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# BLUE BOOK MARKET REPORT

November 2009

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**In this issue :**

**MARKET ANALYSIS - Gas Prices Still a Major Factor in Used-Vehicle Values in Every Segment**

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

**MARKET WATCH® - October 2009 Highlights**

**MARKET INTELLIGENCE - California Carpool Survey Results - October 2009**

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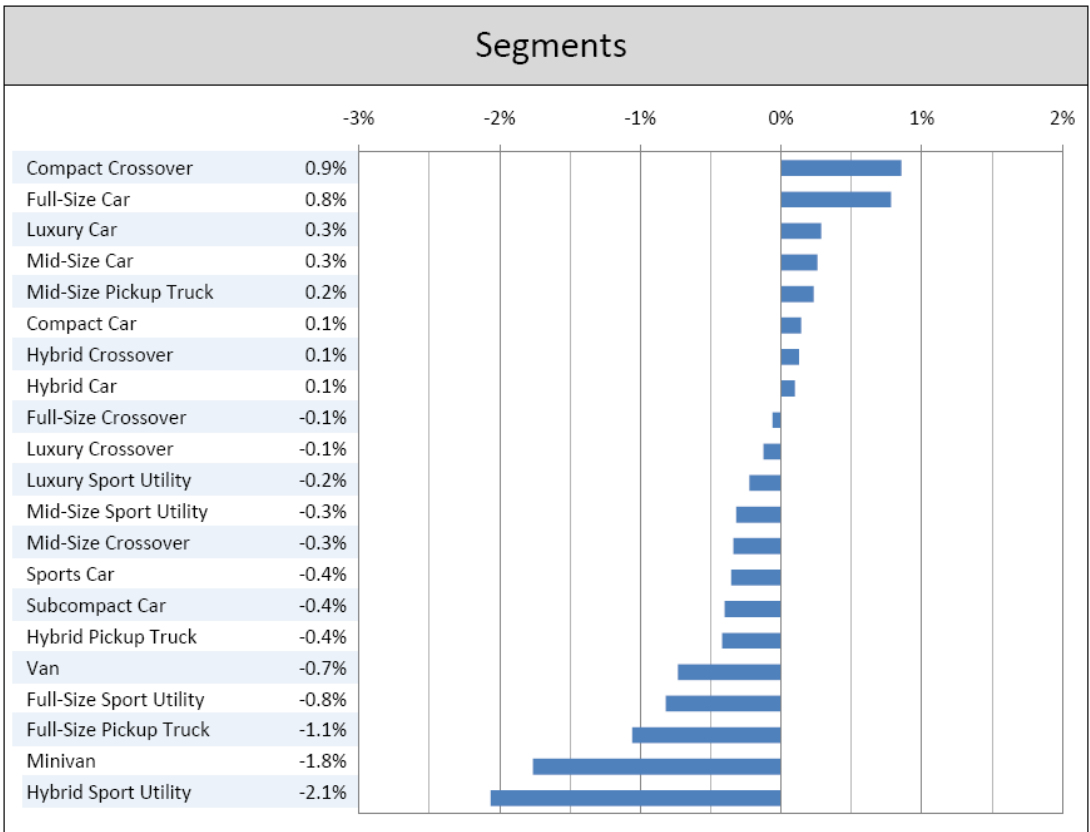
**MARKET ANALYSIS**

**Gas Prices Still a Major Factor in Used-Vehicle Values in Every Segment**

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

**Overview**

Used-vehicle values were flat through the month of October, depreciating 0.1 percent on average. While values have been steady for the past two months, most are considerably higher than they were this time last year. Values are up 8 percent on average, with some segments showing gains as high as 20 percent year-over-year. The only exception is fuel-efficient vehicles, which are down between 5 and 10 percent since January. Even though consumer demand in the vehicle market is weak, a low supply of both new vehicles and used vehicles in consumer-ready condition helped to keep values stable. While the market is currently calm, several factors already are in place to shake things up, including the slow but steady rise in gas prices, increasing unemployment rates and the impact of pending lease returns at the end of the year. **Continued on Page 2.**



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.

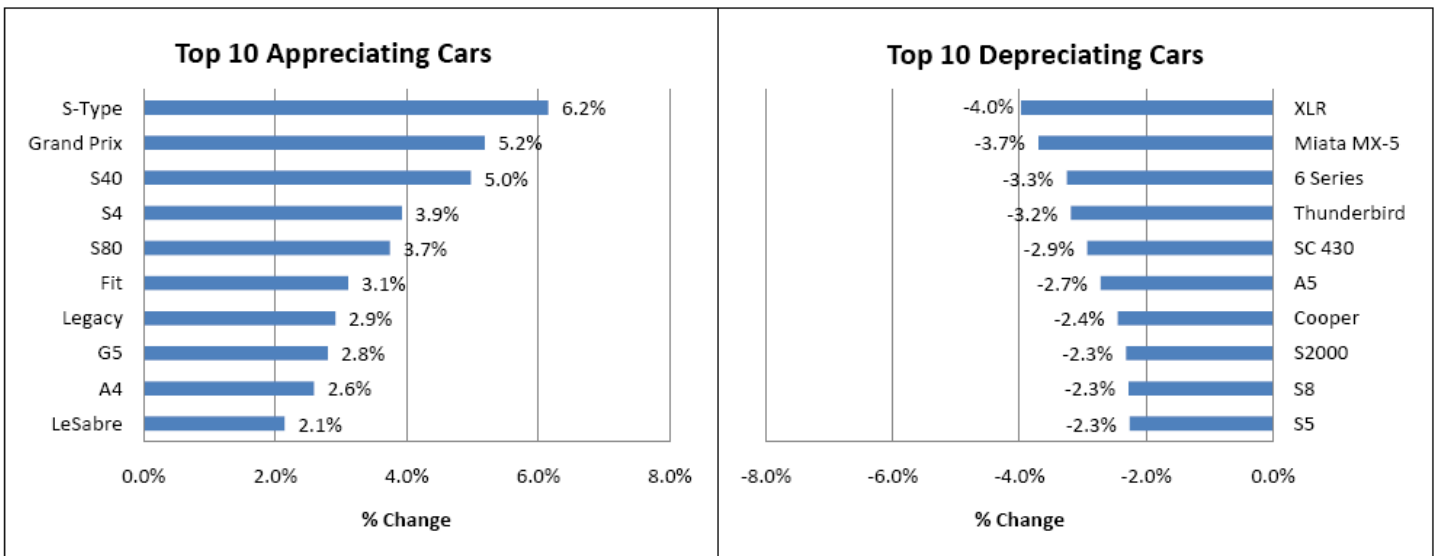
## MARKET ANALYSIS CONTINUED

### Car and the Future of Gas Prices

Gas prices have been steadily increasing so far this year, currently up more than \$1 per gallon. Additionally, the Energy Information Administration projects fuel prices to increase at least an additional 60 cents per gallon in 2010. Kelley Blue Book is predicting a national average close to \$3.05 by January 2010. The prospect of these increases driving up fuel-efficient vehicle values corroborates with our own forecast for these segments. We anticipate appreciation in the range of 2 to 4 percent through the first half of 2010. This rise could lead to a shift in demand toward fuel-efficient vehicles, driving values upward and bringing about more instability in the lanes, especially given current supply constraints.

Values of gas-sipping vehicles have stabilized over the past two months due in part to rising gas prices, which have swayed consumers to revisit the idea of purchasing a less expensive, used alternative. Additionally, when fuel prices dropped mid-year and consumers were flocking back to SUVs and large sedans, an over-correction was made in this segment by the market, forcing values down below realistic levels. Today's appreciation rates should be seen as another market correction reflecting more accurate levels.

Even though the fuel-efficient segment dropped considerably throughout the year, with subcompact, compact and hybrid car values down 9.4 percent, 5.9 percent, and 10.7 percent respectively, since January, most cars climbed moderately in the last month, with appreciation rates ranging between 0.1 and 0.8 percent. **Continued on Page 3.**



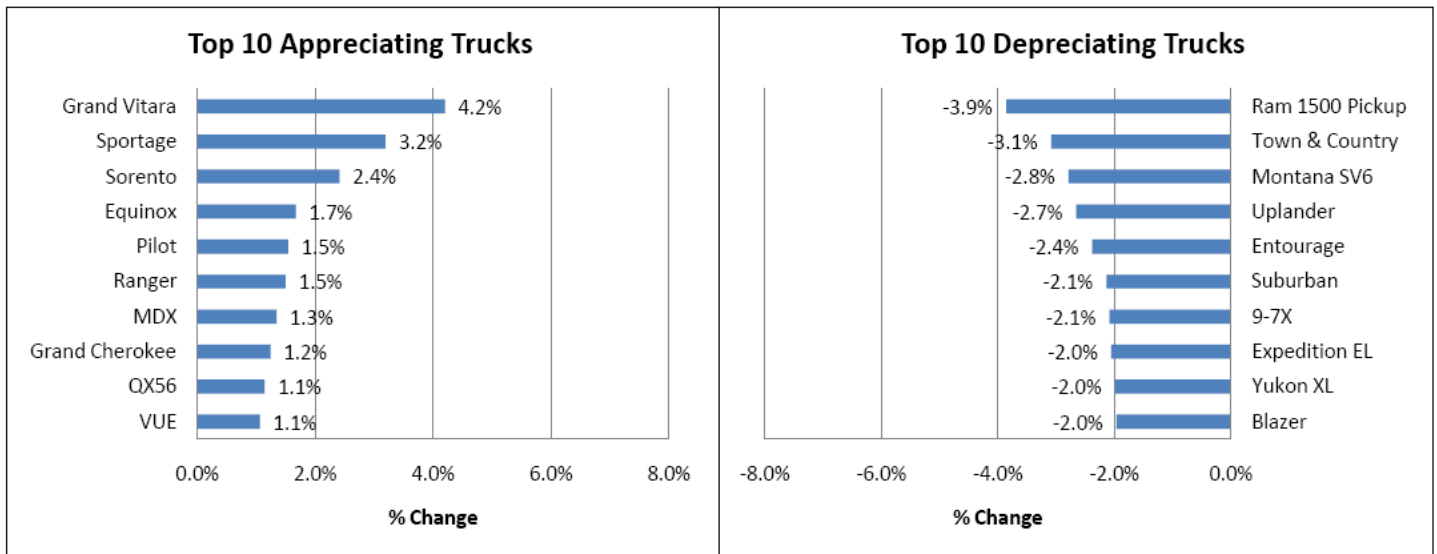
The above charts display month-over-month used-vehicle depreciation percentages by model. The depreciation percentages shown are not indicative of the retention percentages or relative positions of the included models.

## MARKET ANALYSIS CONTINUED

### Trucks See Major Gains Year-Over-Year

Values for trucks are considerably higher than they were at this time last year with the most pronounced gains coming from full-size SUVs (26.8 percent), full-size trucks (21.0 percent) and full-size crossovers (16.1 percent). Appreciation has been so strong for these vehicles that when examining two-year-old vehicles in these segments in terms of retained value, as a percentage of original MSRP, they all outperform the market average of 67 percent. Full-size crossovers (76.3 percent), full-size SUVs (75 percent) and full-size pickup trucks (68 percent) have held their values better than almost all other segments in 2009. This isn't wholly unexpected considering these segments were hit the hardest when gas prices approached \$4 per gallon last year. Trucks and SUVs were penalized severely this time last year, with some vehicles losing a majority of their value in just a few short weeks. The gains we are seeing today are a correction bringing these values back in line with the market.

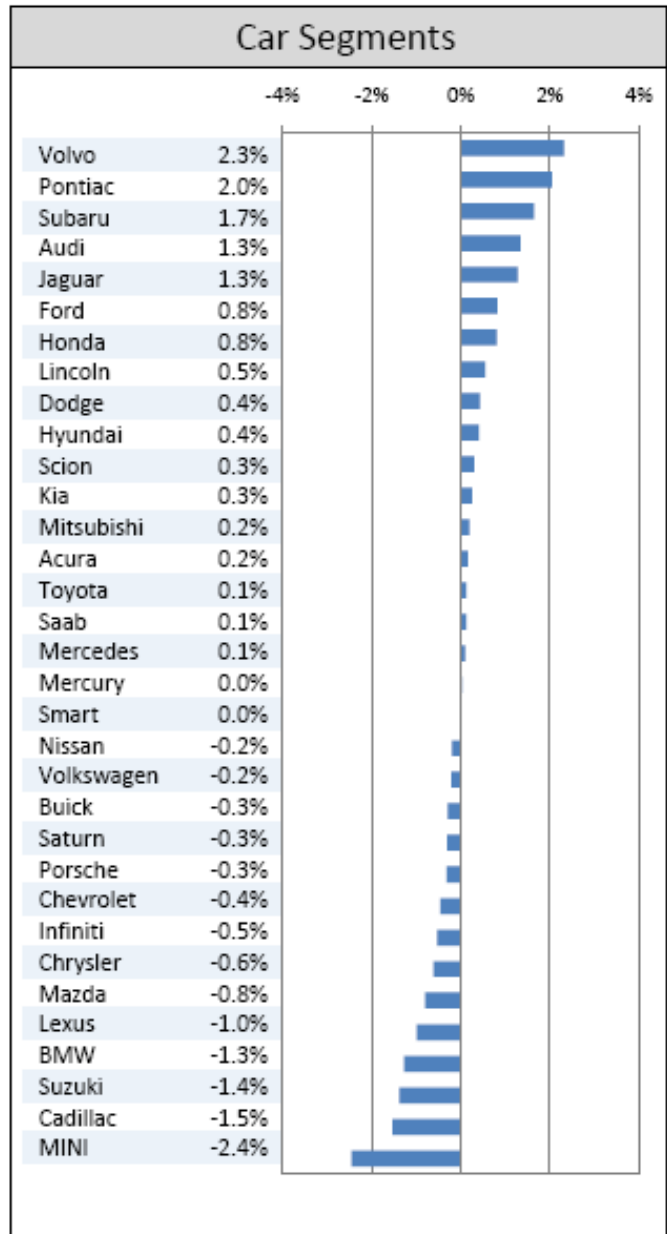
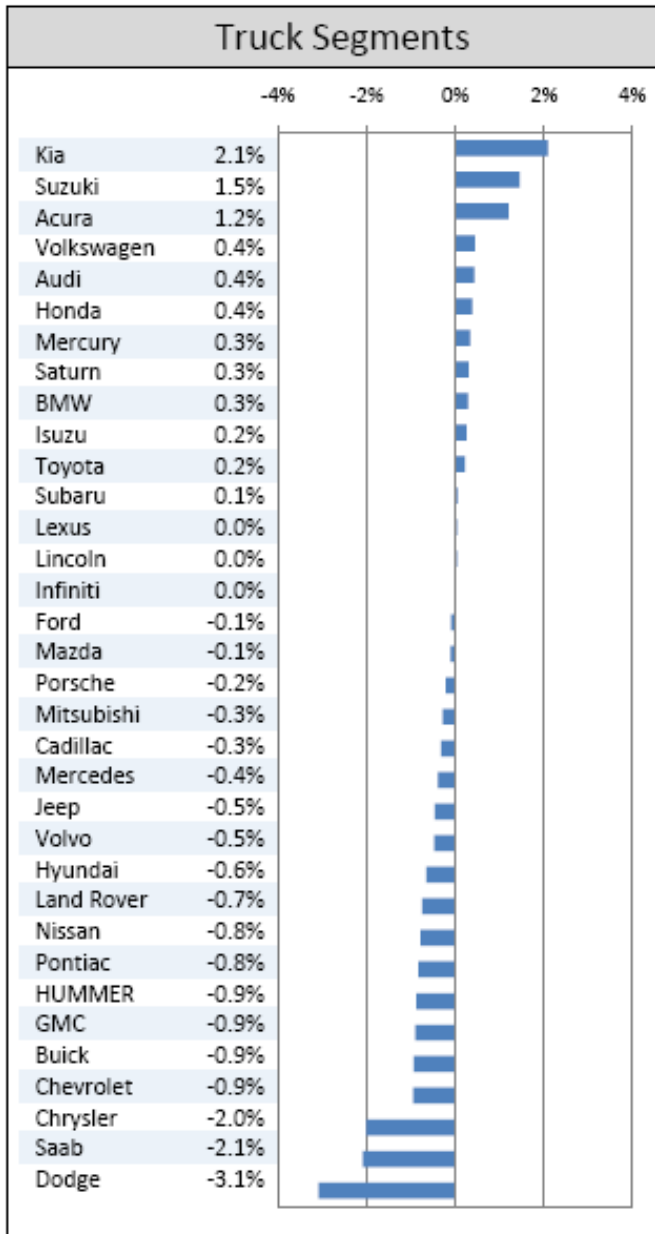
Since these vehicles are typically expensive and deliver less than ideal fuel economy, the strength in these segments may be difficult to maintain moving forward. Through the first half of 2010 our forecast indicates an expected depreciation in the range of 2 to 5 percent for these vehicles. One trend that could help offset future depreciation in these segments is the shift in production by manufacturers from full-size trucks and SUVs to producing more compact crossovers and cars. This could keep the supply of these vehicles relatively low, helping to counteract the implications of rising fuel prices and falling consumer demand. **Continued on Page 4.**



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

## MARKET ANALYSIS CONTINUED

### Truck & Car Segment Charts



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.

Continued on Page 5.

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## **MARKET ANALYSIS CONTINUED**

### **Impact of the Recession on Used-Car Values**

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With people out of work or not working as much as they'd like, families are trying to reduce spending wherever possible, and this slow in spending has hit the auto industry in various ways. One outcome Kelley Blue Book is seeing is that consumers are holding onto vehicles longer, staying away from short-term leases, and if they absolutely must buy a car, they are looking more and more at used cars. In a recent Kelley Blue Book Market Intelligence study, more than half of car shoppers surveyed said they intend to keep their next vehicle for six years or longer. There also have been reports of consumers foregoing auto repairs and pocketing the insurance money resulting from auto insurance claims, just to keep the lights on and dinner on the table.

In addition to lack of demand in the new-car market and unexpected demand in the used market, a lack of trade-ins coupled with reduced sales to fleet companies also has had somewhat of a negative impact on used-vehicle supply. The shortage at auction has even led some dealers to scour eBay and Craigslist in order to supplement their used-vehicle inventory via private party listings.

Values have been relatively stable over the past several months, but the current stability in the marketplace is highly dependent on current supply and demand conditions. Any number of factors could play a significant role in altering this dynamic, which could once again lead to volatility in the marketplace.

**Continued on Page 6.**

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## MARKET ANALYSIS CONTINUED

### Economic Forecast

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Joblessness is a growing concern with the national unemployment average for October coming in at 10.2 percent. The immediate future doesn't provide much relief with unemployment numbers expected to surpass 10.5 percent next year as employers are reluctant to hire.

The most recent release from the Bureau of Economic Analysis (BEA) indicates that the Gross Domestic Product (GDP) grew at a rate of 3.5 percent through the third quarter. Contributing to the uptick was a 22.3 percent increase in durable goods consumption, primarily led by an uptick in new-vehicle sales in July and August as a result of the CARS program, more affectionately known as 'Cash for Clunkers.' In fact, according to the BEA release, the increase in new-car sales and manufacturing attributed to the Cash for Clunkers program accounted for approximately one-third of the 3.5 percent uptick in GDP during the summer months. The increase in new-car sales was a boon for manufacturers; however, the incremental increase may prove to be unsustainable. While many are viewing positive GDP growth as a sign that the recession has ended, there are still several factors that must be overcome before a sustainable recovery in the automotive industry is possible.

One factor that could affect the current supply of used vehicles at auction is the expectation of higher lease-return volume through the fourth quarter. We expect to see a high volume of leases coming back through the fourth quarter of 2009 as two- and three-year leases from 2006 and 2007 begin to return to the marketplace. Manufacturers have traditionally offered very attractive incentives and lease promotions at the end of the year to clear out unsold inventory, so if these vehicles return to the auction as expected, we could see a substantial drop in values as inventories build up.

If the uptick in GDP is truly a leading indicator of sustainable economic recovery, we would expect to see consumer demand for new and used vehicles improve. Conversely from the lease-return scenario, if current supply remains consistent, any uptick in demand as a result of improved economic conditions could drive values up higher than they are today.

While we are doing our best to watch leading indicators and provide the best information we can to consumers and the industry in a volatile time, Kelley Blue Book is hopeful that manufacturers can manage production levels to match demand in order to avoid upward pressure on values if the economy begins to improve.

*This commentary focuses on Model Years 2005-2008. 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.*

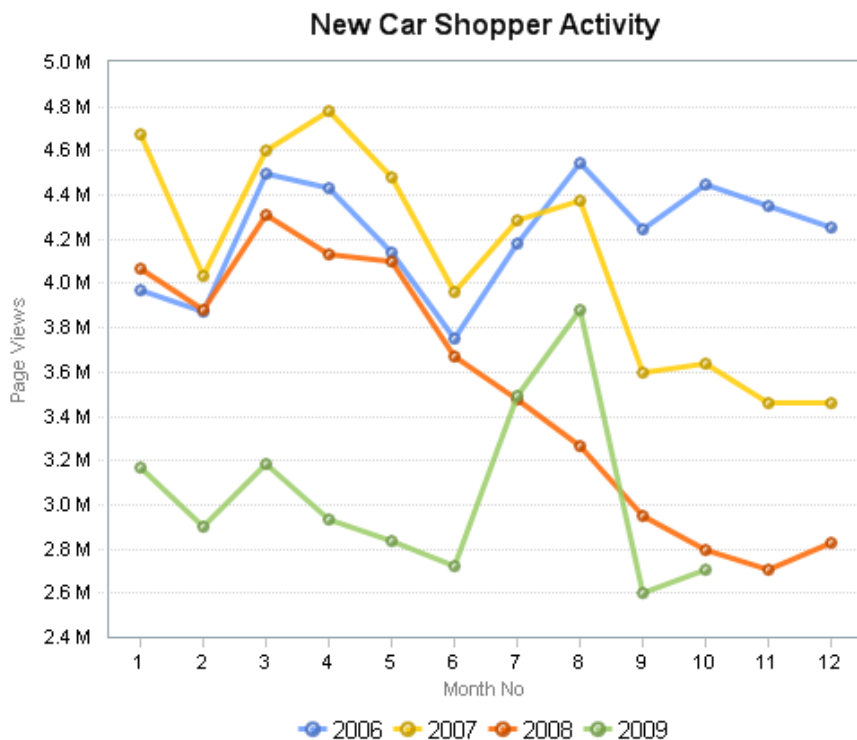
## Market Watch

Below are the results from Kelley Blue Book's Market Watch, measuring new-car shopper activity on kbb.com.

In line with seasonal trends, new-car shopper activity on kbb.com saw a slight uptick in October (up 4 percent). Among the segments tracked on kbb.com, pickups experienced the largest increase, up 11 percent from the previous month.

Most brands experienced mild month-over-month shopper activity gains with a few exceptions. Buick garnered the largest increase among the tracked brands with 34 percent, driven primarily by the redesigned 2010 LaCrosse. GMC also had a strong month with a 26 percent month-over-month increase with heightened interest to the Terrain and Sierra 1500 trucks. Terrain surpassed Acadia in shopper activity levels and became the most-shopped GMC vehicle on kbb.com.

Saturn continued its downward trajectory and suffered the largest shopper activity decline among the tracked brands, down 18 percent month-over-month. All Saturn vehicles contributed to this decline. In addition, Suzuki saw a 15 percent month-over-month decline. Although declines were realized across the entire Suzuki lineup, the SX4 was the primary driver as it accounted for nearly half of the brand's overall traffic. **Continued on Page 8.**



	Oct-09	M/M	Y/Y
Import Brands		2%	-7%
Domestic Brands		7%	8%
GM Brands		12%	31%
Ford Brands		6%	25%
Chrysler Brands		4%	-26%
Luxury Brands		2%	9%
Non-Luxury Brands		4%	-5%
<b>Total Industry</b>		<b>4%</b>	<b>-3%</b>

### NOTES

*New-Car Shopper Activity is defined by New-Car Pricing Report page views on kbb.com*

*M/M = percent change from prior month; Y/Y = percent change from prior year*

*Luxury = Acura, Audi, BMW, Cadillac, HUMMER, Infiniti, Jaguar, Land Rover, Lexus, Lincoln, MB, MINI, Porsche, Saab, Volvo*

*Sedan, SUV, Pickup, Hybrid defined by vehicle categories on kbb.com; Hybrid spans across all categories*

*Note: GM brands include Buick, Cadillac, Chevrolet and GMC*

## Market Watch Continued

### New-Car Shopper Activity Continued

Make	M/M	Y/Y	Rank	Share	vs. PM	vs. PY
Toyota	↗ 2%	↘ -14%	1	15.1%	-0.34	-1.83
Honda	↗ 7%	↘ -22%	2	11.8%	0.39	-2.80
Ford	↗ 6%	↕ 30%	3	8.6%	0.15	2.20
Chevrolet	↗ 7%	↕ 19%	4	8.3%	0.23	1.56
Nissan	↗ 5%	↘ -6%	5	6.4%	0.05	-0.17
Mercedes-Benz	↗ 1%	↕ 19%	6	3.7%	-0.11	0.67
BMW	↗ 6%	↗ 1%	7	3.6%	0.07	0.16
Hyundai	↘ -10%	↗ 6%	8	3.5%	-0.54	0.31
Lexus	↘ -4%	↗ 4%	9	3.4%	-0.29	0.22
Volkswagen	↕ 14%	↗ 5%	10	3.3%	0.29	0.24
Audi	↗ 4%	↕ 39%	11	2.9%	0.01	0.88
Subaru	↕ 11%	↕ 56%	12	2.6%	0.16	0.98
GMC	↕ 26%	↕ 49%	13	2.5%	0.44	0.90
Mazda	↘ -6%	↘ -24%	14	2.5%	-0.27	-0.68
Dodge	↗ 8%	↘ -22%	15	2.5%	0.08	-0.59
Acura	↗ 2%	↘ -11%	16	2.0%	-0.03	-0.17
Cadillac	↗ 4%	↕ 28%	17	1.9%	-0.01	0.45
Kia	↘ -3%	↕ 32%	18	1.8%	-0.13	0.48
Jeep	↘ -1%	↘ -17%	19	1.5%	-0.08	-0.24
Buick	↕ 34%	↕ 99%	20	1.4%	0.32	0.73
Infiniti	↘ -3%	↘ -11%	21	1.3%	-0.10	-0.11
Volvo	↗ 4%	↕ 31%	22	1.3%	0.00	0.34
Mitsubishi	↘ -2%	↘ -21%	23	0.9%	-0.06	-0.21
Lincoln	↕ 13%	↕ 14%	24	0.9%	0.07	0.13
Porsche	↗ 5%	↕ 16%	25	0.8%	0.01	0.13
Chrysler	↗ 3%	↘ -48%	26	0.7%	-0.01	-0.60
Pontiac	↘ -8%	↘ -50%	27	0.6%	-0.08	-0.60
Scion	↘ -7%	↘ -31%	28	0.6%	-0.06	-0.22
Land Rover	↕ 25%	↕ 33%	29	0.6%	0.09	0.15
MINI	↘ -11%	↘ -22%	30	0.5%	-0.08	-0.12
Jaguar	↗ 5%	↕ 16%	31	0.5%	0.00	0.08
Mercury	↗ 2%	↘ -18%	32	0.5%	-0.01	-0.09
Saturn	↘ -18%	↘ -64%	33	0.5%	-0.12	-0.76
Suzuki	↘ -15%	↕ 0%	34	0.4%	-0.10	0.01
HUMMER	↗ 6%	↘ -27%	35	0.3%	0.01	-0.09
Smart	↘ -11%	↘ -44%	36	0.2%	-0.04	-0.16
Saab	↘ -8%	↘ -48%	37	0.2%	-0.02	-0.14

#### Key

- ↕ 10% Significantly higher than prior mo/yr by 10% or more
- ↗ 1% Change is not significantly higher than prior mo/yr (between 1 and 10%)
- ↕ 0% Flat/no change (less than ±1%)
- ↘ -1% Change is not significantly lower than prior mo/yr (between -1 and -10%)
- ↘ -10% Significantly lower than prior mo/yr by 10% or more

Top 5

Bottom 5

#### NOTES

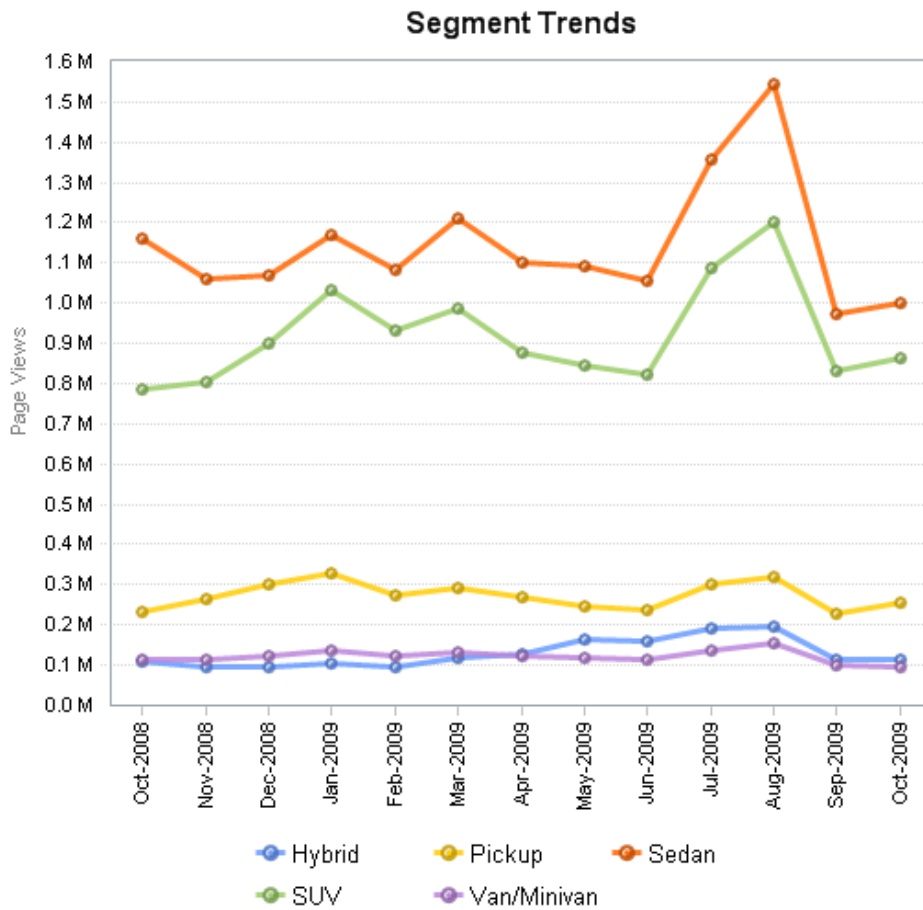
- Percent change M/M, Y/Y subject to rounding
- Rank based on share of total
- vs. PM = change in share versus prior month
- vs. PY = change in share versus prior year

Continued on Page 9.



## Market Watch Continued

### Segment Trends



**Key**

- ↑ 10% Significantly higher than prior mo/yr by 10% or more
- ↗ 1% Change is not significantly higher than prior mo/yr (between 1 and 10%)
- 0% Flat/no change (less than ±1%)
- ↘ -1% Change is not significantly lower than prior mo/yr (between -1 and -10%)
- ↓ -10% Significantly lower than prior mo/yr by 10% or more

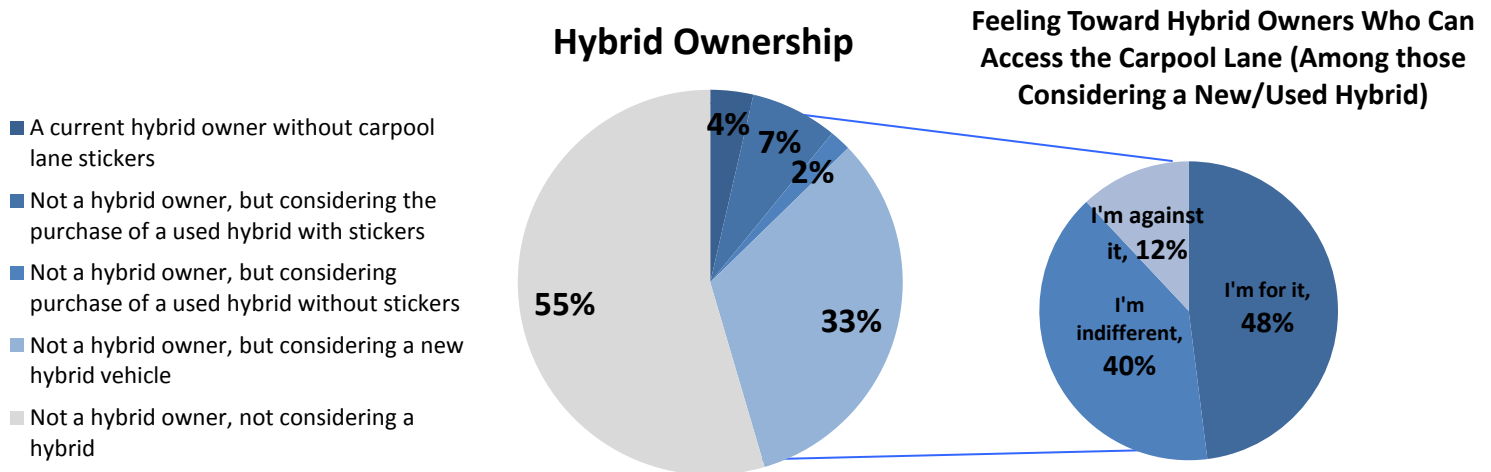
	M/M	Y/Y
Hybrid	<span style="color: orange;">↗</span> 1%	<span style="color: orange;">↗</span> 4%
Pickup	<span style="color: green;">↑</span> 11%	<span style="color: orange;">↗</span> 9%
Sedan	<span style="color: orange;">↗</span> 3%	<span style="color: red;">↓</span> -14%
SUV	<span style="color: orange;">↗</span> 4%	<span style="color: green;">↑</span> 10%
Van/Minivan	<span style="color: orange;">↘</span> -4%	<span style="color: red;">↓</span> -17%

*Note: Segments defined by vehicle categories on kbb.com. Hybrid spans across all categories.*

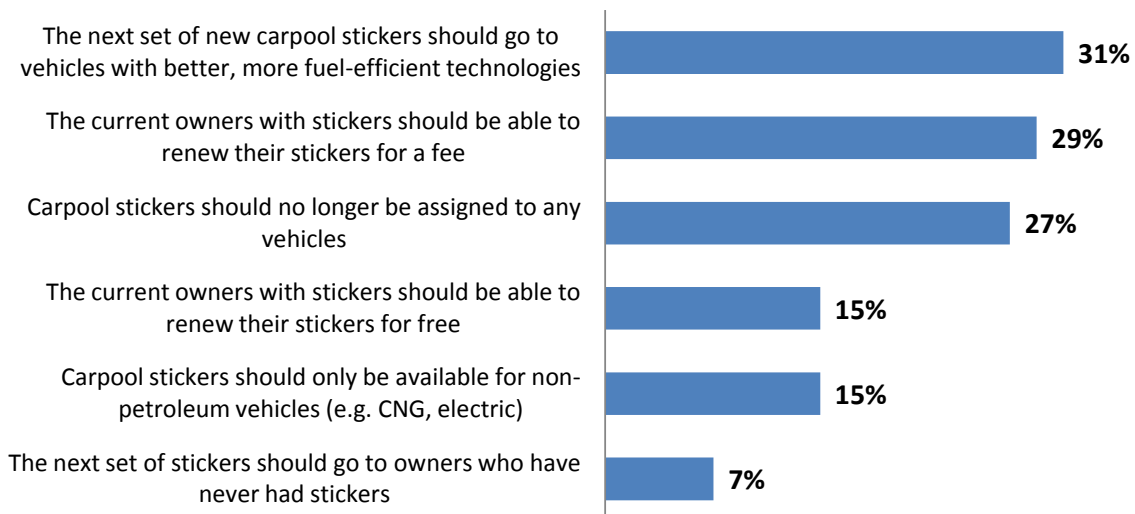
## Market Intelligence - October 2009

Below are the results of a Kelley Blue Book Market Intelligence survey, which looks to obtain a comprehensive understanding of consumer attitudes, and opinions of current market trends and the latest in automotive news.

### CALIFORNIA CARPOOL SURVEY RESULTS



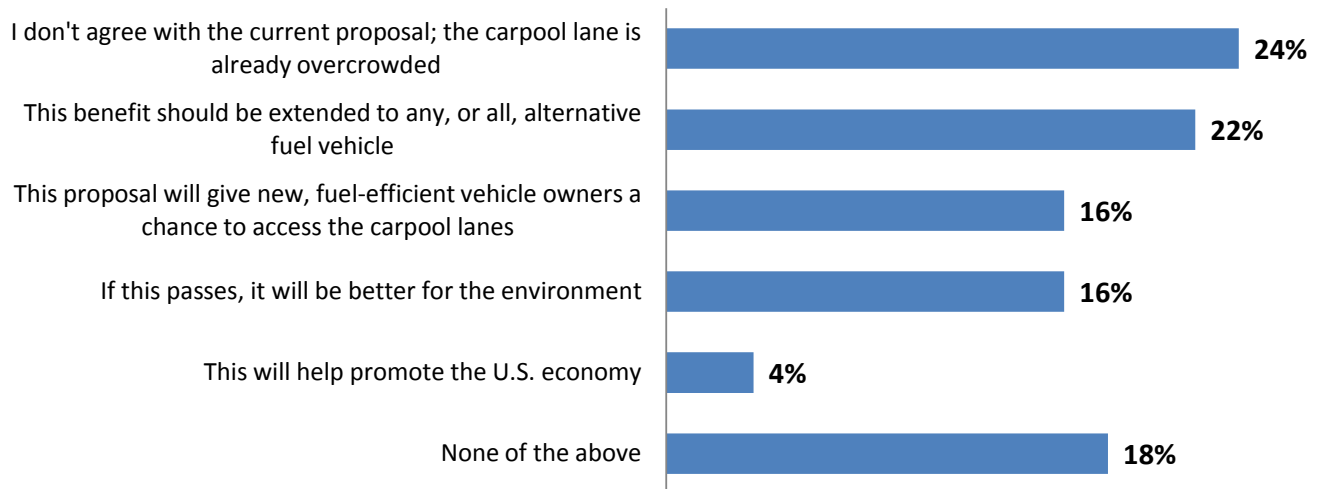
### When All of the 85,000 Currently Assigned Carpool Lane Stickers Expire on January 1, 2011, the Following Should Happen (Select all that apply)



Continued on Page 11.

CALIFORNIA CARPOOL SURVEY RESULTS

**Initial Thoughts on Proposal to Issue 65,000 New Carpool Stickers to New, Fuel-Efficient Vehicles With Better Than 65 MPG**



SOURCE:: KBB Internal Survey - Oct 2009

**About Kelley Blue Book ([www.kbb.com](http://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 Web site, [www.kbb.com](http://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 Web Site Usefulness Study, kbb.com is the most useful automotive information Web site among new and used vehicle shoppers, and half of online vehicle shoppers visit kbb.com. Kbb.com is a leading provider of [new car prices](#), [car reviews](#) and [news](#), [used car blue book values](#), [auto classifieds](#) and [car dealer](#) locations. No other medium reaches more in-market vehicle shoppers than kbb.com.