DRASTIC VEHICLE VALUATION INCREASES IN 2022

What's causing it?

How long will it last?

What are we seeing in Charlottesville?

What can we do about it?

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Market Outlook – Update

December 2021

Wholesale Prices Continue to Reach New Historic Highs

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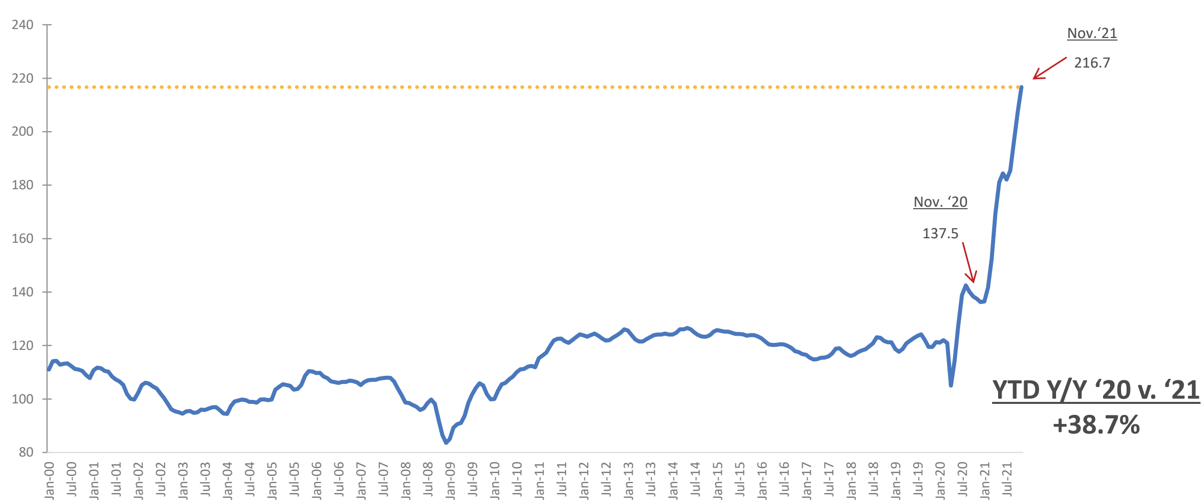
JDP Valuation Services Used Vehicle Price Index (SA)



- The UVPI increased by 9.2-pts in November '21 versus the prior month.
- In November '21, the UVPI ended the month 80.4-pts higher than December '20, prices are now up 38.7% YTD Y/Y versus '20.

Note: Vehicles up to eight years in age.

Mainstream Passenger Car Prices Beat Industry Average

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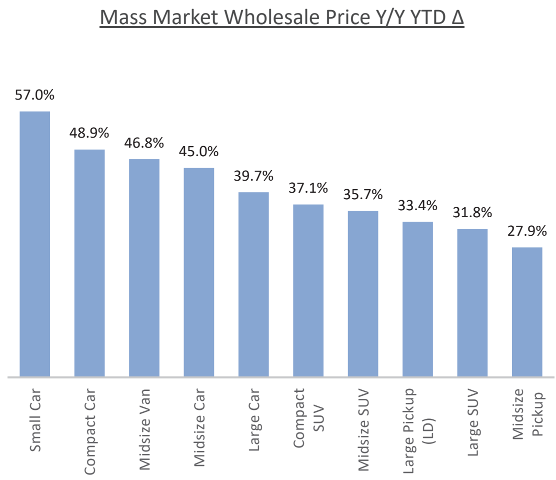

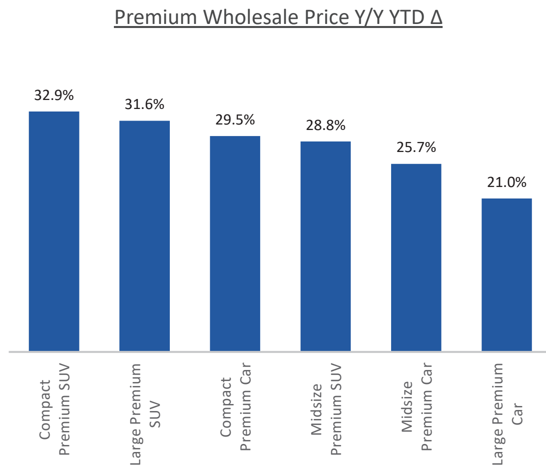

- Small and compact car prices continue to lead the industry in terms of Y/Y YTD changes, prices for the segments are respective figures of 57% and 49% above '20's YTD level.
- Mainstream segments continue to outperform their premium counterparts, due in large part to tighter levels of available units in wholesale and other channels.

Note: Vehicles up to eight years in age.

Used Market COVID Economy Hangover

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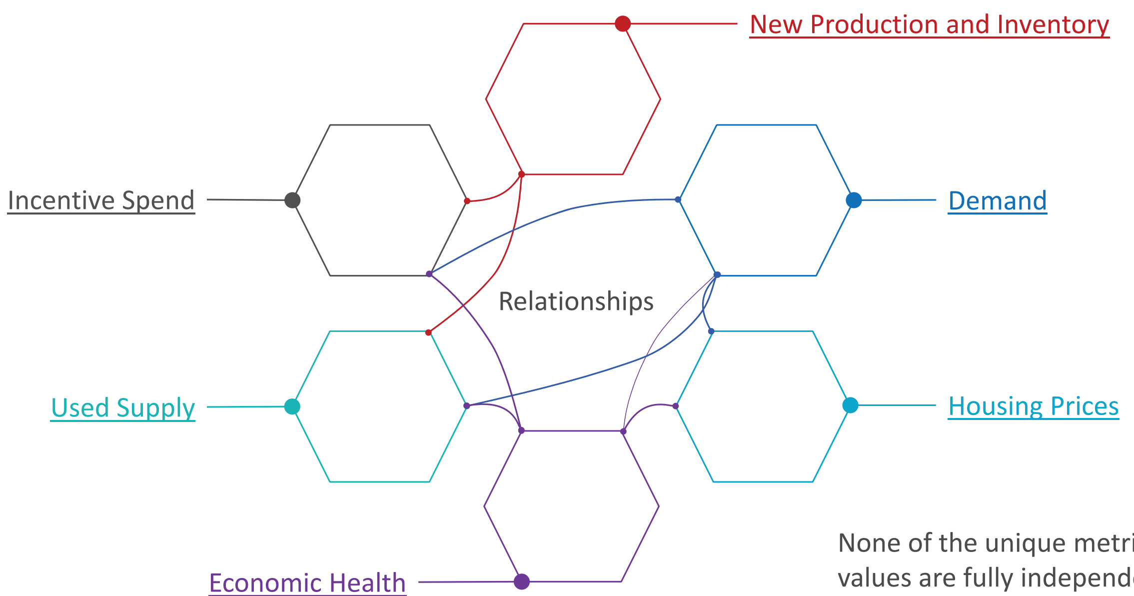

None of the unique metrics driving record market values are fully independent from the others.

Combined they are responsible to the used price increases.

Used Market COVID Economy Hangover

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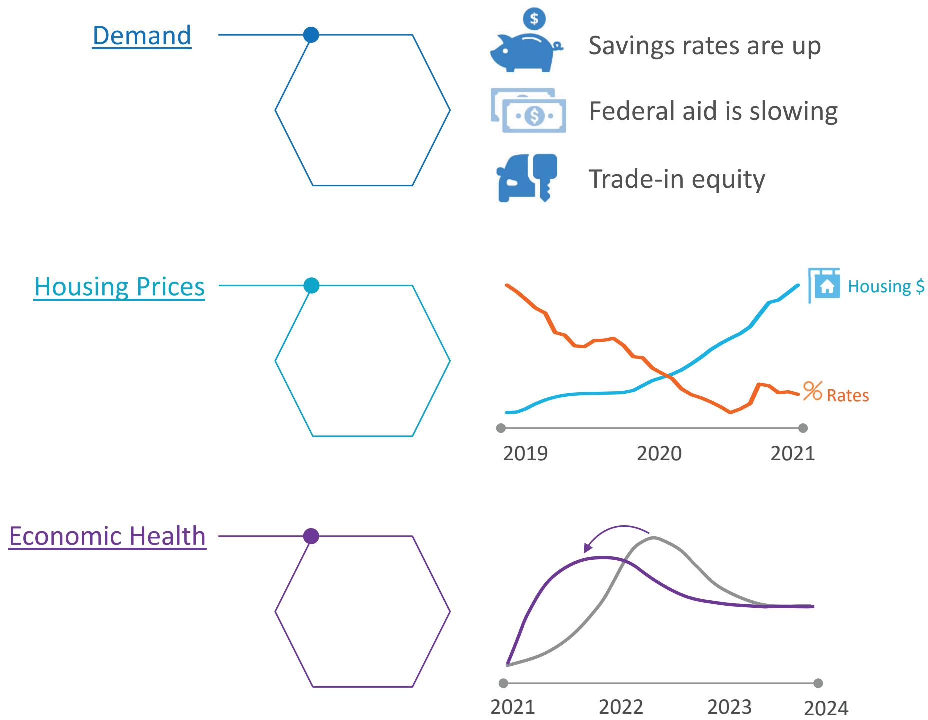
Macro Economic Impacts

- **Well funded consumer** based ready to purchase a new vehicle
- **Equity positions on vehicles** are driving higher lease buyouts
- The **housing** market is prime for **equity out refinance**
- **Economic recovery** has happened for the top half of the K
- Reported **inflation** is driven heavily by **auto prices**



Inventory Levels Slowly Return in 2022

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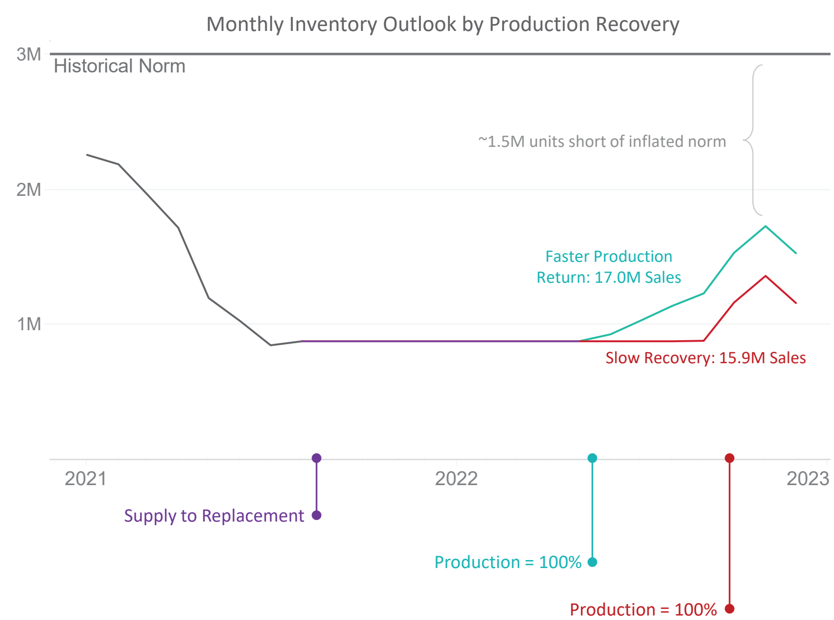
New Production and Inventory

- Inventory levels are likely to remain **below 1M** units through the rest of **2021**
- **2022 Sales** are expected to be above **15.9M to 17.0M**, delaying inventory recovery
- **3M units is not necessary** to provide reasonable days supply
- **2M to 2.5M** could be a **new normal base** for healthy supply



Source: PIN Consulting & Analytics

Incentive Spend Resets to Lower Norm

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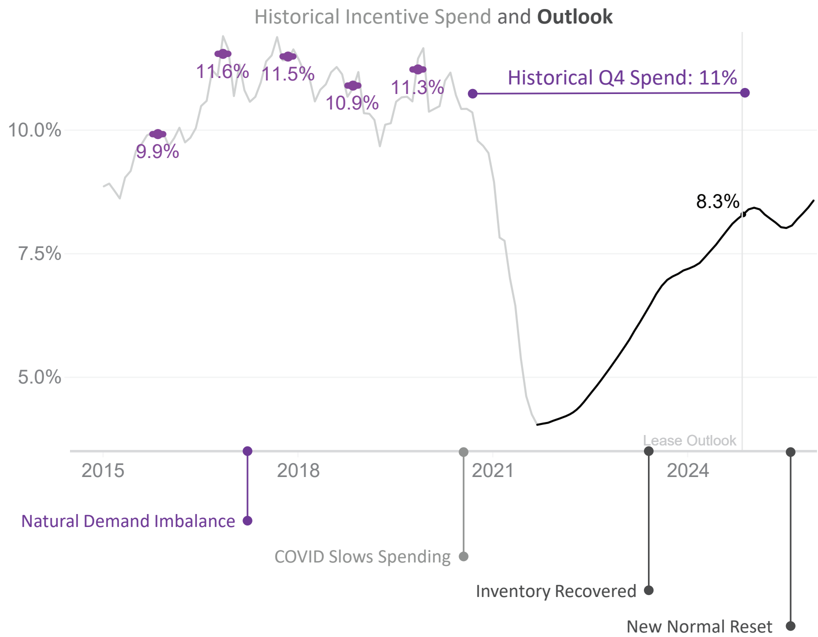
Incentive Spend

- Spend forecast to remain **below 7%** through **2022**
- The **ALG Natural Demand** forecast indicates incentives can stay **below ~9% of MSRP** long term
- **2021 is a perfect storm** for low incentive spend and levels will increase with inventory
- Recent **low inventory and spend** are proving long term **profit potential**
- Longer term outlooks are **down ~30% from** the highs observed at the **end of the 2010s**



Used Supply Moving Forward

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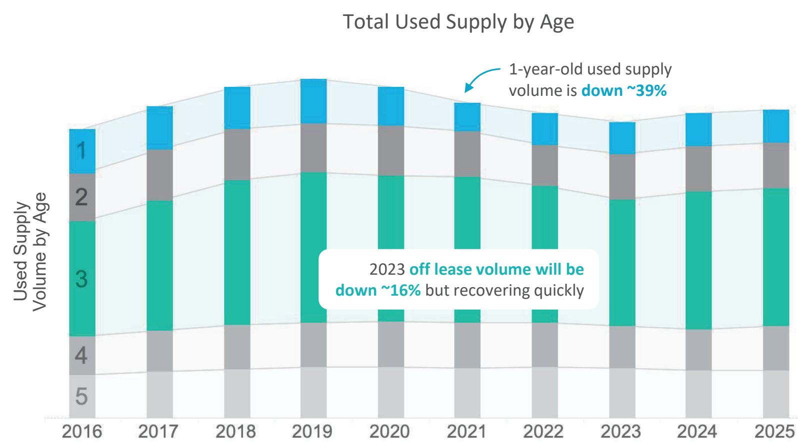
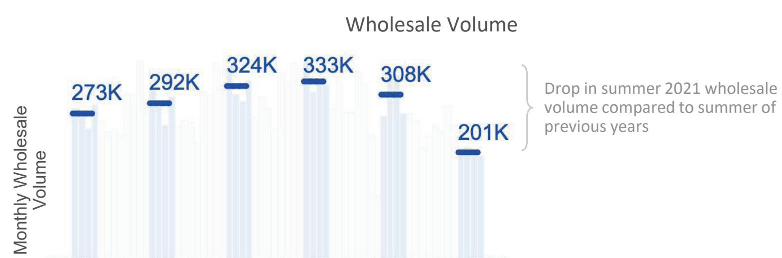
Used Supply

- **Total used supply has not decreased** by dramatic levels in 2021
- The channels the used units are moving through have **constricted retail supply**
- **Summer wholesale volume** for 1 to 5 year old model years is **down 40%** compared to pre-COVID levels
- Consumer **lease end buyouts are up** 2021
- Wholesale and retail volume is expected to **recover with new inventory**





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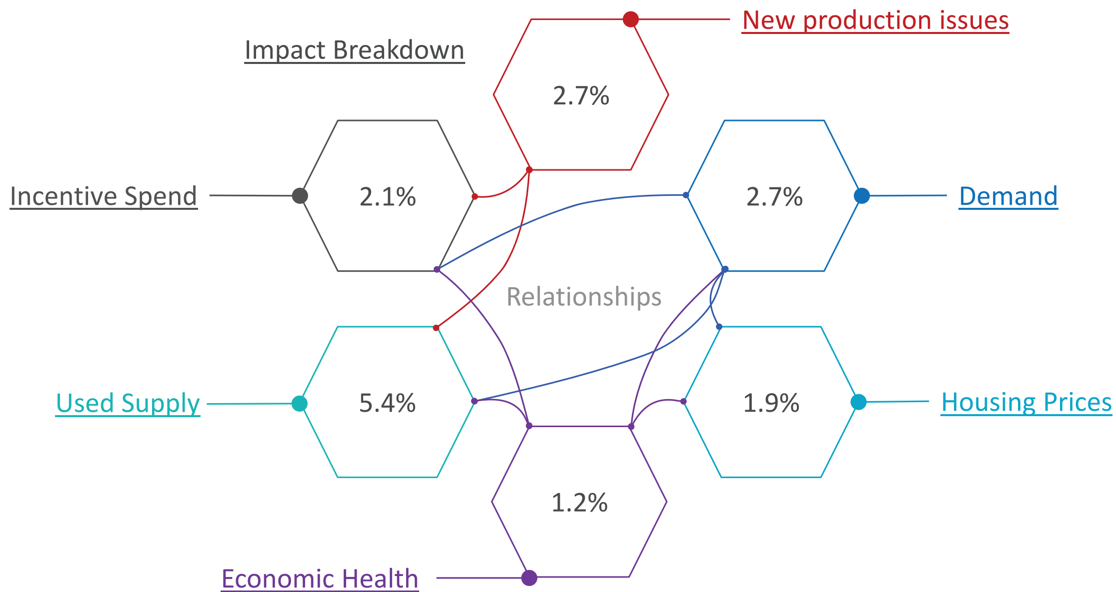
Annual Unexpected 2021 Growth

~16pts of MSRP

Average Dollar Impact

~$6,100



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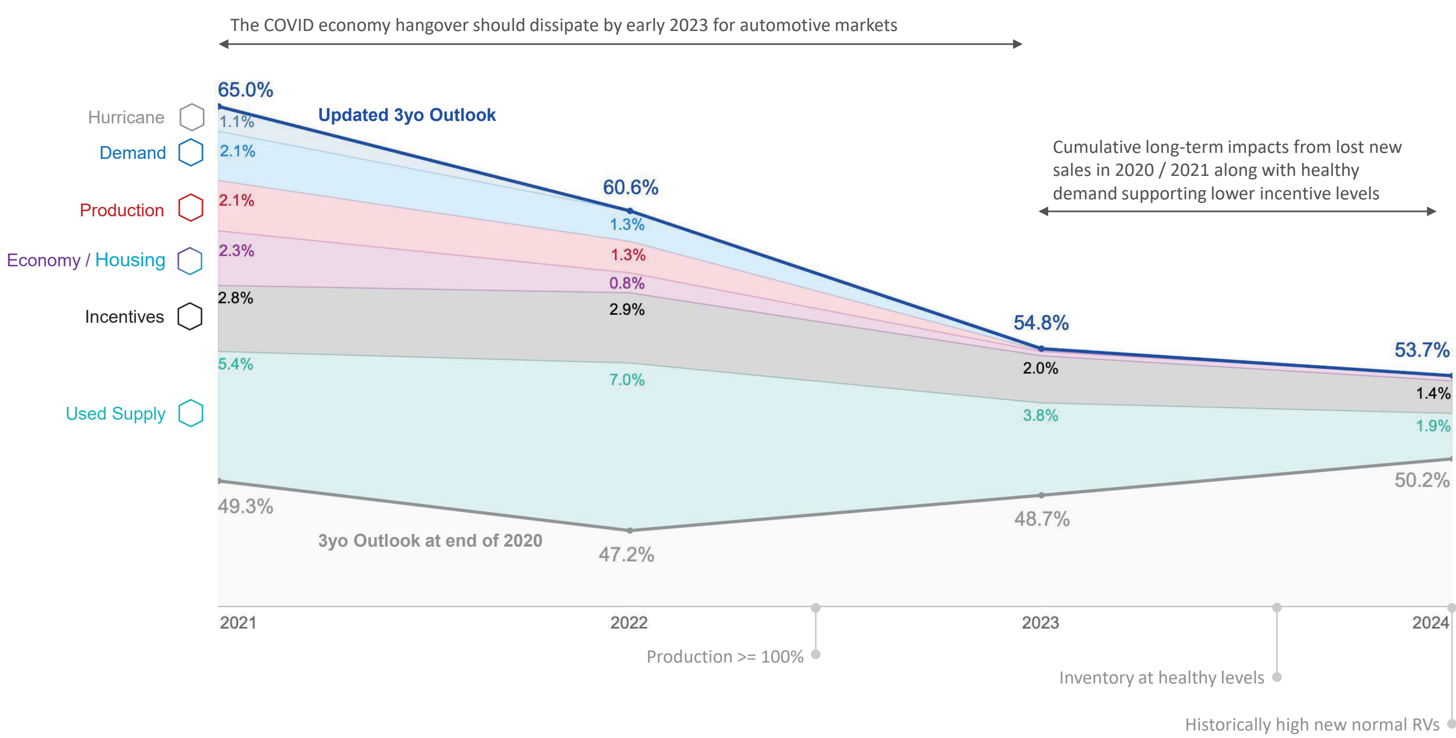
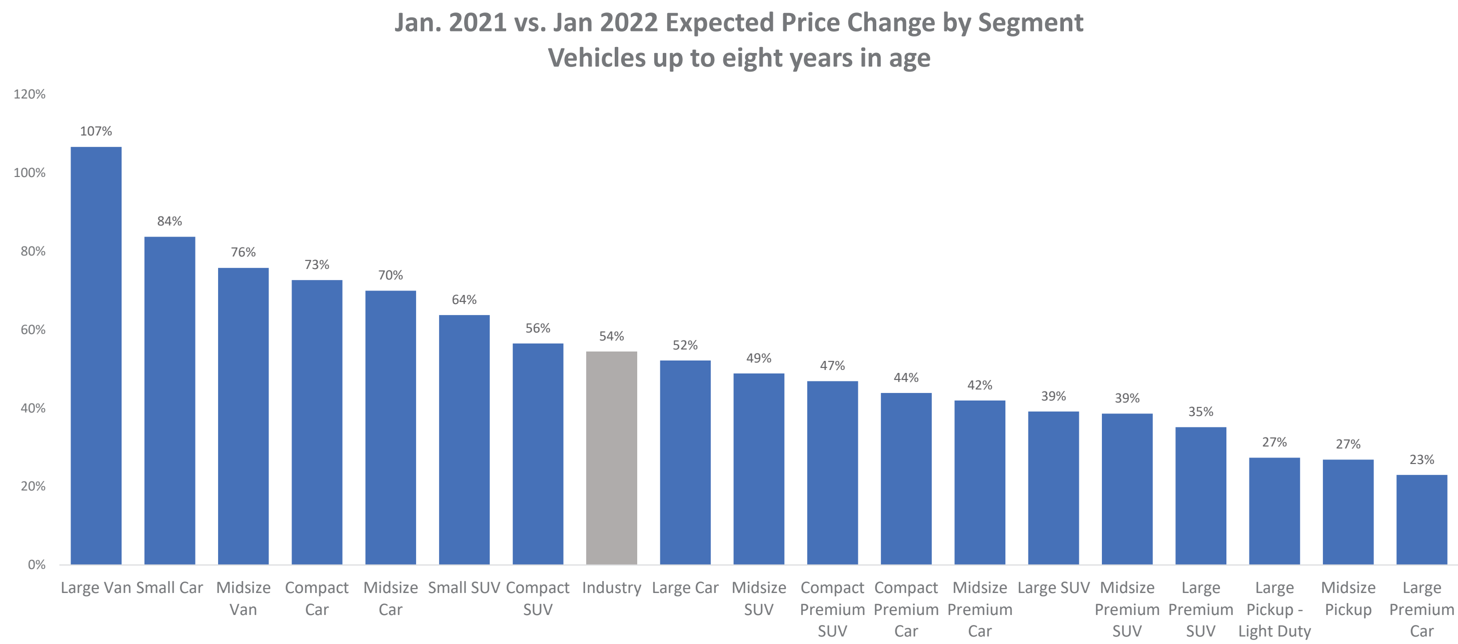
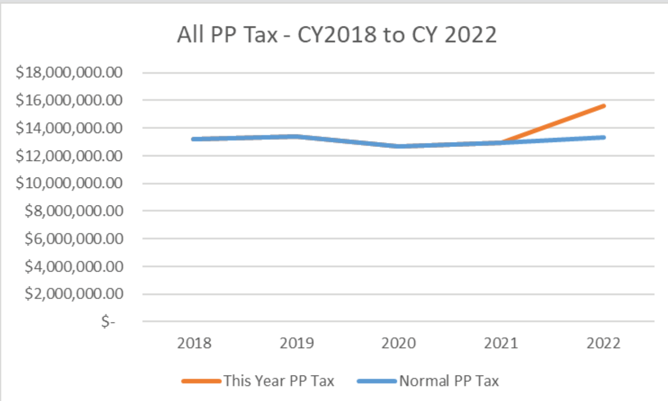


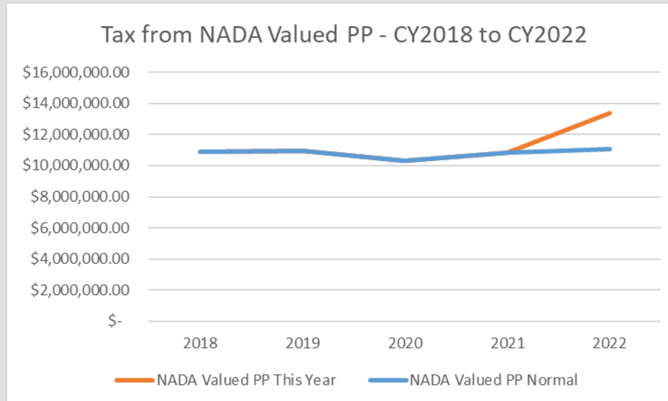


WHAT ARE WE SEEING IN CHARLOTTESVILLE?

% Change	Year 2017	% of Total	Year 2018	% of Total	Year 2019	% of Total	Year 2020	% of Total	Year 2021	% of Total	Year 2022	% of Total	% Change
71% to 80%	0		0		0		0		0		83	0.29%	71% to 80%
61% to 70%	0		1	0.00%	1	0.00%	0		0		189	0.66%	61% to 70%
51% to 60%	2	0.01%	3	0.01%	0		0		0		440	1.55%	51% to 60%
41% to 50%	3	0.01%	2	0.01%	0		1	0.00%	2	0.01%	2438	8.57%	41% to 50%
SUBTOTAL	**5**	**0.02%**	**6**	**0.02%**	**1**	**0.00%**	**1**	**0.00%**	**2**	**0.01%**	**3150**	**11.07%**	**SUBTOTAL**
31% to 40%	3	0.01%	11	0.04%	1	0.00%	0		2	0.01%	5669	19.93%	31% to 40%
21% to 30%	10	0.03%	17	0.06%	1	0.00%	1	0.00%	15	0.05%	8071	28.37%	21% to 30%
SUBTOTAL	**13**	**0.04%**	**28**	**0.10%**	**2**	**0.01%**	**1**	**0.00%**	**17**	**0.06%**	**13740**	**48.30%**	**SUBTOTAL**
11% to 20%	39	0.13%	67	0.23%	1	0.00%	7	0.03%	382	1.37%	5538	19.47%	11% to 20%
1% to 10%	186	0.64%	279	0.95%	148	0.54%	27	0.10%	2106	7.54%	1892	6.65%	1% to 10%
SUBTOTAL	**225**	**0.78%**	**346**	**1.18%**	**149**	**0.54%**	**34**	**0.12%**	**2488**	**8.91%**	**7430**	**26.12%**	**SUBTOTAL**
No Change	**677**	**2.34%**	**578**	**1.97%**	**577**	**2.10%**	**253**	**0.90%**	**2972**	**10.64%**	**227**	**0.80%**	**No Change**
-1% to -10%	11194	38.64%	11323	38.68%	14555	53.06%	15073	53.86%	18312	65.57%	3657	12.86%	-1% to -10%
-11% to -20%	13091	45.19%	13058	44.61%	10090	36.78%	10914	39.00%	3739	13.39%	70	0.25%	-11% to -20%
SUBTOTAL	**24285**	**83.84%**	**24381**	**83.29%**	**24645**	**89.84%**	**25987**	**92.86%**	**22051**	**78.96%**	**3727**	**13.10%**	**SUBTOTAL**
21% to -30%	3567	12.31%	3773	12.89%	1972	7.19%	1683	6.01%	384	1.37%	3	0.01%	21% to -30%
-31% to -40%	158	0.55%	118	0.40%	68	0.25%	22	0.08%	12	0.04%	0		-31% to -40%
SUBTOTAL	**3725**	**12.86%**	**3891**	**13.29%**	**2040**	**7.44%**	**1705**	**6.09%**	**396**	**1.42%**	**3**	**0.01%**	**SUBTOTAL**
-41% to -50%	13	0.04%	12	0.04%	17	0.06%	4	0.01%	0		0		-41% to -50%
-51% to -60%	13	0.04%	12	0.04%	1	0.00%	0		0		0		-51% to -60%
-61% to -70%	4	0.01%	1	0.00%	0		0		0		0		-61% to -70%
-71% to -80%	2	0.01%	2	0.01%	0		0		0		0		-71% to -80%
SUBTOTAL	**32**	**0.11%**	**27**	**0.09%**	**18**	**0.07%**	**4**	**0.01%**	**0**	**0.00%**	**0**	**0.00%**	**SUBTOTAL**
TOTAL VEHICLES	**28967**		**29273**		**27432**		**27985**		**27928**		**28445**		**TOTAL VEHICLES**

Year/Make/Model	2021 Assessed Value	2021 Tax	2022 Assessed Value	2022 Tax	Y/Y Assmnt Change	Y/Y Tax Change	% Change
2010 TOYOTA Prius-4 Cyl.	$4,700.00	$197.40	$5,950.00	$249.90	**$1,250.00**	**$52.50**	**27%**
2014 HONDA CR-V	$11,900.00	$499.80	$15,350.00	$644.70	**$3,450.00**	**$144.90**	**29%**
2012 TOYOTA Prius-4 Cyl.	$6,325.00	$265.65	$7,425.00	$311.85	**$1,100.00**	**$46.20**	**17%**
2017 SUBARU OUTBACK	$18,950.00	$795.90	$24,125.00	$1,013.25	**$5,175.00**	**$217.35**	**27%**
2015 SUBARU Forester	$12,500.00	$525.00	$16,025.00	$673.05	**$3,525.00**	**$148.05**	**28%**
2017 SUBARU FORESTER	$17,475.00	$733.95	$21,400.00	$898.80	**$3,925.00**	**$164.85**	**22%**
2013 TOYOTA Prius	$7,125.00	$299.25	$8,550.00	$359.10	**$1,425.00**	**$59.85**	**20%**
2013 HONDA Civic	$6,875.00	$288.75	$9,650.00	$405.30	**$2,775.00**	**$116.55**	**40%**
2015 HONDA CR-V	$14,550.00	$611.10	$18,150.00	$762.30	**$3,600.00**	**$151.20**	**25%**
2016 SUBARU OUTBACK	$15,700.00	$659.40	$20,425.00	$857.85	**$4,725.00**	**$198.45**	**30%**
2012 TOYOTA Camry-4 Cyl.	$6,625.00	$278.25	$8,875.00	$372.75	**$2,250.00**	**$94.50**	**34%**
2008 HONDA Civic-4 Cyl.	$3,275.00	$137.55	$4,600.00	$193.20	**$1,325.00**	**$55.65**	**40%**
2015 SUBARU OUTBACK	$14,200.00	$596.40	$18,400.00	$772.80	**$4,200.00**	**$176.40**	**30%**
2018 SUBARU Outback	$20,700.00	$869.40	$26,600.00	$1,117.20	**$5,900.00**	**$247.80**	**29%**
2017 FORD TRUCK ESCAPE	$13,150.00	$552.30	$17,600.00	$739.20	**$4,450.00**	**$186.90**	**34%**
2016 FORD TRUCK F150	$23,850.00	$1,001.70	$28,200.00	$1,184.40	**$4,350.00**	**$182.70**	**18%**
2018 TESLA Model 3	$33,200.00	$1,394.40	$43,450.00	$1,824.90	**$10,250.00**	**$430.50**	**31%**





WHAT CAN WE DO ABOUT IT?

Increase Personal Property Tax Relief (PPTR)

- Would only benefit vehicles that qualify for PPTR.
- Not uniform.
- Would have to be funded by the City.

WHAT CAN WE DO ABOUT IT?

Change NADA valuation factor (Currently Clean Trade-In)

- Would amount to only a moderate adjustment in value – not enough to offset increases.

WHAT CAN WE DO ABOUT IT?

Implement assessment ratio - i.e. assess vehicles at something less than 100% of value (allowed in 58.1-3503[B])

- Cumbersome - Tax software would not handle this very well; High mileage and other adjustments would need to be performed manually; Tricky to balance PPTR;
- Vehicles not found in NADA are typically assessed according to a depreciating percentage of original cost – so values are not increasing. These would benefit even further b/c new value would be a percentage of a percentage. Not fair.

WHAT CAN WE DO ABOUT IT?

Lower the tax rate.

- Problem - Under current law, the rate on most passenger vehicles cannot be lower than general class of personal property (think business tangibles, machinery & tools) – so if you lower it for those, you have to lower it for everything;
- Solution – HB1239 and SB771 – These create a new class of tangible personal property for rate purposes for passenger cars and trucks (and motorcycles).

Stay tuned…