



2024 Q2 – Fleet Report

Trends

Introduction

Despite the economy showing signs of resilience, stubbornly high interest rates and inflation remain on the horizon for the medium-term. As a result, staying on top of strategic vehicle selection, resale optimization and driver safety will be key differentiators to keep fleet managers afloat and businesses profitable.



Q2 Highlights

Acquisition

Proactively navigating the fleet vehicle supply chain has become increasingly critical, but with recent shifts in new vehicle inventory availability, a ray of hope for more efficient and cost-effective acquisitions has dawned on the horizon. This creates a healthier environment for obtaining new fleet vehicles, suggesting stability and sustainability. Any prevailing challenges can be met with flexible vehicle selection, significantly empowering businesses to effectively strategize to be well-placed for success.

Remarketing

Used vehicle prices continue decreasing toward more normal levels: prices are at the lowest since 2021 although not down to 2019 levels. More used EV cars are expected to enter the resale market due to year-over-year new EV sale growth. Finally, seasonality regains relevancy when considering vehicle resale now that disruption factors receded.

Safety

Driver experience and retention takes the spotlight as key areas of focus for fleet managers looking to enhance the building blocks of a well-rounded safety program. At the same time, customized telematics solutions to address poor safety driving habits remain top of mind with the climbing average costs of accidents.

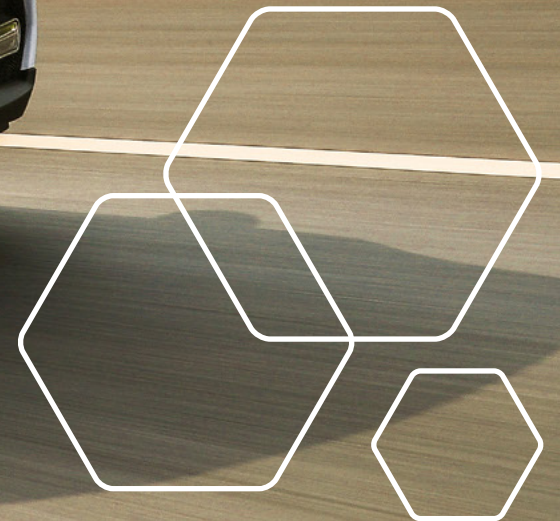


Report Contents

| | |
|---|----|
| Acquisition | 05 |
| Remarketing | 10 |
| Safety | 15 |
| Element's Strategic Advisory Services | 19 |
| Acknowledgments | 20 |



ACQUISITION



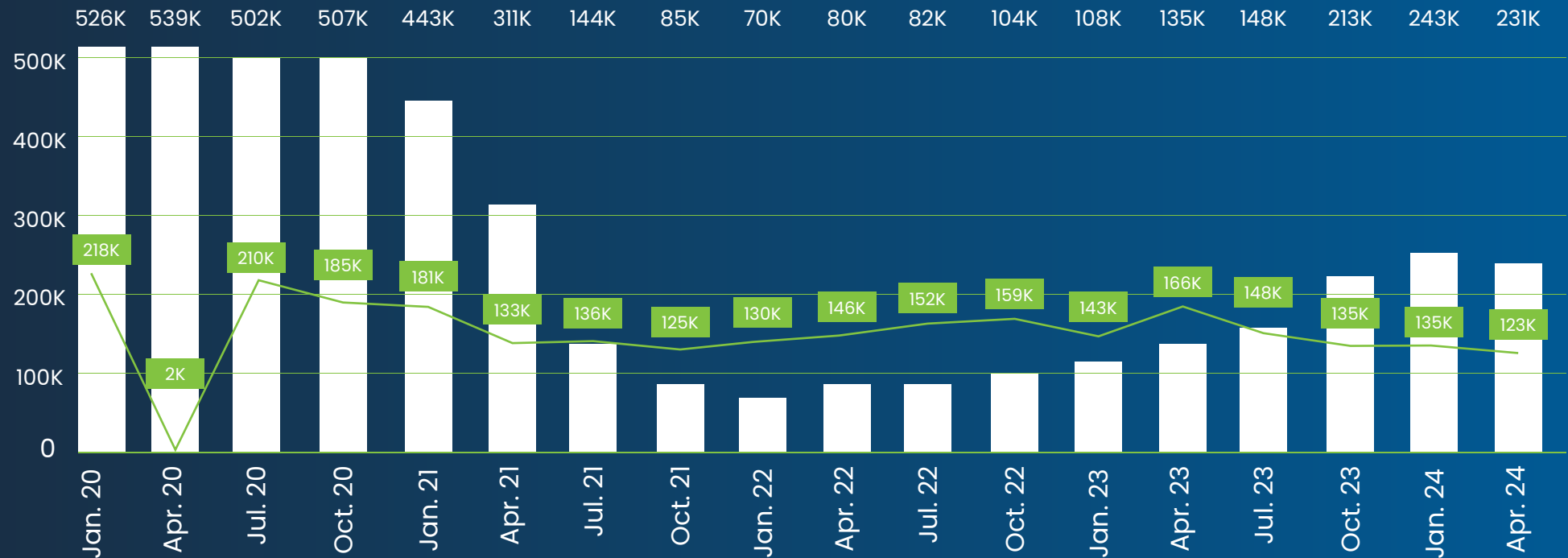
ACQUISITION

Key Trends

New vehicle inventory is improving

The availability of new vehicles continues to drive sales forward. This positive trend indicates a robust support system for new-vehicle transactions, further enhancing the buying landscape, marking a significant shift from previous constraints due to parts shortages and logistical challenges. It suggests a more favorable environment, signifying a potentially more stable and predictable process for securing new fleet vehicles.

Domestic Auto Inventories and US Auto Production



ACQUISITION

Key Trends

May 2024 New-Vehicle Sales Forecast*

| Segment | Sales Forecast ¹ | | | | | Market Share | | |
|------------------------|-----------------------------|------------------|------------------|-------------|-------------|---------------|---------------|-------|
| | May-24 | May-23 | Apr-24 | YOY% | MOM% | May-24 | May-23 | YOY |
| Mid-Size Car | 80,000 | 87,695 | 73,472 | -8.8% | 8.9% | 5.6% | 6.4% | -0.8% |
| Compact Car | 110,000 | 92,666 | 101,607 | 18.7% | 8.3% | 7.7% | 6.8% | 1.0% |
| Compact SUV/Crossover | 250,000 | 219,605 | 234,497 | 13.8% | 6.6% | 17.6% | 16.0% | 1.6% |
| Full-Size Pickup Truck | 190,000 | 193,630 | 179,736 | -1.9% | 5.7% | 13.4% | 14.1% | -0.7% |
| Mid-Size SUV/Crossover | 225,000 | 239,154 | 212,624 | -5.9% | 5.8% | 15.8% | 17.4% | -1.6% |
| All Other Segments | 565,000 | 538,874 | 532,275 | 4.8% | 6.1% | 39.8% | 39.3% | 0.5% |
| Grand Total | 1,420,000 | 1,371,324 | 1,334,211 | 3.5% | 6.4% | 100.0% | 100.0% | |

¹Cox Automotive Industry Insights data.

All percentages are based on raw volume, not daily selling rate

High demand, short supply

What still remains in shorter supply are compact vans and medium trucks, due to discontinued, or low inventory.¹ By staying flexible when selecting vehicle types, models and with upfitting solutions,² this challenge can be creatively overcome. Compact power with versatility can be found in alternative sources such as minivans, pickup trucks and SUVs. Supply in the car, SUV, and pickup truck retail inventory has helped fleet customers with greater incentives, primarily with volume order commitments. In Mexico the trend to overcome the demand of vehicles in different segments, has been a large introduction of new brands in the country with more than 18 new OEMs in the market since 2021.³

It is a positive indicator that increasing OEM vehicle incentives are leveling out. OEM open-ordering and OEMs looking to move inventory, are reducing restriction when it comes to ordering. Further incentives are increasing on the EV/ICE side spurred on by the Inflation Reduction Act.⁴

¹Getting creative with a lack of van availability ²Mastering fleet vehicle selection criteria ³Las marcas de autos mas vendidas en Mexico durante 2023 ⁴How Inflation Reduction Act EV Incentives are driving a U.S. manufacturing renaissance

ACQUISITION

Key Trends

Aging fleets

Having endured global parts shortages and logistics delays, cycle times are improving but fleets are showing signs of aging. This trend has risen incrementally since 2019. Even with the recovery that is taking place and with improvements to vehicle supplies, the rate of aging has not appeared to decline.

Due to the high mileage of these assets, vehicle downtimes have increased since this places high demand on the overburdened labor sector. Technician shortages are caused by the rate of graduates having dropped by 20% since 2020, and the aging workforce heading into retirement. The Bureau of Labor and Statics projects that the demand for technicians will remain through 2031 and that 100k new automotive technicians will have to join the workforce every year through 2026 to meet demand.



ACQUISITION

Recommendations

1

Review your vehicle selectors and total cost of ownership (TCO) to choose the best vehicle to fit your fleet needs.

2

Proactively plan for fleet ordering needs by understanding the key players in the supply chain.⁵

3

Establish a replacement policy plan. Aim for 30% over 3 years (10 – 20% is more targeted) depending on type of vehicle requested.

4

Maintain great relationships with multiple OEMs and partners.

⁵ Understanding the players within the fleet vehicle supply chain

REMARKETING



REMARKETING

Key Trends

Availability of used electric vehicles increases⁶

As the EV landscape evolves, new car sales continue to advance, despite a recent slower pace of growth due to volume increase. Because of the year-over-year spikes in EVs, there is a strong potential for a larger selection of sustainable vehicles arriving in the used EV market. This scenario also indicates that the price difference between a used Battery Electric Vehicle (BEV) and an Internal Combustion Engine (ICE) vehicle is narrowing down. According to Auto Remarketing, BEVs were \$7,000 more expensive than ICE vehicles in Q1 2024, down from a \$13,000 gap a year ago.⁷

Depreciation rates are normalizing

In the last few years, used cars prices peaked due to the chip shortages and limited new vehicle inventory. Nowadays, prices have come down to more normal levels, although they haven't fallen to pre-pandemic ranges yet: vehicles are currently depreciating between 60%-65% whereas depreciation in 2019 was at ~55%.⁸

Current prices are at the lowest since 2021/2022 peaks, despite the significant increase on odometers readings.

⁶ How close are we to EV cost parity ⁷ Used EV selection increases, prices decline ⁸ Remarketing trends 2024

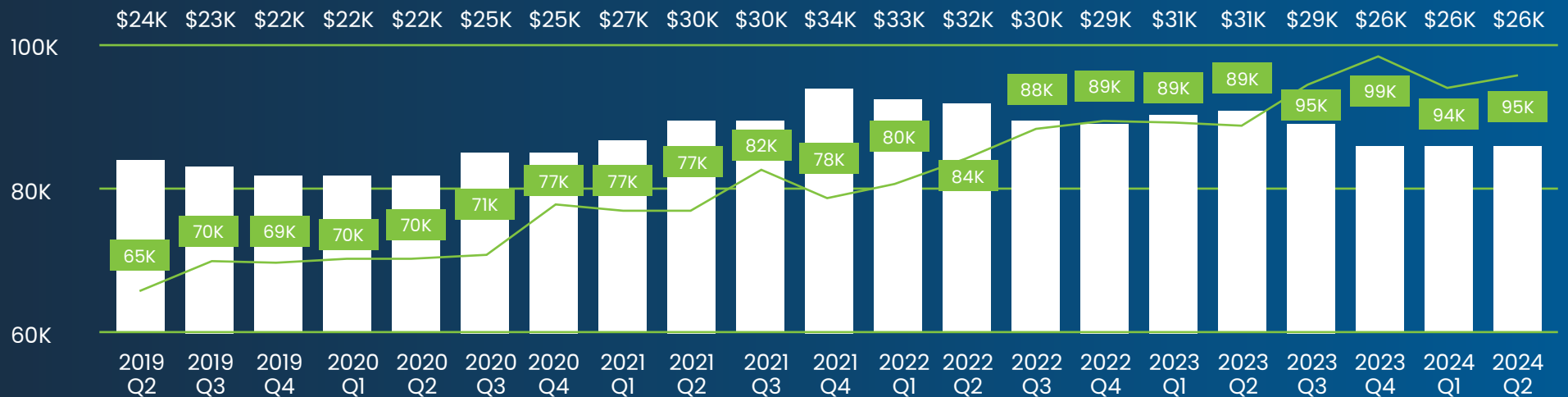
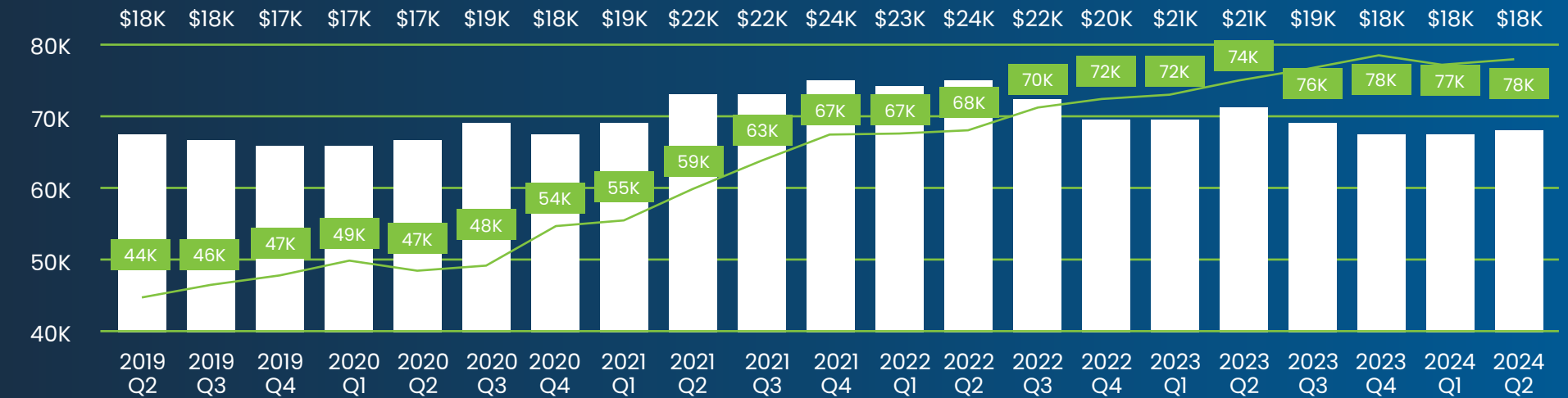


REMARKETING

Key Trends

Current prices are at the lowest since 2021/2022 peaks, despite the significant increase on odometers readings.

Average Sale Price and Average Odometer for U.S. and Canada respectively:

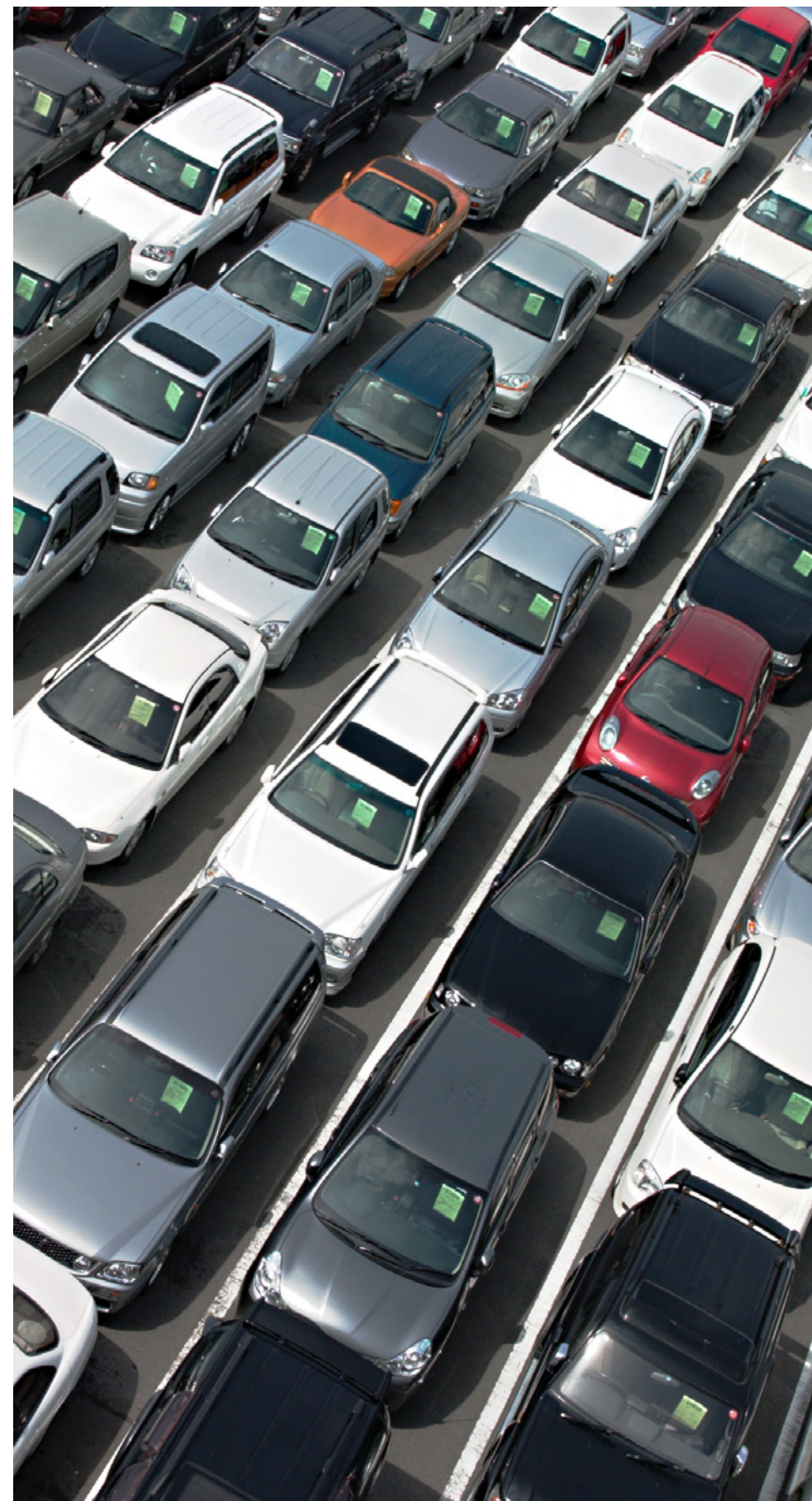


REMARKETING

Key Trends

Typical depreciation per seasonality is back

With used cars prices returning to more familiar levels, traditional seasonal depreciation and rise patterns also return. Typically, prices tend to go up in the fall and spring, making these periods ideal for selling used vehicles. Recent disruptions that altered these cycles have diminished, returning the market to its predictable rhythms. This normalization means sellers can now better anticipate price fluctuations and plan their sales strategies accordingly.



REMARKETING

Recommendations

1

Establish and follow a vehicle replacement cycle as the used vehicle market shifts to closer pre-pandemic prices.

2

During vehicle acquisition, consider how the vehicle type and its key features affect resale.

3

Perform interior and exterior vehicle care maintenance for higher remarketing values.

4

Consider seasonality and time vehicle replacement to optimize resale.

SAFETY



SAFETY

Key Trends

Greater focus on driver experience for retention

The complex interplay between ensuring safety and retaining drivers is becoming increasingly pronounced. Recognizing and appreciating fleet drivers for their unwavering commitment to safety is emerging as a critical factor in bolstering driver retention. This acknowledgment not only elevates their morale and job satisfaction but also engenders a robust sense of belonging and dedication. Ultimately, fostering a culture of safe driving not only enhances operational efficiency but also contributes to a safer fleet overall.

Tailored telematics will continue to play a bigger role

The utilization of connected solutions for real-time insights into driver behavior provides a comprehensive approach to mitigating risks of accidents. As the priority to enhance fleet driver experience through clear safety guidelines grows, so does the complexity of transforming real-time vehicle data into meaningful, actionable insights.⁹

⁹ How telematics transforms fleet safety



SAFETY

Key Trends

Average cost for fleet accidents on the rise

The Network of Employers for Traffic Safety (NETS) has reported the average employer's cost for fleet accidents hit an astonishing range from \$5,483 for physical damage to \$75,176 for non-fatality injuries and up to \$751,382 for fatality crashes.¹⁰ Coupled with escalating jury verdicts for fleet accidents, which, according to the American Transportation Research Institute (ATRI), now average \$22.3 million¹¹, the financial stakes for companies are higher than ever. In Mexico, in the same trend, the increase of +22% YoY impacts ranging from US \$5,200 for physical damage, and up to US \$57,176 for fatality crashes, which according to the Mexican Institute of Transportation (IMT) it represents 0.3% of GDP ~ US \$72.2 million¹². This reality accentuates the importance of comprehensive safety measures and policies to mitigate these substantial financial risks and reinforce the imperative of safety-first practices in fleet management.

¹⁰ Crashes add up factors that cost fleets money ¹¹ Nuclear verdicts - what fleets should know: causes & mitigation

¹² Fundamentals for creating a safety program



SAFETY

Recommendations

1

Implement a culture of safety that recognizes drivers' commitment to safety protocols, boosting morale and improving retention.

2

Conduct a motor vehicle record (MVR) review for prospective hires and establish a well-rounded fleet safety program.

3

Incorporate telematics as a strategy of your safety program to help inform decisions on areas for training and coaching.

4

Adopt advanced safety features, including crash avoidance technologies to complement a robust fleet safety program.

Element's Strategic Advisory Services

Element's strategic advisory team brings deep expertise to help you realize greater productivity and reduced total cost of ownership. Leveraging the most robust benchmarking database in the industry with over 1 million vehicles under management, the team uses advanced analytics to mine data for actionable insights. In 2023, the team identified over \$1.7B in annual client cost savings globally.

Find out more about Element's strategic advisory services or get in touch with us!



Steve Jastrow | Vice President,
Consult & Analytics

Steve is a client-focused executive leader with over 25 years of experience championing high-performing finance, commercial advisory, data and analytics organizations within the General Electric Corporation and Element Fleet Management. At Element, he heads a team of over 40 experts with on average 13 years of industry experience. The team is focused on supporting clients' fleet goals including fleet cost savings, operational efficiencies and sustainability through financial modelling and advanced analytics.



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Strategic Planning Director | Mexico

Alejandro is a Business executive leader with more than 20 years of experience in Commercial, Marketing and Planning areas in companies such as The General Electric Corporation, among others. At Element, he is responsible for Strategic Advisory, Marketing and Strategic Planning for Mexico. The Strategic Advisory Team supports +120 strategic clients focused on helping them achieve their goals, developing improvement analysis and working on ad-hoc projects for cost savings.

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About Element Fleet Management

Element Fleet Management (TSX: EFN) is the largest pure-play automotive fleet manager in the world, providing the full range of fleet services and solutions to a growing base of loyal, world-class clients – corporates, governments, and not-for-profits – across North America, Australia, and New Zealand. Element's services address every aspect of clients' fleet requirements, from vehicle acquisition, maintenance, accidents, and remarketing, to integrating EVs and managing the complexity of gradual fleet electrification. Clients benefit from Element's expertise as the largest fleet solutions provider in its markets, offering unmatched economies of scale and insight used to reduce fleet operating costs and improve productivity and performance. For more information, visit www.elementfleet.com.

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