 81.7 | 82.6 | 83.2 | 83.6 | 83.8 | 82.9 |
| 2010 | 81.7 | 82.1 | 81.1 | 79.7 | 78.6 | 77.7 | 78.1 | 79.0 | 79.7 | 79.6 | 79.3 | 80.0 |
| 2011 | 80.7 | 81.7 | 82.1 | 83.1 | 83.4 | 83.0 | 83.3 | 84.1 | 84.6 | 85.4 | 86.3 | 87.0 |
| 2012 | 88.1 | 88.7 | 88.9 | 89.1 | 89.1 | 89.4 | 88.7 | 88.6 | 88.9 | 89.0 | 87.8 | 89.0 |
| 2013 | 89.2 | 89.8 | 90.3 | 90.3 | 90.2 | 90.0 | 90.7 | 91.1 | 91.3 | 91.6 | 92.0 | 92.9 |
| 2014 | 93.3 | 93.9 | 95.0 | 95.7 | 95.8 | 95.9 | 95.5 | 94.2 | 94.3 | 93.5 | 93.7 | 93.7 |
| 2015 | 94.2 | 93.9 | 94.8 | 96.0 | 96.3 | 96.8 | 96.3 | 96.6 | 97.1 | 97.1 | 97.6 | 98.6 |
| 2016 | 99.4 | 99.4 | 99.7 | 100.1 | 99.7 | 99.8 | 100.3 | 99.7 | 99.2 | 99.2 | 99.3 | 99.2 |
| 2017 | 99.3 | 100.0 | 99.9 | 99.6 | 99.5 | 99.9 | 100.9 | 101.4 | 102.0 | 102.3 | 102.4 | 103.0 |
| 2018 | 102.3 | 102.5 | 103.0 | 103.4 | 103.4 | 103.0 | 103.3 | 103.6 | 103.6 | 104.3 | 104.6 | 105.0 |
| 2019 | 105.2 | 104.7 | 105.1 | 105.2 | 105.8 | 106.1 | 106.9 | 107.2 | 108.3 | 108.0 | 108.5 | 108.4 |
| 2020 | 108.2 | 108.3 | 107.3 | 103.7 | 100.5 | 100.5 | 103.7 | 107.4 | 109.0 | 110.5 | 110.7 | 111.5 |
| 2021 | 112.5 | 114.0 | 118.6 | 121.3 | 123.6 | 125.1 | 124.7 | 127.8 | 132.6 | 139.4 | 152.6 | 158.5 |
| 2022 | 162.1 | 163.6 | 165.0 | 162.6 | 162.6 | 161.3 | 160.3 | 159.8 | 160.3 | 158.5 | 158.7 | 157.6 |
| 2023 | 158.2 | 157.9 | 158.0 | 157.6 | 158.8 | 158.5 | 158.1 | 157.1 | 156.7 | 155.2 | 150.2 | 146.8 |
| 2024 | 144.8 | 143.7 | 143.3 | 140.3 | 137.6 | 135.3 | 135.4 | 136.0 | 136.0 | 136.0 | 136.2 | 135.7 |
| 2025 | 138.0 | 138.9 | 139.8 | 140.3 | 140.4 | 139.1 | | | | | | |
| | | | | | | | | | | | | |
| YOY% | -4.7% | -3.3% | -2.4% | 0.0% | 2.0% | 2.8% | | | | | | |
| MOM% | 1.7% | 0.7% | 0.7% | 0.4% | 0.0% | -0.9% | | | | | | |

In addition to our Market-Level index, Canadian Black Book also publishes an index for each of our 22 vehicle segments every month. Below, you can see a snapshot of some important Car and Light Truck segments spanning across Mainstream and Luxury markets, giving a sense of how demand for each has transitioned over time. Behind the scenes, our forecasted valuations push these indices to a projected index that provides insights into where the market is currently heading and which segments are likely to be more volatile or more stable.




## DEPRECIATION TRENDS IN 2024 SHOW A RETURN TO OLD HABITS

Market trends typically change over time. In 2024, old trends started to return from a multi-year hiatus. We can easily identify this by depreciation of vehicle segments over the course of a year. With this updated measure, we see just how significant the change has been. Outside of high fuel prices and limited new car availability, North America has shown time and again the increasing demand for Light Trucks. Last year 2 out of 9 Passenger Car segments (22%) rose above the market-level depreciation average. Whereas 8 out of 13 Light Truck segments (62%) did the same. A definitive choice from consumers that what they wanted all along were Crossover and Pickup Trucks.

In Q1, steep depreciation was felt from the wholesale market starting at year-end in 2023. With 5.9% depreciation, this was significantly impacted from the course correction of moving from affordable, budget-friendly vehicles found in car segments, to the more inefficient but do-it-all family vehicles that only Light Trucks could provide. Showcased by the ratio of segments overperforming the market average. Only one car segment was over the average. This was caused by the mass market movements towards these vehicle types, which was destined to be short-lived as market inventory levels improved, and fuel prices started to fall. The succeeding quarters in 2024 were more reasonable with depreciation between 3 to 4%, and a tightening on the range of depreciation by vehicle type.

| | | 2024 Depreciation Rates | | | | |
|---|---|---|---|---|---|---|
| | | Q1 | Q2 | Q3 | Q4 | CY2024 |
| | All Vehicles | -5.9% | -3.8% | -3.3% | -4.2% | -15.5% |
| PASSENGER CARS | Compact Car | -12.6% | -6.2% | -1.5% | -3.4% | -20.7% |
| | Full-Size Car | -10.2% | -3.4% | -3.7% | -4.5% | -18.1% |
| | Luxury Car | -7.8% | -4.9% | -7.3% | -6.2% | -23.0% |
| | Mid-Size Car | -7.3% | -2.5% | -1.7% | -4.1% | -14.7% |
| | Near Luxury Car | -6.8% | -2.2% | -5.0% | -4.3% | -16.4% |
| | Premium Sporty Car | -2.3% | -1.3% | -3.6% | -3.8% | -11.2% |
| | Prestige Luxury Car | -13.1% | -5.0% | -10.7% | -6.2% | -31.2% |
| | Sporty Car | -7.9% | -1.1% | -4.3% | -6.8% | -19.5% |
| | Sub-Compact Car | -12.5% | -5.1% | -3.7% | -3.8% | -22.5% |
| LIGHT TRUCKS | Compact Crossover/SUV | -4.6% | -5.6% | -3.7% | -5.3% | -18.3% |
| | Compact Luxury Crossover/SUV | -4.8% | -4.1% | -5.2% | -4.4% | -16.4% |
| | Compact Van | -4.3% | -3.5% | -1.7% | -5.2% | -11.2% |
| | Full-Size Crossover/SUV | -4.7% | -3.4% | -0.9% | -6.3% | -12.9% |
| | Full-Size Luxury Crossover/SUV | -2.6% | -2.4% | -4.2% | -3.8% | -11.3% |
| | Full-Size Pickup | -6.6% | -6.0% | 0.3% | -2.4% | -13.8% |
| | Full-Size Van | -4.2% | -4.7% | -3.6% | -3.5% | -15.8% |
| | Mid-Size Crossover/SUV | -3.2% | -2.8% | -3.1% | -4.9% | -12.9% |
| | Mid-Size Luxury Crossover/SUV | -3.9% | -4.6% | -5.9% | -4.4% | -17.1% |
| | Minivan | -3.6% | -2.1% | -2.0% | -3.2% | -11.3% |
| | Small Pickup | -3.4% | 0.0% | -2.6% | -2.7% | -7.9% |
| | Sub-Compact Crossover | -5.5% | -6.7% | -2.1% | -2.3% | -14.9% |
| | Sub-Compact Luxury Crossover | -6.7% | -4.7% | -2.6% | -3.0% | -15.8% |

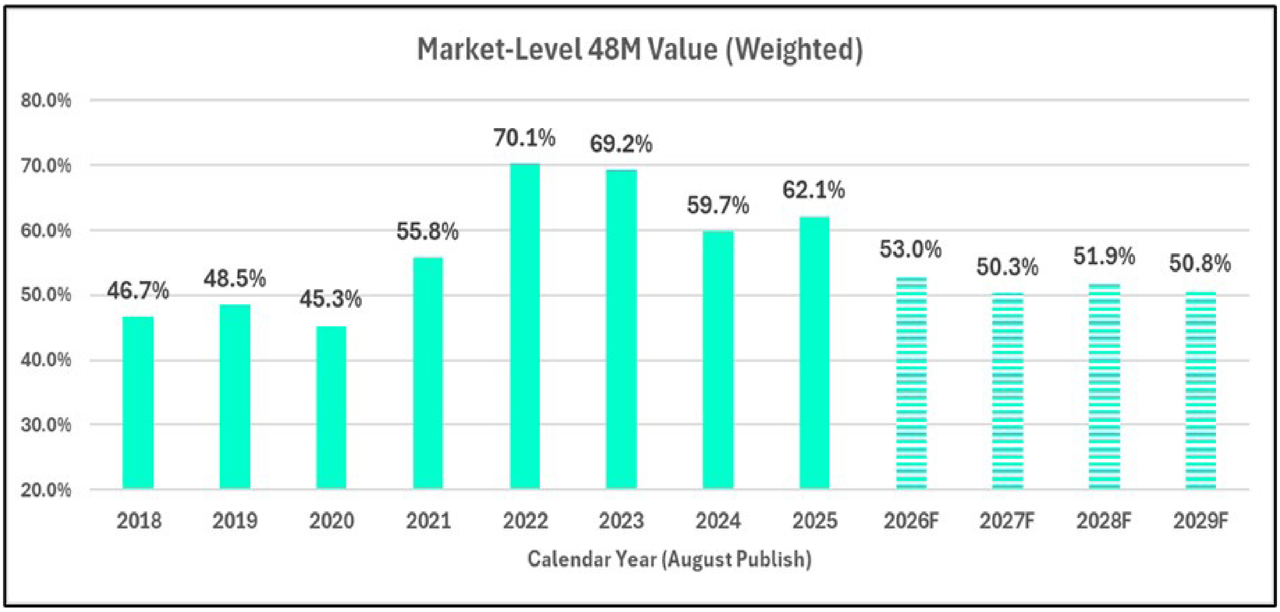
SOURCE: BLACK BOOK ANALYTICS

Note: Depreciation is measured using the Black Book Wholesale Average value of used vehicles at the beginning of the year and tracking that value throughout the year for a vehicle with normal usage. It is volume weighted on 2-to-6-year-old vehicles.

## 48-MONTH PROJECTIONS RIGHT-SIZING TO MARKET NORMS IN 12-24 MONTHS

In the last year Canada's new car market recovery aided in the return of used vehicle valuations to a more reasonable level. With the new car inventory significantly rising, along with days' supply and greater average incentive spend, used vehicle retention was finally realizing price pressure relief after being pushed to an extreme level for the previous 24-months. A very influential 9.5% decrease in average 4-year retention offset only some of the run up in values from the pandemic, keeping in mind the roughly 22-25% run up during 2020-2022CY. We'd agree that there is still sizeable room for further recovery. But we are not expecting to fully bake out the increased value received over the past 3 years. We're in the realm of a new normal for the car market, on both new and used sides. We've outlined what's already happening in the new car environment as we are not likely to see a return to more affordable cars any time soon. In the used car market, there is a different development that suggests consumer habits of old are becoming a minority occurrence, post-pandemic.

These are the variables that help sustain elevated value retention in the wake of exorbitant new car prices. Consumers at large have started moving away from certain vehicle segments, in search of greater affordability with longer-term ownership cycles. Shying away from luxury brands as the line for what makes a car mainstream or premium blurs more after each succeeding year. Contract terms are stretched to combat higher new car prices impacting monthly payments, allowing our supply chain of used vehicles to fundamentally change. While consumers are keeping their quality used vehicles out of the market as they buyout their lease contracts. Acting out against the payment shock of looking for the same brand and model that's been subject to 30% or more MSRP growth since they last shopped for a new vehicle. The advent of hybrid and remote work weeks, though now diminishing, will still exist in much greater form for the average worker; suppressing mileage accumulation and increasing overall time in operation for first owners. All of this signals that retention should never fully return to normal even with much higher new car prices absorbed.

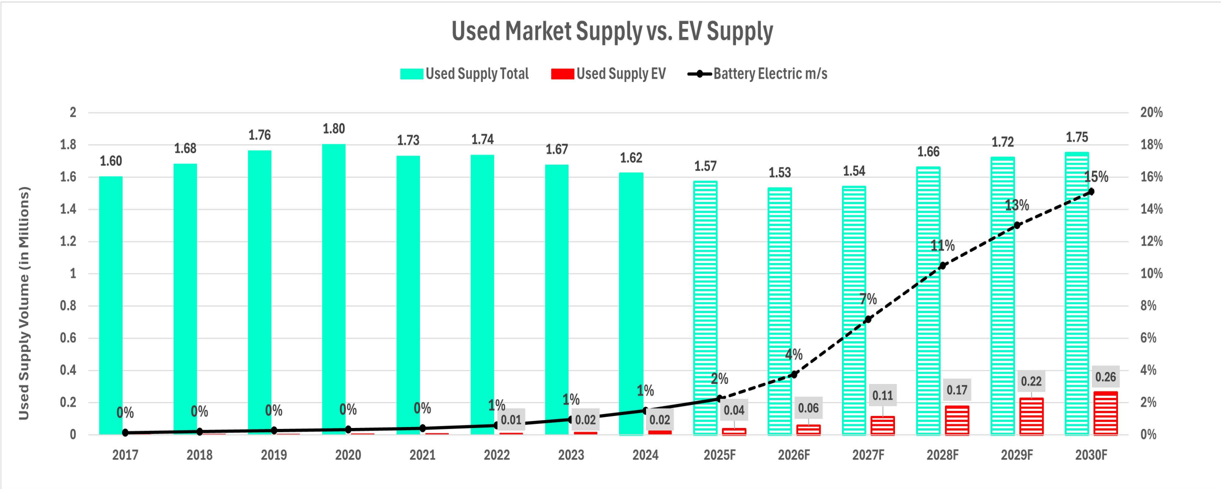



## ELECTRIC VEHICLE SUPPLY TO RAMP UP AS LEASING INCREASES

2024 was a strong year for electric vehicles, finishing with 15.4% market share when including small but influential Plug-in Hybrid models. With very inconsistent messaging throughout the market on these types of vehicles we've seen them become more highly considered as the fear of Federal and Provincial rebates pulling back has begun. Specifically in Quebec, the strongest EV market in Canada, we've seen a rush to the marketplace for consumers interested in these models, resulting in an 18.9% level of market share Nationally in Q4; mostly due to this provinces market demand for EVs. While we are currently dealing with the absence of a federal rebate for zero-emission vehicles, this high watermark is likely not to be surpassed for some time in the future.

While we sit and wait for a decision on the iZEV rebate and argue fore or against an EV mandate existing for Canada during this high time for market unaffordability, we are certain to begin another challenge in the developing EV landscape. Those older 'first-generation' EVs that were heavily incentivized by start-up and legacy brands alike, and pushed onto consumers were later leased to them as well. With the expectation that these leases will begin maturing now and more frequently in the future, our market has been tasked with receiving these models, grading their battery health and remarketing them to customers as a used EV. Managing these used EVs properly could be a punishing exercise if not dealt with in stride and could pose a significant risk to a brands' current level of EV value retention that we believe could start to improve as early as 2027.

Judging by the graph below, we are arriving at the precipice of used EV inventory. As we see, there is an estimated supply of used EVs doubling next year and essentially again in 2027. This is happening because of lease program development on EVs that occurred only a few years ago. More models came to the market with more widespread financial options opening up to consumers in order to sell them. Multiple brands have expressed concern about returning lease volume over the next 18-24 months.




There is a large risk associated with these returns, as we know how quickly the market is developing for EVs and how stale older products get with the rate at which technology is advancing. Value retention on average is expected to improve for 4-year-old EVs, but there will be winners and losers. Those brands that have sold in higher volume, incentivized sales more greatly, and improved their product more quickly could have greater susceptibility to this value risk. But with historical battery health being measured and many examples of the overachievement of original degradation expectations, trust can still be built. Resulting in value being recognized by consumers who have been searching for the elusive affordability of EVs. It can be found just like it is everywhere else in the car market today, in the used vehicle marketplace.

## THE CANADIAN BLACK BOOK-FITCH VEHICLE DEPRECIATION REPORT AND BLACK BOOK USED VEHICLE DATA

This report is another in a series of joint ventures between Black Book and Fitch. Black Book tracks used vehicle market depreciation rates providing an understanding of how vehicle prices impact automotive lenders and lessors, auto ABS transactions, consumers and other auto market constituents. Black Book collects and analyzes extensive wholesale data from auctions around the country. Black Book publishes residual value forecasts and current daily updated used market values. The report is issued on an annual basis.

### DATA AVAILABLE TO USERS

Certain data contained in this report and more detailed data is available to all users, including the charts and tables. Please contact Black Book or Fitch at the telephone numbers listed below.

### BLACK BOOK USED VEHICLE RETENTION INDEX

The Index is updated on a monthly basis and can be accessed with both data and chart through the link on Black Book's website: https://www.canadianblackbook.com/black-book-index/

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## Canadian Black Book

For 60 years, Canadian Black Book has been the trusted and unbiased Canadian automotive industry source for vehicle values. Today the company has grown into a leading data provider of vehicle valuations, residual value forecast solutions, and VIN decoding. Canadian Black Book tools and information are considered 'The Authority' for vehicle values not only by car dealers and manufacturers but also the leasing, finance, insurance, and wholesale sectors. In 2020 Canadian Black Book brought to market its Enhance Vehicle Matching (EVM) solution, which will allow the industry to decode more consistently 17 digits VINs down to a specific trim package allowing a more precise vehicle valuation.

## Fitch Group and Fitch Ratings

Fitch Group is a global leader in financial information services with operations in more than 30 countries. Fitch Group is comprised of: Fitch Ratings, a global leader in credit ratings and research; Fitch Solutions, a leading provider of credit market data, analytical tools and risk services; and Fitch Learning, a preeminent training and professional development firm. With dual headquarters in London and New York, Fitch Group is owned by Hearst.

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