CANADIAN BLACK BOOK
AND FITCH RATINGS

# VEHICLE DEPRECIATION REPORT 2026

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## NORMALIZING VOLATILITY

As our economy is undergoing development to become an even more independent 'middle-power' nation, the increased level of volatility that forces us in this direction remains. What was once considered an outlier of events unto the global economy has proceeded as consistent underlying volatility. Whether it be through supply chain disruptions, pandemics, geo-political disagreements, or transitioning trade policy, the general year-over-year volatility has come to be expected. From 2025 into 2026, different levers have been used to change or complicate how our industry conducts itself within as well as outside of our borders. The automotive market has shifted from a supply-driven recovery to an affordability-driven competition. The Canadian macroeconomic landscape has failed to pick a direction. With each passing year, we must recollect what transpired during the last 48 months and how it will impact the next 12.

With depreciation in mind, new vehicle supply has normalized, but elevated prices and interest rates have inhibited financing costs to limit affordability, becoming the primary barrier to demand. As a result, incentives have increased, hybrids emerged as the fastest-growing powertrain, and EV adoption remains an uncertain environment. With the reintroduction of a zero-emission vehicle rebate and revised mandates for Canada, this area is subject to a lifted demand profile, but with volatility still at its core.

Meanwhile, constraints on used vehicle supply are diminishing as strong retained value in the retail markets continues, particularly for late-model ICE and hybrid vehicles. What this signals are reductions in the latest residual value forecasts. A deepening relationship with traditional and increased depreciation is developing, bringing used car market retention levels closer to pre-pandemic form.

Brand and Model success increasingly depend on pricing discipline, stable incentive strategy, and delivering products that align with value-conscious consumers. These actions will support strong and consistent valuations as the market digests fluctuations in variables that continue to drive uncertainty in the Canadian marketplace. We can be certain that embracing further volatility will help our automotive industry register a new normalized marketplace.

Welcome to the 2026 Vehicle Depreciation Report, brought to you by Canadian Black Book in partnership with the Fitch Ratings.

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

Fitch expects continued asset performance deterioration in Canadian auto loan asset-backed securities in 2026 relative to 2025, driven by high household debt, a soft labour market, higher energy prices, and ongoing trade uncertainty weighing on household finances and consumer confidence. Although the Bank of Canada has held policy rates steady and mortgage rates have stabilized, debt-servicing burdens remain elevated, particularly for highly leveraged and lower-income households.

The Canadian economy entered a technical recession in 1Q26, driven by declining investment and a surge in imports, although recent data suggests the downturn will not persist. Fitch expects only a modest recovery for the remainder of the year, with GDP growth of 0.7% in 2026, down from 1.9% in 2025. The forecast incorporates modest support from higher oil prices and headwinds from CUSMA-related uncertainty, slower population growth and Fitch's downward revision to U.S. GDP growth.

Following the U.S. administration's decision not to renew CUSMA by July 1, 2026, the agreement is now subject to annual reviews. While CUSMA continues to protect most Canadian goods exports to the U.S., increased uncertainty may weigh on business confidence, investment and employment in trade-sensitive sectors. Compounding matters, new U.S.

Compounding matters, additional actions by the U.S. administration on trade such as the Section 338 tariffs (50% levy on select Canadian goods) that were announced in July and potential retaliatory tariffs could further cloud the path forward for negotiations.

Unemployment remains a key driver of auto loan ABS performance, influencing consumer confidence and debt servicing ability. Fitch forecasts the average unemployment to remain elevated at 6.8% in 2026, although labor market conditions have improved from a weak start to the year, aided by a rebound in employment and wage growth in Q2. Regional disparities remain, with Saskatchewan and British Columbia lagging and Ontario remaining more exposed to tariff-related pressures due to its concentration in manufacturing and trade sensitive sectors.

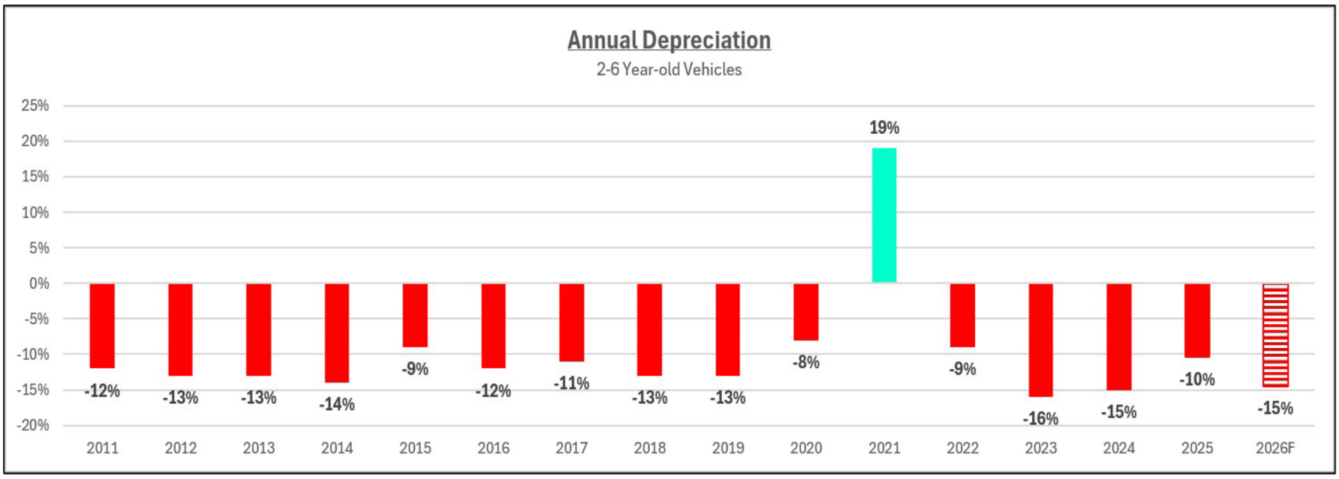
Consumer spending is expected to slow to 1.6% in 2026 from 2.3% in 2025 as income growth softens and household debt-to-income ratios, already at 179.6% in Q1 2026, begin rising again. Higher mortgage payments are expected to crowd out lower-priority consumer debt payments, including auto loans and credit cards. While approximately 52% of mortgages are due to renew by end-2027, the impact from renewals has been less severe than originally expected. The Iran conflict presents additional downside risks, through higher fuel prices and indirectly through greater supply chain pressure.

Consumers have shown some resilience, supported by higher asset values, easing inflation and lower interest rates, but financial stress remains evident in late-stage delinquencies and insolvencies. Per the Bank of Canada, 90-day past-due delinquencies for auto loans and credit cards remain elevated above 2015 levels, while mortgage delinquencies, though still low, have been edging up. Insolvencies increased 5.2% for the 12-month period ending May 2026, reflecting ongoing financial strain. However, stress remains unevenly distributed, with higher delinquencies among non-mortgage households, younger borrowers and those in expensive housing markets (Ontario and British Columbia), while other segments have seen recent stability.

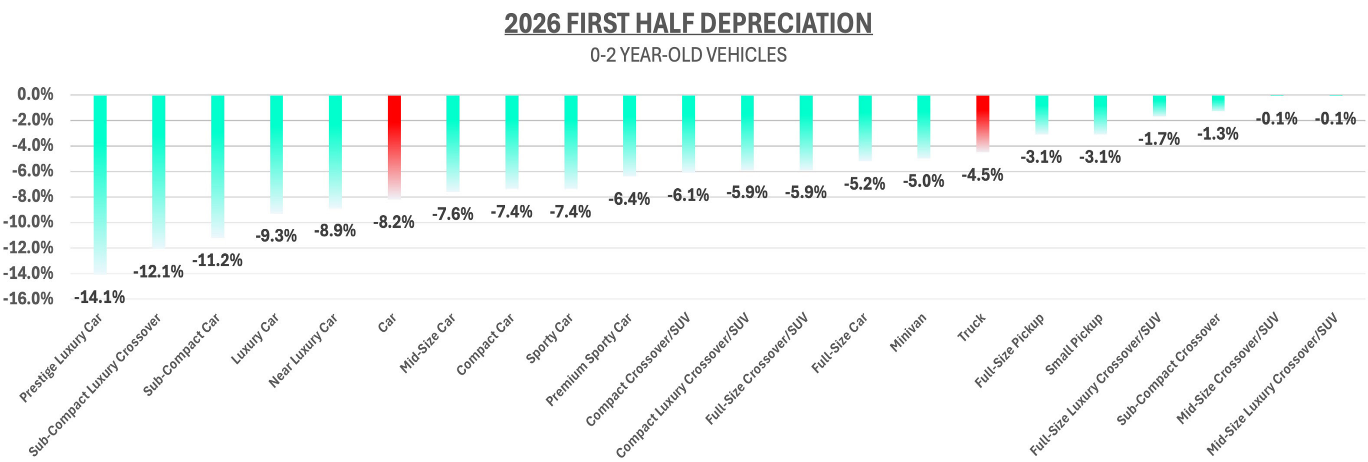
These pressures have translated directly into weaker Canadian auto loan ABS performance, with higher delinquencies and losses in 2025, as 2024-2025 vintages track above recent vintages though broadly in line with pre-2019 vintages. ABS performance continues to perform better than the broader market, reflecting strong eligibility criteria for collateral, typically prime and super-prime borrowers and lower concentrations of extended term loans. Subprime borrowers remain most vulnerable to macro pressures, in part due to thinner savings buffers, though Canadian auto ABS pools have limited concentrations of subprime loans. Further performance deterioration is expected in 2026; however, rating upgrades of subordinate notes are expected to persist, supported by prudent underwriting practices, strong eligibility criteria, performance within initial loss proxies, and increasing credit enhancement levels supported by deleveraging structures as the pools amortize.

## FULL YEAR DEPRECIATION CYCLE RETURNS FOR 2026

The car market typically sees values decline in all 12 months of the year. With recent volatility and uncertainty for businesses and consumers alike, this has not been the case in the 2020s so far. The first half of 2026 realized -5.1% depreciation compared to -1.3% for the same period last year. With obvious sources of new car market demand in the first half of last year, the majority of that -10% average depreciation fell in the second half. As the market rolls this trend into 2026, it has urged wholesale values to continue declining and translate to a full year of depreciation for the residual value landscape.




Looking through the lens of segmented depreciation on late-model year vehicles, there is still a component in the finer points of the market, such as domestic-branded SUVs and Pick-ups, which retain strong value as U.S. demand hasn't entirely fallen off for them. The impacts of tariffs on most vehicles have soured U.S. buyer interest for Canadian supply, assigned to a portion of the greater depreciation levels we're seeing today. Models built south of the border are concentrated in these particular segments, sheltered from cross-border used vehicle tariff costs due to this logistical advantage. As we now absorb the full financial impacts of tariffs into the new car market, this will be the first full year of duties in the North American automotive sector.



Expanding on 1H 2026 depreciation trends, the aggregated passenger car market could see as much as -16%, whereas light trucks may not pass -10%, an overall sign of declining Canadian car market demand and rising unaffordability. 8 of the worst 10 depreciating segments are Passenger Cars, and the only segments above the market average of -5.1% are Light Trucks. These are also segments where the smallest number of electric vehicles are currently launched.

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

Canadian auto loan ABS performance continued to weaken in 2025, as delinquencies and losses rose YOY in December, nearing pre-pandemic levels due to a sluggish labour market, elevated household debt and ongoing tariff uncertainty. With economic growth expected to remain weak, delinquencies and losses will remain a key area of focus for the sector.

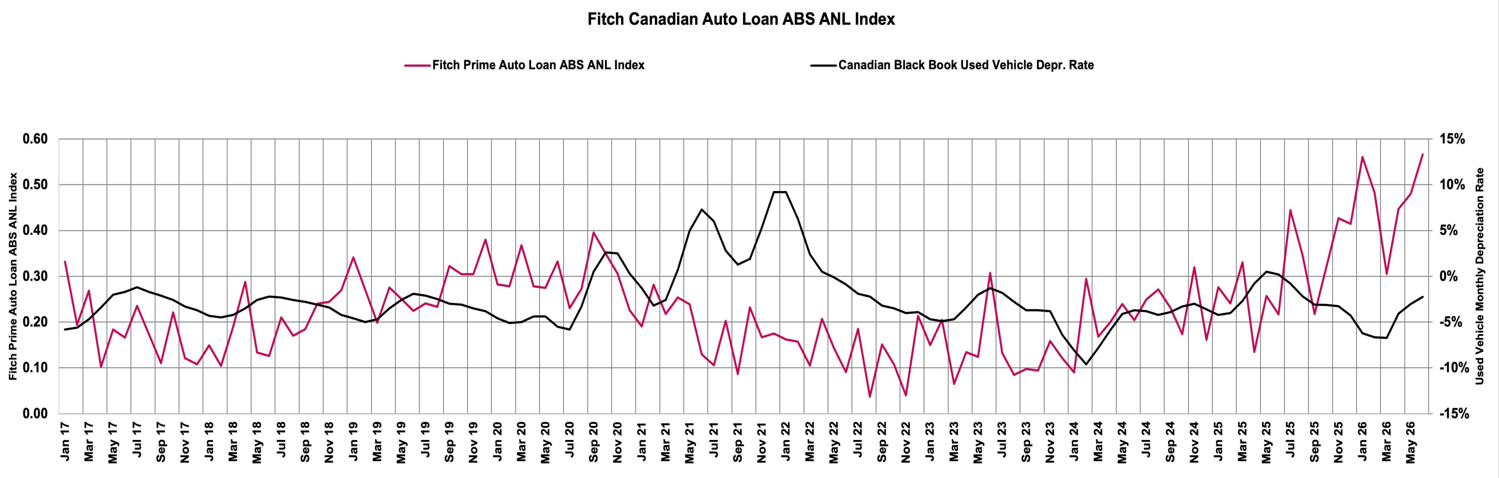
Fitch's 2026 asset performance outlook for Canadian prime auto loan ABS is 'deteriorating' relative to 2025, due to soft economic and employment conditions, along with continued trade uncertainty. Higher energy prices have added to these headwinds, eroding household purchasing power and heightening financial stress among already leveraged households. However, Fitch expects ABS performance to continue outperforming the broader market due to stronger collateral quality and loan seasoning. The weighted average FICO for auto loan ABS transactions issued in 2025 was 773, at the higher end of the 765-776 range observed across 2017-2025 vintages, reflecting continued disciplined underwriting.

Fitch's 60+ day delinquency index reached 0.26% as of the December 2025 collection period, increasing YOY from 0.17% in December 2024. The trailing twelve-month (TTM) average reached 0.17% at year-end 2025, up from 0.14% as of December 2024, though still below the historical index high of 0.39%. Performance through YTD June 2026 shows seasonal improvement primarily due to tax refunds during Q1 prior to continuing the upward trend. As of June 2026, 60+ day delinquencies were 0.27% compared to 0.17%, reflecting pressures on borrowers as well as effects from shifts in composition within the index. Losses have followed a similar trend, with Fitch's Annualized Net Loss (ANL) index reaching 0.41% by December 2025, up from 0.16% a year prior, and further increasing to 0.57% in June 2026. This is also above the December 2019 level of 0.40%, and up from the record low of 0.04% in August 2022, reflecting continued pressures on borrowers though also in part due to a change in the composition of the index over time. The TTM average ANL was 0.30% at year-end 2025, up from 0.22% as of December 2024. ANLs continued to climb in 2026, reaching 0.57% in June.

Used vehicle values in 2025 were shaped by opposing forces: tariff-driven pull-forward demand in 1H25 temporarily supported values as consumers and dealers anticipated higher prices, before easing in 2H25 as rising new vehicle supply and affordability constraints weighed on demand amid a slowing economy and rising unemployment. Fitch's recovery rate index declined sharply to 32% in December 2025 from 55% a year earlier, with TTM recoveries falling to 46% from 63%, broadly tracking the downward trend in Canadian Black Book's used vehicle value retention index, though the steeper decline in Fitch's index was largely driven by lower recoveries concentrated in a heavily weighted platform. Looking forward, affordability constraints, including high monthly vehicle ownership costs and slower wage growth, are expected to continue pressuring values, partially offset by low off-lease supply and potential shift in consumer demand towards used vehicles in response to higher new vehicle prices.

The collateral composition in Canadian prime auto loan ABS pools broadly mirrors auto industry trends, with a growing share of larger, higher-priced vehicles pressuring affordability and raising payment-to-income ratios, a dynamic that has become more acute as insurance premiums, maintenance and fuel costs continue to rise alongside vehicle prices. In response to higher vehicle prices, consumers continue to leverage extended term offerings to lower monthly payments. Loans greater than 72 months account for approximately 30% of ABS pool balances, though well below the 50%+ share seen in the broader industry. 96-month terms represent 1 in 10 new car loans in the market, though have yet to be included in a Fitch-rated Canadian ABS transaction. The concentration of longer-term loans elevates loss severity through slower amortization and extended negative equity periods, though this is partially mitigated by tighter underwriting, with extended terms generally reserved for higher-quality borrowers.

Despite weaker asset performance, the rating outlook remains stable. Rating actions taken by Fitch within prime auto loan ABS in 2025 and through 1H26 consisted of affirmations and upgrades, with no negative rating actions taken. The stable outlooks are supported by performance remaining within initial loss proxies, building credit enhancement and quick amortization of the notes.




Source: Fitch Ratings, Canadian Black Book

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

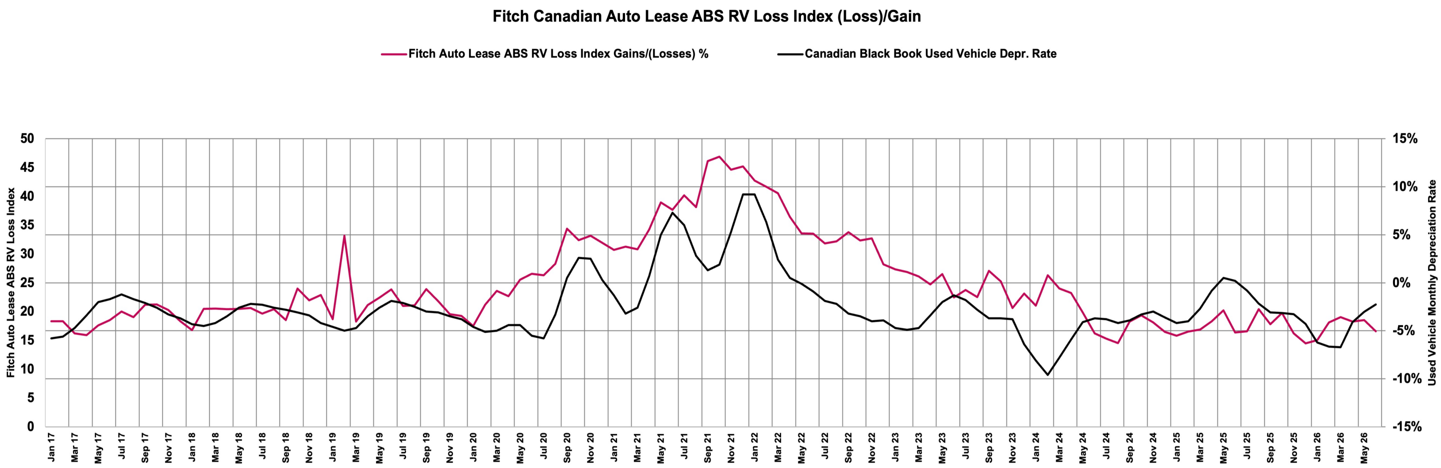
Fitch's Canadian auto lease RV index followed the wholesale market trends in 2025, beginning the year with a tariff-driven surge to a 20.2% RV gain in May from 16.5% in December 2024 as consumers accelerated purchases ahead of anticipated price increases, before reverting to 16.4% in June as demand faded. Values continued to soften through the second half of the year, ending 2025 at 14.5%, as persistent affordability challenges, including elevated insurance premiums, monthly lease payments and household debt burdens weighed on consumer demand. The index's skew toward luxury vehicles, a reflection of the predominance of luxury platforms in Canadian ABS issuances, amplified this softening, as luxury segments continued to face disproportionate depreciation pressure relative to the broader market as consumers sought out more practical and value-oriented vehicles due to affordability and macro pressures.

Returned vehicle volumes in Fitch's index reached $555.3 million in 2025, compared to $446.1 million recorded in 2024. Vehicle disposition dynamics remain broadly consistent with prior years; dealer buybacks and upstream channels continue to absorb a meaningful share of off-lease returns, limiting auction exposure and providing a degree of insulation for RV performance. That said, turn-in behavior has continued to diverge across segments: luxury platforms have sustained elevated return activity, while non-luxury platforms, though gradually trending upward, remain below their historical pre-pandemic norms. The pace and trajectory of these platform-level differences will remain an important variable for RV performance in 2026.

Fitch's 2026 asset performance outlook for Canadian auto lease ABS is neutral, reflecting a continued moderation in RV gains as seen in 2025. The Canadian market continues to be affected by slower economic performance, elevated unemployment and higher fuel prices, with affordability remaining a key concern in purchase decisions. This downward pressure is expected to be partly offset by lower off-lease supply underpinned by tight inventory resulting from pandemic-era low lease penetration. Further, auto sector tariffs are expected to continue to impact production plans and costs and, thus, drive higher MSRPs on new vehicles, shifting demand toward used vehicles due to affordability concerns. Taken together, Fitch expects used vehicle values to see a moderate decline in 2026, thereby limiting any material deterioration in RV performance in auto lease ABS.

A key area of focus remains the performance of electric vehicles, which have experienced volatile depreciation compared to ICE vehicles. Fitch expects increased RV stress for transactions with a higher proportion of BEVs relative to those with lower BEV exposure, due to higher depreciation for these vehicles in recent years, impacting residual values at lease maturity. Further, BEVs continue to lag in value retention compared to ICE and hybrid vehicles and this gap is expected to persist through 2026 as off-lease BEV supply increases and newer, more competitively priced and technologically advanced models continue to enter the market. Notably, lease transactions tend to include a higher share of EVs than loan transactions, primarily reflecting consumer concerns over range and residual values. In February 2026, the federal government reintroduced EV purchase incentives in an effort to support broader EV adoption, though any demand support from these measures is expected to be more than offset by growing EV off-lease supply, pricing pressure from lower-cost Chinese imports and newer, more technologically advanced models, a dynamic that could intensify as further advancements render current BEV models less competitive. Given the expected weaker performance of BEV residual values, Fitch continues to apply conservative assumptions for these vehicles in its approach to establishing the RV loss expectations for rated transactions.

While RV gains in auto lease ABS have continued to moderate, the rating outlook remains stable. Rating upgrades within auto lease ABS are expected to persist, supported by continued RV gains, increasing credit enhancement levels given de-levering structures and Fitch's conservative establishment of RV loss proxies.



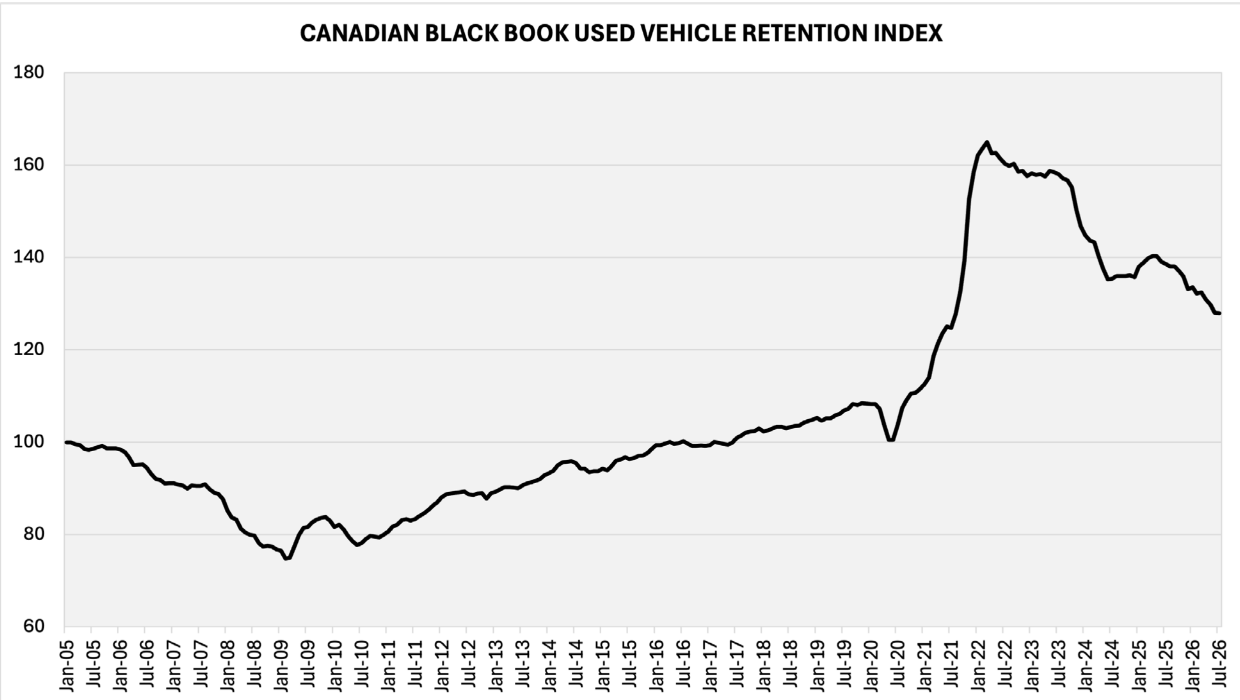

Source: Fitch Ratings, Canadian Black Book

## CANADIAN BLACK BOOK USED VEHICLE RETENTION INDEX

The purpose of Canadian Black Book's Wholesale Used Vehicle Retention Index is to provide an accurate and unbiased view of the state 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 its 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 at wholesale auctions as average condition.

Wholesale retention has fluctuated massively over the last 18 months. Our index now registers at 127.9. In isolation, that figure shows strength but expanding our vantage point to encapsulate this from a longer time frame shows declines of -3.9% YTD and -7.7% YoY. Canadian retention hasn't been at this level since August 2021. After rising 32.4% during the global supply shortage in 2021-2023, values have since declined -22.4% from those elevated levels.

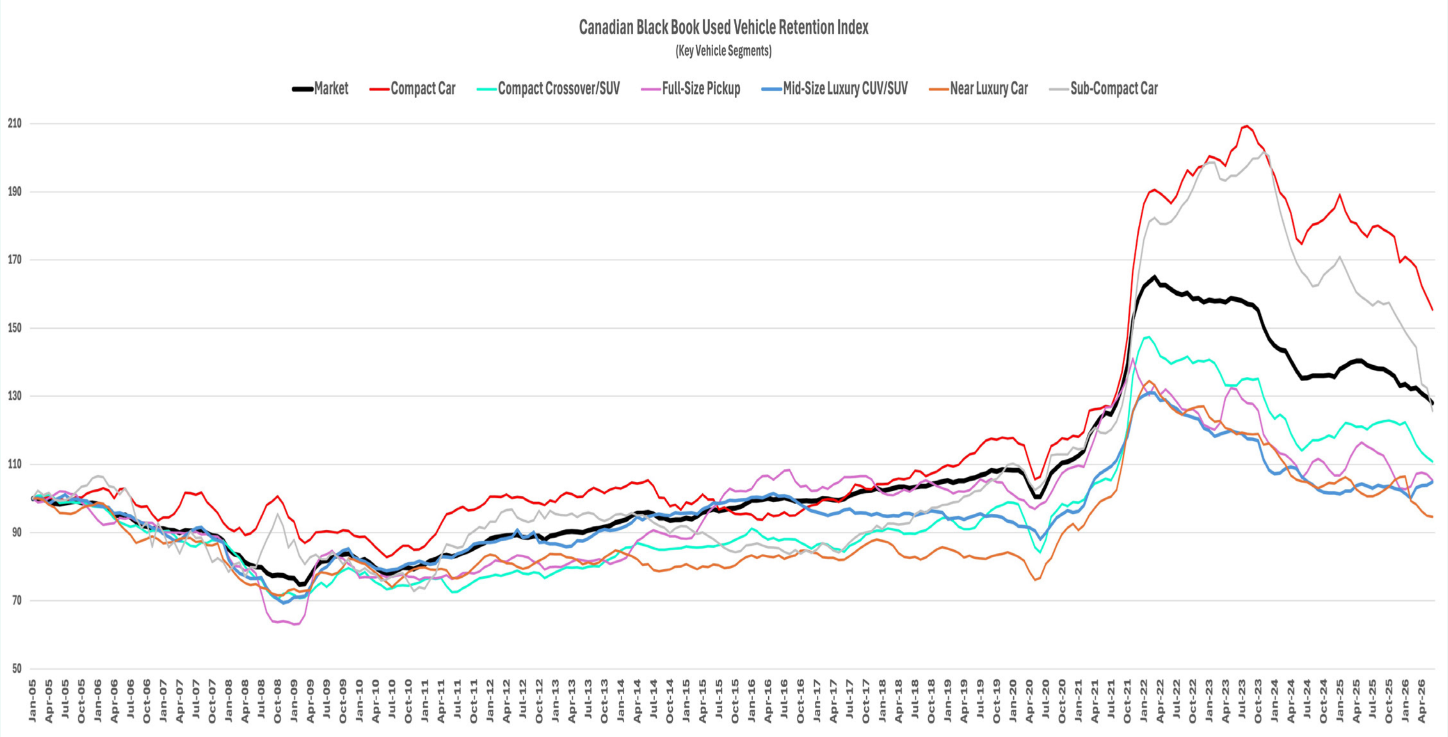
With the accelerated rate of depreciation versus last year, the retention index is forecast to continue its downward trend. Week-over-week wholesale adjustments are continually negative; the new car market is stabilizing over increased incentive spend and weaker comparables to the latter half of 2025, meaning further reduced demand internally and externally, with U.S. buyers becoming less of an outlet for market value support.



| | 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 | 138.5 | 138.1 | 138.0 | 137.0 | 135.9 | 133.1 |
| 2026 | 133.5 | 132.2 | 132.5 | 130.8 | 129.7 | 128.0 | 127.9 | | | | | |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| YOY% | -3.2% | -4.8% | -5.3% | -6.8% | -7.6% | -8.0% | -7.7% | | | | | |
| MOM% | 0.3% | -1.0% | 0.2% | -1.2% | -0.9% | -1.3% | -0.1% | | | | | |

In addition to our Market-Level index, Canadian Black Book also publishes an index for each of our 22 vehicle segments every month. Below is a select number of segments where you can see a snapshot of important Passenger Car and Light Truck indices in the Mainstream and Luxury markets. Our valuations also support a forecast set of indices providing insight into where the market and segments are heading and which are projected to be more or less volatile.




## NEGATIVE SPLIT DEPRECIATION IN 2025

A negative split typically means that performance improves in the second half. In the context of racing, it means getting faster versus the time taken in the first half. But in the context of vehicle depreciation, increasing this rate represents even greater negativity in the second half of 2025. Not such a positive spin in comparison.

Overall, only 1.6% of value was depreciated in the first 6 months, with the remaining 8.8% falling by December. This represents a split of the share of 15%/85% between each half of the year. Not a traditional market split by any means. Some segments still realized significant positivity, with annual depreciation trends as little as 5.1% for segments like Compact Luxury Crossover. This represented the trend toward vehicle downsizing, brought on by the economic climate towards the end of last year. With 5.4% depreciation for Small Pickups, this was also felt in more utility segments.

The same cannot be said for segments that have been retaining value extremely well for a substantial period of time. Those segments, led by Compact Vans, observed as much as 26% value depreciation last year, feeling the pain in the fourth quarter with more than half that change impacted over the last three months. Other notable mentions with this result were Full-size and Sub-Compact Car, showcasing the return of the market right back to the heart: which are Crossovers. Altogether, 8 segments performed above the market average, the majority of which can be found in the Light Truck market.

| | | 2025 Depreciation Rates | | | | |
|---|---|---|---|---|---|---|
| | | Q1 | Q2 | Q3 | Q4 | CY2025 |
| | All Vehicles | -0.8% | -0.8% | -3.1% | -6.2% | -10.4% |
| Passenger Cars | Compact Car | -4.4% | -1.4% | -2.2% | -8.2% | **-15.3%** |
| | Full-Size Car | -3.1% | -0.4% | -5.7% | -17.9% | **-24.2%** |
| | Luxury Car | -2.4% | -2.4% | -2.5% | -4.6% | **-11.2%** |
| | Mid-Size Car | -2.1% | -0.3% | -3.3% | -6.6% | **-11.4%** |
| | Near Luxury Car | -1.6% | -1.6% | -1.7% | -4.2% | **-8.5%** |
| | Premium Sporty Car | -0.8% | -0.8% | -1.6% | -3.0% | **-6.2%** |
| | Prestige Luxury Car | -2.8% | -4.0% | -4.4% | -5.8% | **-15.8%** |
| | Sporty Car | -1.0% | 1.2% | -2.8% | -6.3% | **-9.2%** |
| | Sub-Compact Car | -4.7% | -2.9% | -3.3% | -9.7% | **-20.6%** |
| Light Trucks | Compact Crossover/SUV | 1.5% | 0.2% | -3.2% | -5.6% | **-7.4%** |
| | Compact Luxury Crossover/SUV | 0.0% | -0.3% | -1.4% | -3.6% | **-5.1%** |
| | Compact Van | -5.9% | -2.2% | -5.6% | -14.5% | **-26.0%** |
| | Full-Size Crossover/SUV | 2.8% | -1.6% | -2.9% | -6.5% | **-9.2%** |
| | Full-Size Luxury Crossover/SUV | -0.6% | -2.3% | -3.2% | -6.5% | **-12.0%** |
| | Full-Size Pickup | 1.7% | 0.9% | -4.9% | -9.1% | **-11.5%** |
| | Full-Size Van | -5.1% | -3.0% | -4.5% | -4.8% | **-16.3%** |
| | Mid-Size Crossover/SUV | 0.0% | -0.8% | -3.3% | -6.9% | **-10.5%** |
| | Mid-Size Luxury Crossover/SUV | -2.6% | -1.9% | -3.4% | -4.2% | **-11.4%** |
| | Minivan | -1.7% | -0.3% | -3.9% | -7.2% | **-12.4%** |
| | Small Pickup | -0.9% | 0.5% | -1.1% | -4.7% | **-5.4%** |
| | Sub-Compact Crossover | 0.1% | -0.7% | -2.8% | -8.5% | **-10.3%** |
| | Sub-Compact Luxury Crossover | -1.5% | 0.4% | -3.8% | -6.0% | **-8.5%** |

SOURCE: CANADIAN BLACK BOOK ANALYTICS

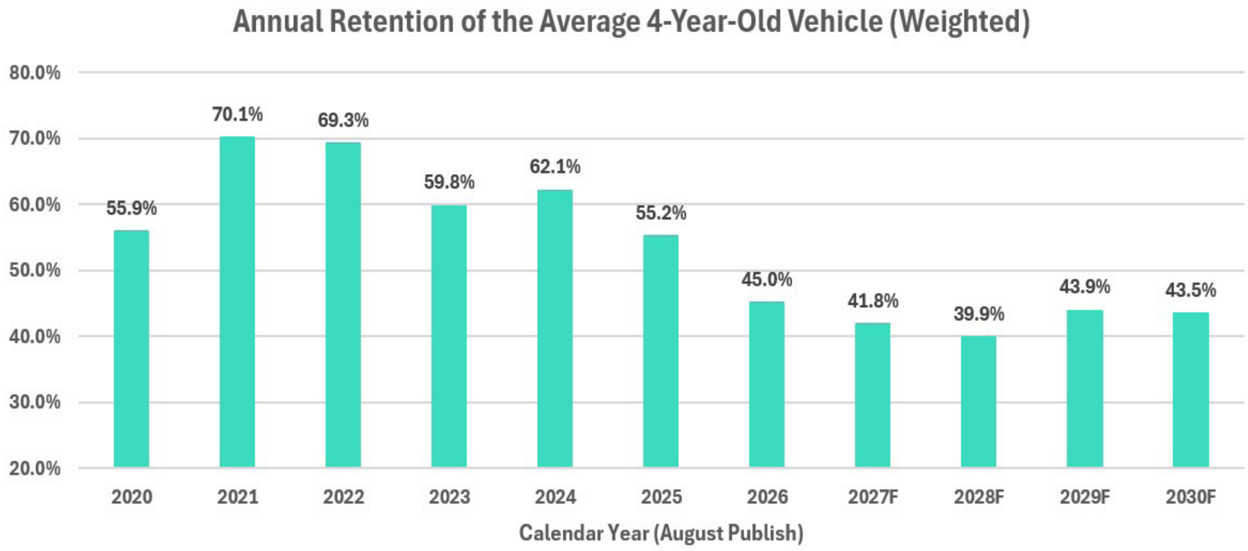
Note: Depreciation is measured using the Canadian Black Book Wholesale Average value of used vehicles at the beginning of the year and tracking that value throughout the year for a vehicle with normal usage. It is volume weighted on 2-to-6-year-old vehicles.

## MSRP IMPACTS HELPING 48-MONTH RETENTION LEVELS RETURN TO NORMAL

As of August data, actual retention of 4-year-old vehicles significantly reduced in 2025. The decrease of 6.9% compared to 2024 was led by a few factors, but none more relevant than price increases. With tariff impositions and reciprocal duties, the car market went on another fear-driven tear for used vehicles, only once the new car market 'pre-tariff' inventory had been scooped up. This drove values up, but soon after countered that effect late into the year. Seen from this late-year measure, the impact shrugged off serious momentum from earlier.

Moving forward to 2026, this value change has encumbered the start of this year substantially. The forecast retention level of 4-year-old vehicles in 2026 is 10.2% below last year. This comes as a definitive sign that the market is once again normalizing against high new car prices, growing incentives and increasing days' supply. These factors have been waiting in the wings while geo-political volatility and North American trade policy teetered back and forth. The sustained retention levels forecast beyond 2026 highlight the expectation that this normalized level should be an even more negative retention trend than we had leading us into the pandemic. Manufacturers have exacerbated this outcome due to actions between then and now, the impacts of which are causing this decline to be fast-moving, but should edge off significantly next year.

Persistent demand for electrification is continuing to grow in relevance as gas prices trend upwards while hybrid, plug-in hybrid and most importantly, electric vehicle prices trend downward. As the trajectory for these fuel types helps stabilize volatility in retention, gas vehicles as a whole will continue to fall off consideration lists and outside of core demand. There will continue to be concentrated segments/vehicle types that retain current demand levels, but these will focus around purpose-built models that cannot be as easily replicated through alternative fuel powertrains. Sports cars and pickup trucks are the most logical of examples.

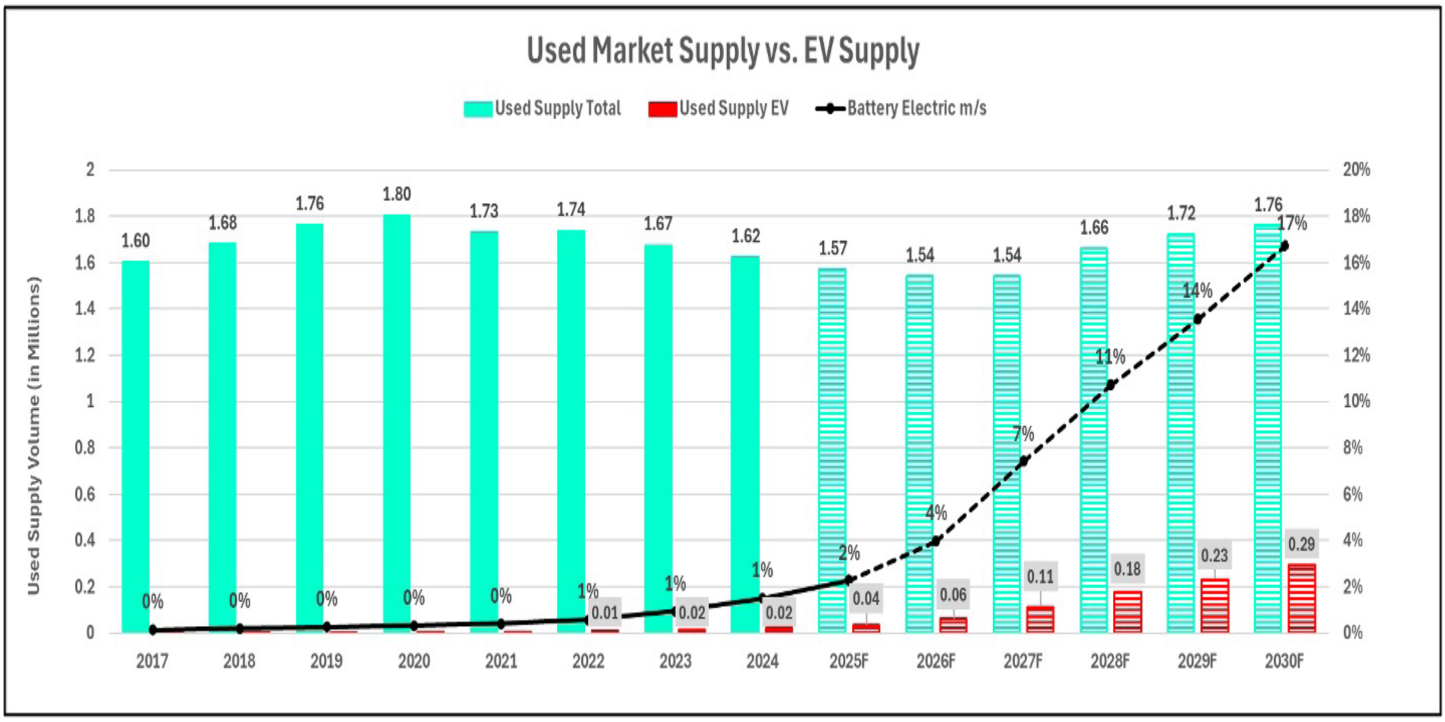



## PRICE EQUIVALENCIES AND ACCESS TO LEASING HELP EV SUPPLY BUILD

Sustained volatility has impeded sizeable progress in the EV landscape. Whether it stems from Canadian or U.S. borders, the North American sentiment on EVs continues to underperform the global average adoption rate. As obstacles decrease in size, the rationale behind consideration of these vehicles has marched forward slowly but surely. As it stands today, EV supply will grow from roughly 35,000 units last year to 50,000+ units this year, an increase of 47%. Representing only 4% of the overall supply of Used vehicles, EVs will continue to grow at an increasing rate. Backed by a greater share of leasing, EVs from the highest volume brands outside of Tesla will start to grow overall volume with a larger than typical share from luxury brands, like BMW, Mercedes-Benz and Audi. These brands have moved swiftly forward on EV availability within their lineups, with some of the earliest leasing programs available. In this realm, it is also important to note the price equivalency that luxury makes have between fuel types within their product offerings, encouraging this part of the market to accumulate volume more quickly. Trends like these have allowed for increased depreciation on the front-end of the vehicle value-to-age relationship.

The continuation of Used supply growth for EVs will improve retention stability. As this measure increases from 4% today to 14% in less than 36 months, the volatility, as with the depreciation trends, is front-loaded. Even in the absence of federal rebates, the market has progressed in 2025 if you refer to the month-to-month comparisons. Greater availability of models, with greater capabilities and growing experience to further consumer education can only help adoption. As the market concentrates on the $50,000 or less EV and Plug-in hybrid, older EVs will suffer. Short-term retention is forecast to decrease but so will other fuel types as our market continues to normalize on pricing and demand.

The value for electrified models continues to improve the more electrified we go. This was not the same sentiment mere months ago. The Electric Vehicle Affordability Program (EVAP) has helped along the adoption curve. While it does create volatility in the market, it also prepares legacy automakers and start-ups alike for the possibility of Chinese EVs entering the Canadian marketplace at greater scale in 2027. The Used supply forecast should anticipate some upside over the next 12 months. Leasing will become even more commonplace for EVs, just like sub-$50,000 models will be. This helps the equivalency of value calculation to Gas models. With the deteriorating effect of our federal rebate structure and the anticipation of market newcomers, we're forecasting new sale volume progression, measuring 13.9% this year on our way to new heights in 2027. Whatever the landscape for EVs looks like then, we can be sure it'll still be focused on price competitiveness. Affordability will continue to be a problem regardless of fuel type.



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

The report is issued on an annual basis. This report is another in a series of joint ventures between Canadian Black Book and Fitch. Canadian 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. Canadian Black Book collects and analyzes extensive wholesale data from auctions around the country. Canadian 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 Canadian Black Book or Fitch at the telephone numbers listed below.

### CANADIAN 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 Canadian 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*

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