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Analysis from Kelley Blue Book's Analytic Insights Team

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MARKET ANALYSIS:

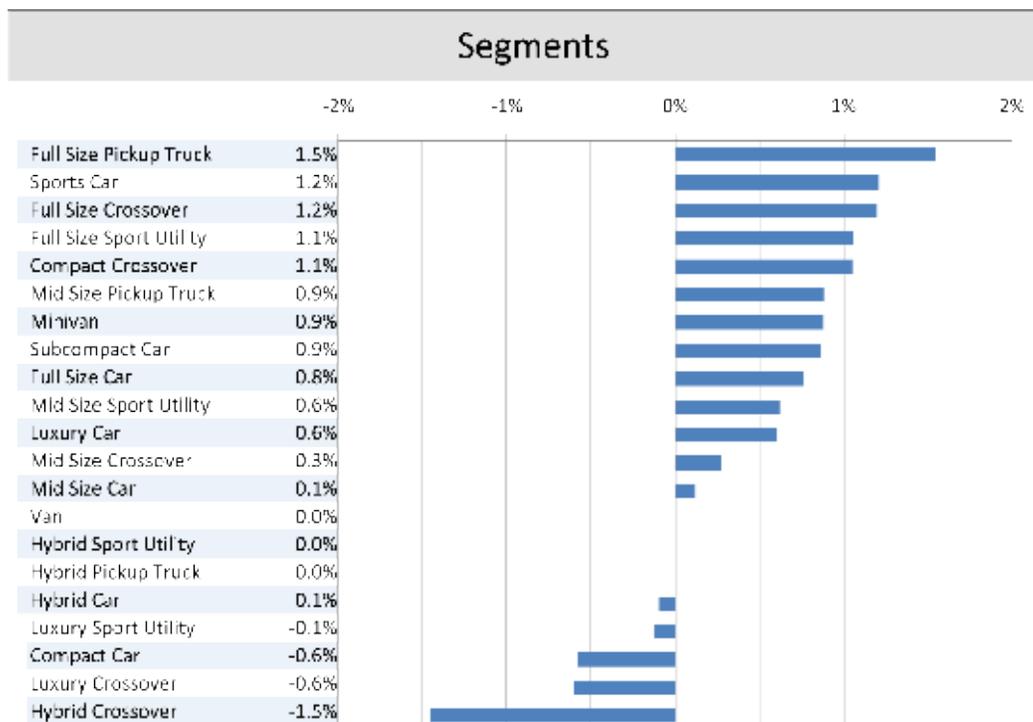
SHOPPERS UNINFLUENCED BY STEADY FUEL PRICES

- Juan Flores, director of vehicle valuation, Kelley Blue Book

Since the beginning of the year, used-car values have remained strong, and while increases are still apparent, they are slowing as we hit mid-summer. The exception to the slowing pace of appreciation will be convertibles and sports cars as they typically perform well during the summer months. A lack of available inventory has been the primary driving force behind this market-wide appreciation, as dealers struggle to find an adequate supply of good condition late-model vehicles at auction. Supply concerns have maintained as a result of many factors, including but not limited to a significant reduction in trade-ins and reduced fleet sales by OEMs.

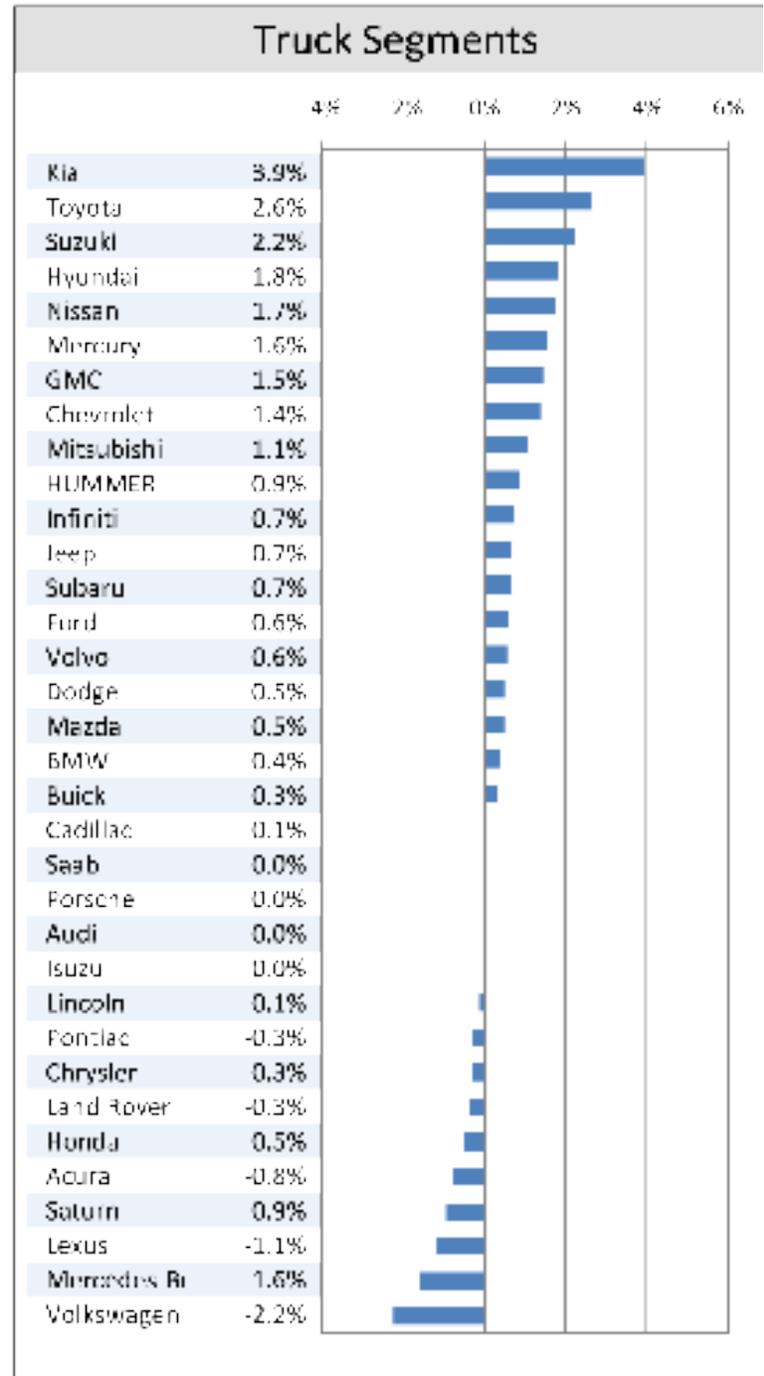
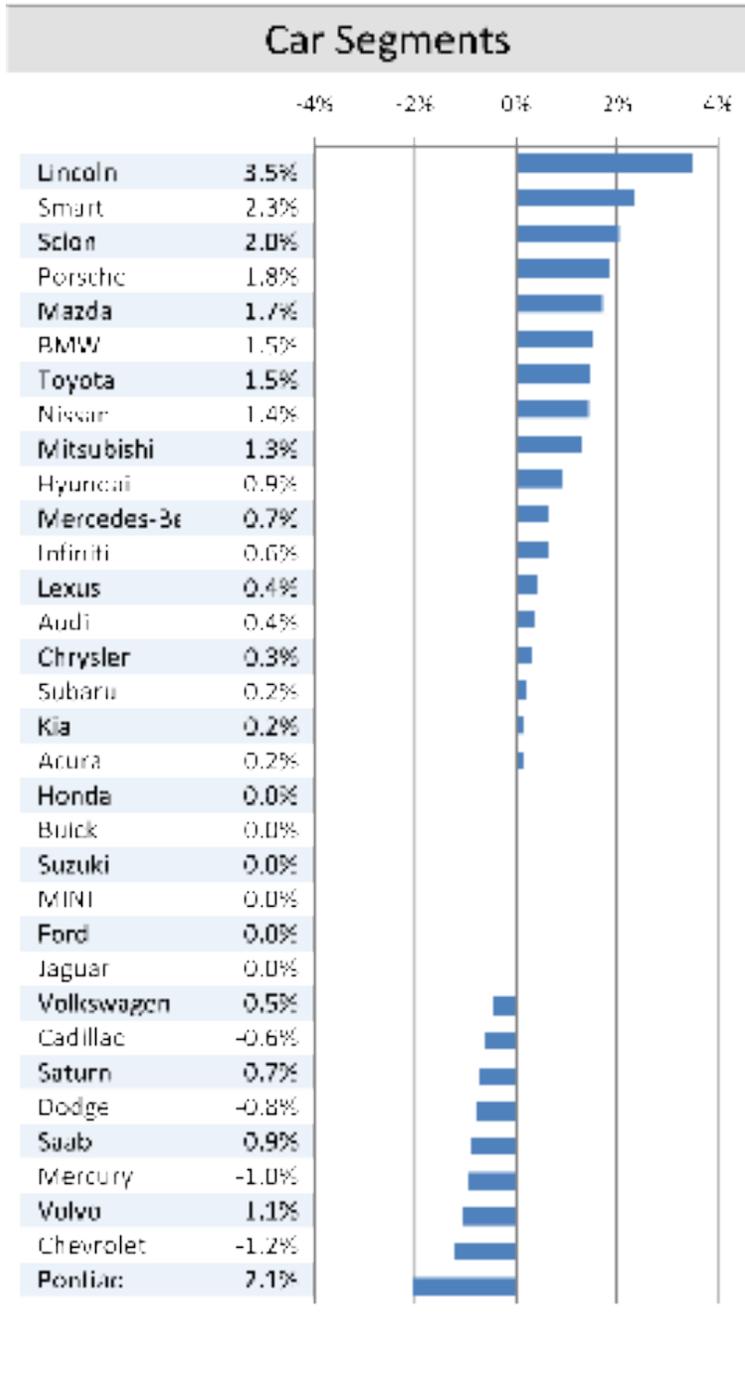
While values for used vehicles have consistently strengthened through much of 2010 (values are up 6.2 percent year-over-year), the slowing pace of appreciation may be an indication that the market has reached a point of equilibrium. The key determinant in the strength taking place so far is a lack of supply, and while demand has been sufficient to keep prices strong, we don't believe that the strength will be maintained across all segments moving forward. According to our forecast, we expect values for trucks and SUVs to soften in the 3rd and 4th quarter, while values for compact and mid-size cars will continue to strengthen through the same period.

Gas prices have steadily increased since January 2009, yet they have not risen to a level sufficient to influence consumer behavior. Even traditionally fuel-sensitive segments have remained resistant to the downward pressure on values as a result of increasing fuel prices. In fact, full-size pickup trucks and SUVs were among the best performing segments this month, each up more than 1 percent. Overall, values were up a modest 0.7 percent for the month. Hybrid and luxury crossovers underperformed the market average, depreciating 1.5 percent and 0.6 percent, respectively, which can be attributed to typical seasonal depreciation.



The above chart displays month-over-month used-vehicle depreciation percentages by segment. The depreciation percentages shown are not indicative of the retention percentages or relative positions of the included segments.

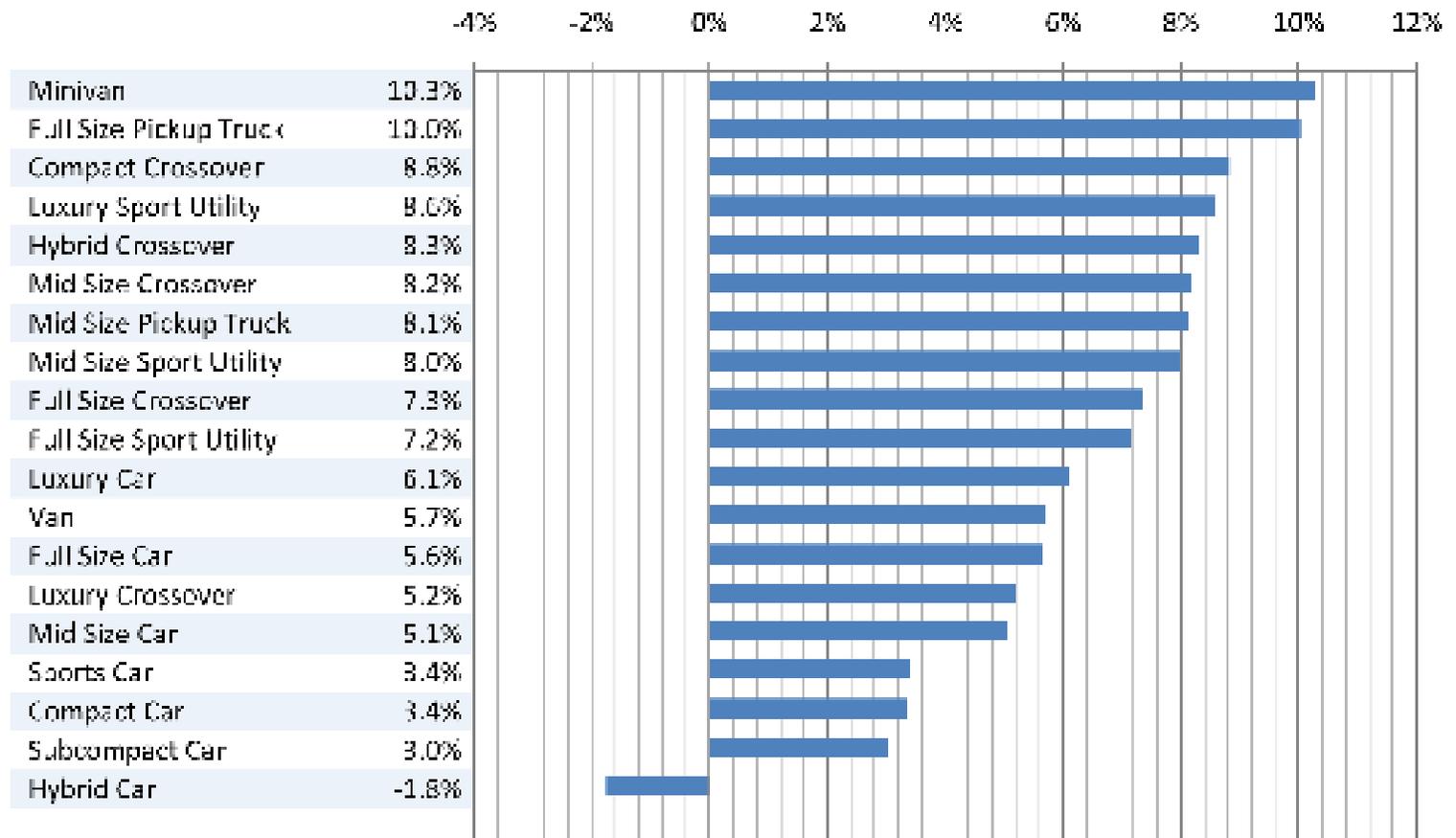
Car & Truck Segment Overview



The above charts display month-over-month used-vehicle depreciation percentages by brand. The depreciation percentages shown are not indicative of the retention percentages or relative positions of the included brands.

Year-Over-Year Segment Overview

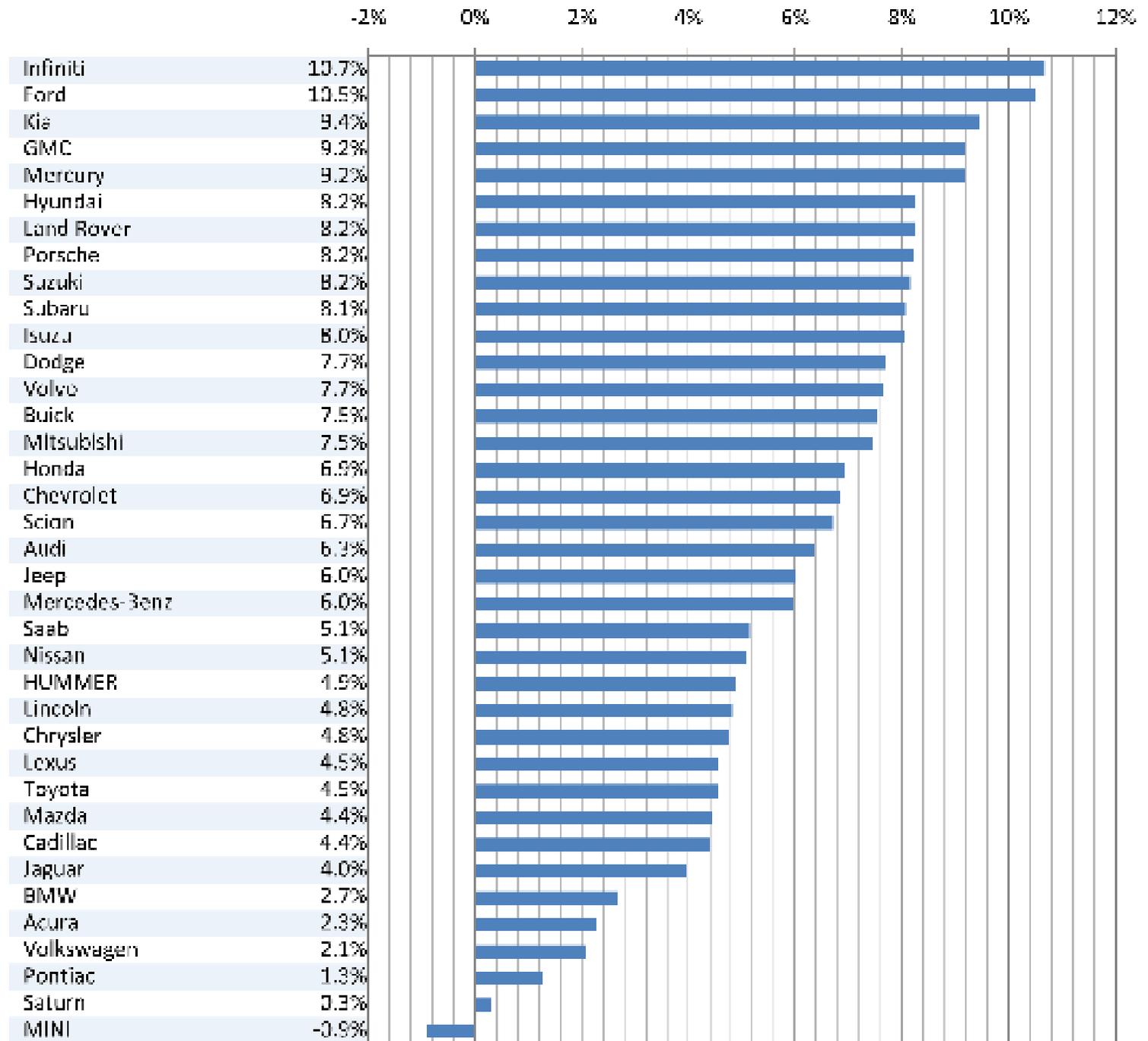
Year-Over-Year Segments



The above chart displays year-over-year change with respect to retained value (auction value/MSRP). This change reflects the average retained value of MY 2005-2008 vehicles in the current period compared with average retained value of MY 2005-2007 vehicles for the same period in the prior calendar year.

Year-Over-Year Brand Overview

Year-Over-Year Brands



The above chart displays year-over-year change with respect to retained value (auction value/MSRP). This change reflects the average retained value of MY 2005-2008 vehicles in the current period compared with average retained value of MY 2005-2007 vehicles for the same period in the prior calendar year.

SEGMENT FORECASTS

Segment	Percent Change	
	3 rd Qtr	4 th Qtr
Compact Car	1.1	0.4
Subcompact Car	2.1	1.3
Mid-Size Car	0.9	0.4
Luxury Car	(-0.3)	(-0.6)

The Chevrolet Cobalt and Chrysler PT Cruiser are expected to lead the compact segment. The Hyundai Accent and Kia Rio take command of the subcompact segment. Ford models lead the mid-size car segment, while the Acura TL is expected to buck the trend in the luxury car segment.

Segment	Percent Change	
	3 rd Qtr	4 th Qtr
Full-Size Pickup Truck	(-0.9)	(-0.8)
Full-Size SUV	(-0.8)	(-0.6)
Mid-Size SUV	(-0.7)	(-0.7)
Mid-Size Crossover	(-0.2)	(-0.6)

The Nissan Armada and Toyota Sequoia depreciate greater than full-size SUV segment. The Mitsubishi Outlander will depreciate greater than the overall mid-size crossover segment.

TWELVE MILLION UNITS PER YEAR: IS THIS THE NEW NORM?

With the unemployment rate hovering around 10 percent and expectations of continued high unemployment through much of 2011, it may be some time before sales of new vehicles approach the 16 million unit highs of 2007. Even the generous incentives offered by OEMs through the first six months of the year have been insufficient in significantly increasing new-vehicle sales far beyond the lows of 2009. So far this year, SAAR figures have yet to approach an annual sales pace above 12 million units per year. With SAAR figures not far off from the lows of 2009, it is possible that sales of 12 million units per year are what we can expect until there are significant signs of a sustainable economic recovery. In addition, the most recent release of consumer confidence figures by the Conference Board showed there was a sharp 9.8 point decline for the month of June, bringing the figure down to 52.9 (1985=100). With the average American still uncertain about the possibility of an economic recovery in the near future, it could be some time before sales of new vehicles recover to a level approaching the highs of the last decade. With uncertainty remaining, Kelley Blue Book expects that consumers will continue to hold onto their existing vehicles longer and delay purchasing big-ticket items until replacement becomes absolutely necessary.

The latest Kelley Blue Book Eco Watch™ study, which tracks in-market new-car shoppers' opinions on fuel prices, alternative fuel-related technologies, environmental issues and vehicle consideration, reveals that the percentage of shoppers opting to delay a vehicle purchase is increasing. The percentage of those delaying their purchases that say they will delay it seven months or more is also increasing.

As long as consumers feel the pinch of unemployment, mortgage debt and the inability to invest in stable markets, Kelley Blue Book expects to see used-vehicle values remain stable as they will always be an affordable alternative to buying new.

FORD, KIA AND INFINITI BUCK MARKET TRENDS

At the end of 2009, while the auto industry still faced uncertainty, three brands managed to buck the downward trend – Audi, Mercedes-Benz and Subaru. However, since the beginning of the year, these brands have fallen in line with the rest of the industry.

With low inventories and a good amount of demand in the used-car market, and overall stability through the first half of the year, three ‘new’ brands are bucking the stability trend and seeing significant gains; Ford, Kia and Infiniti.

These brands have performed very well, seeing little depreciation and increases in new-car sales. Ford’s revitalized lineup and decision to not accept government TARP funding in 2009 has helped to strengthen its brand in the eyes of car shoppers. In a down economy, where most consumers are looking for stylish and affordable transportation, Kia has stepped up and taken on that role in 2010. Additionally, Infiniti has taken advantage of a renewed interest in luxury vehicles as leasing becomes more available. In fact, Kelley Blue Book Market Intelligence data shows that consumers are starting to feel more comfortable buying luxury than they did at this time last year.

Revisiting Three Brands Previously Bucking the Trend

Brand	June Used Values		June Sales	
	MoM	YoY	YoY	YTD YoY
Audi	0.4%	6.3%	14.0%	28.0%
Mercedes-Benz	0.2%	6.0%	25.0%	26.0%
Subaru	0.3%	8.1%	16.0%	35.0%
Industry Average	0.7%	6.2%	14.0%	17.0%

Three Brands Now Bucking the Trend

Brand	June Used Values		June Sales	
	MoM	YoY	YoY	YTD YoY
Ford	0.5%	10.5%	16.0%	30.0%
Kia	1.5%	9.4%	19.0%	15.0%
Infiniti	0.7%	10.7%	32.0%	23.0%
Industry Average	0.7%	6.2%	14.0%	17.0%

This commentary focuses on Model Years 2006-2008. The statements set forth in this publication are the opinions of the authors and are subject to change without notice. This publication has been prepared for informational purposes only. Kelley Blue Book assumes no responsibility for errors or omissions.

About Kelley Blue Book (www.kbb.com)

Since 1926, Kelley Blue Book, The Trusted Resource®, has provided vehicle buyers and sellers with the new- and used-vehicle information they need to accomplish their goals with confidence. The company’s top-rated website, www.kbb.com, provides the most up-to-date pricing and values, including the New Car Blue Book® Value, which reveals what people actually are paying for new cars. The company also reports vehicle pricing and values via products and services, including software products and the famous Blue Book® Official Guide. According to the C.A. Walker Research Solutions, Inc. - 2009 Spring Automotive Website Usefulness Study, kbb.com is the most useful automotive information website among new- and used-vehicle shoppers, and half of online vehicle shoppers visit kbb.com. Kelley Blue Book’s kbb.com also is a W3 Gold Award winner, sanctioned by the International Academy of Visual Arts. kbb.com is a leading provider of new car prices, used car Blue Book Values, car reviews, new cars for sale, used cars for sale, and car dealer locations.