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# BLUE BOOK MARKET REPORT

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

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### **Kelley Blue Book Public Relations Contacts:**

#### **ROBYN ECKARD**

Director, Public Relations  
949.268.3049  
reckard@kbb.com

#### **JOANNA MCNALLY**

Senior Public Relations Manager  
949.268.3079  
jmcnally@kbb.com

#### **BRENNA ROBINSON**

Public Relations Manager  
949.267.4781  
berobinson@kbb.com

## **MARKET ANALYSIS**

Values Unaffected by Gas Prices, Weak Economy Changing Consumer Demand  
- Juan Flores, director of vehicle valuation, Kelley Blue Book

### **Summary**

The weakness in the U.S. economy has caused many consumers to reevaluate the way they approach purchasing big ticket items. Consumer demand has shifted away from the purchase of new vehicles to relatively affordable used vehicles based on the competitive prices available in the market. This has not only amplified the number of people in the market for used vehicles, it has also reduced the amount of consumers opting to trade-in an old vehicle for a new vehicle. These two trends have had a negative impact on the supply of used vehicles available to consumers. This reduced supply is the key to deciphering the driving forces behind the appreciation in trucks and SUVs.

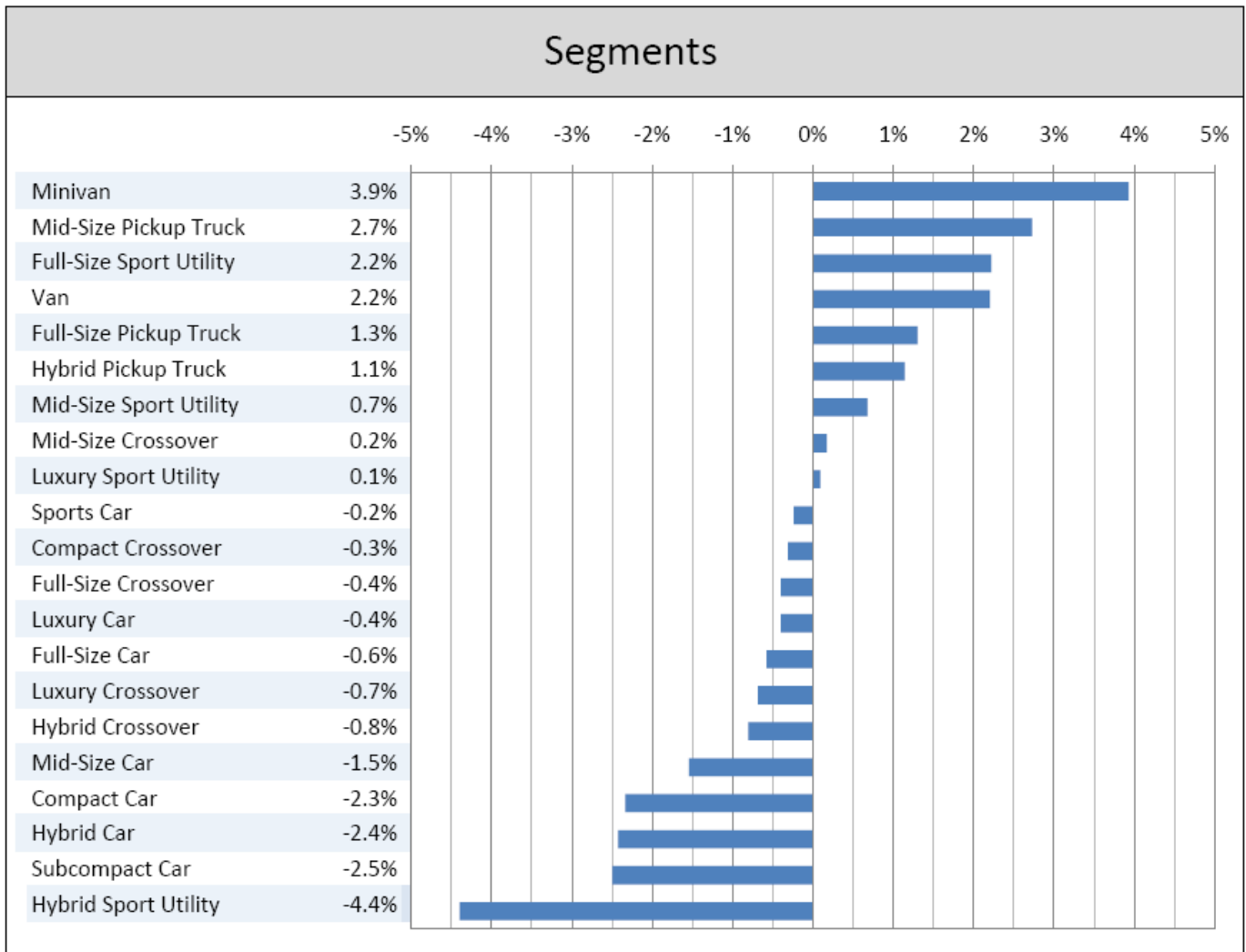
Used-vehicle values were flat for the month of June, depreciating 0.2 percent overall. The stability of the market was consistent across all segments with only a few exceptions, most notably minivans, which increased 3.9 percent. Values for trucks, vans, and SUVs increased for the fifth consecutive month, contrary to the seasonal depreciation pattern normally expected for this time of year.

The strength in truck segments is especially noteworthy considering the price of gas has increased nearly 70 cents per gallon, since the beginning of May. Although gas prices have been rising, they have not yet reached a level that will alter the behavior of consumers. While relatively fuel inefficient trucks and SUVs continue to increase in value, fuel-sipping compacts and hybrids continue to depreciate more than any other segment. These segments have been depreciating inconsistently with what one would expect given the current trend in gas prices. It is clear that values have not been reacting to fluctuations in the price of gas. In fact, the biggest impact on used values has been the fallout from the current economic downturn.

**Continued on Page 2.**

## MARKET ANALYSIS CONTINUED

The following sections examine cars and trucks further, seeking to explain the most significant changes at a segment, brand, and/or model level. Continued on Page 3.



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.

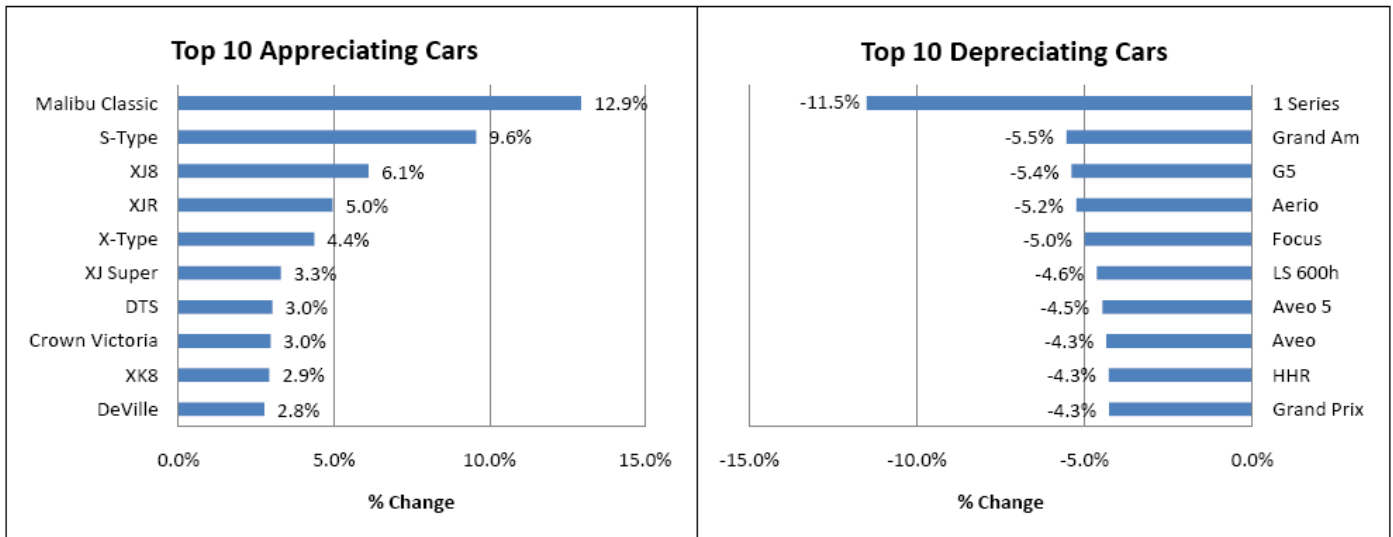
## MARKET ANALYSIS CONTINUED

### Car Segment Analysis

The mid-size car segment had the largest month-over-month change, moving from a 0.1 percent appreciation in May to a 1.5 percent decline in June, making this the first time in 2009 that all seven car segments declined. The 1.2 percent decline for cars falls in line with the normal seasonal depreciation trends expected at this time of year. Once again, the smaller, more fuel-efficient car segments, including subcompacts, hybrids, and compacts contributed heavily to the trend depreciating 2.5, 2.4, and 2.3 percent respectively. The improved fuel efficiency offered by new vehicles such as the Buick Lacrosse, Ford Fusion, and Subaru Legacy has made it difficult for consumers to justify sacrificing convenience and roominess for improved fuel economy. With each of these vehicles offering in excess of 30 miles-per-gallon, and fuel economy continuously improving across all brands, the depreciation in compacts and hybrids could continue for some time.

In contrast to the general car trend, Jaguar products performed quite well. The average appreciation of 4.8 percent across Jaguar models reflects their limited supply in the market. The insufficient supply has been brought on by declines in the number of lease returns entering the market and increased demand due to the competitive value proposition Jaguar provides relative to other high-line makes.

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.

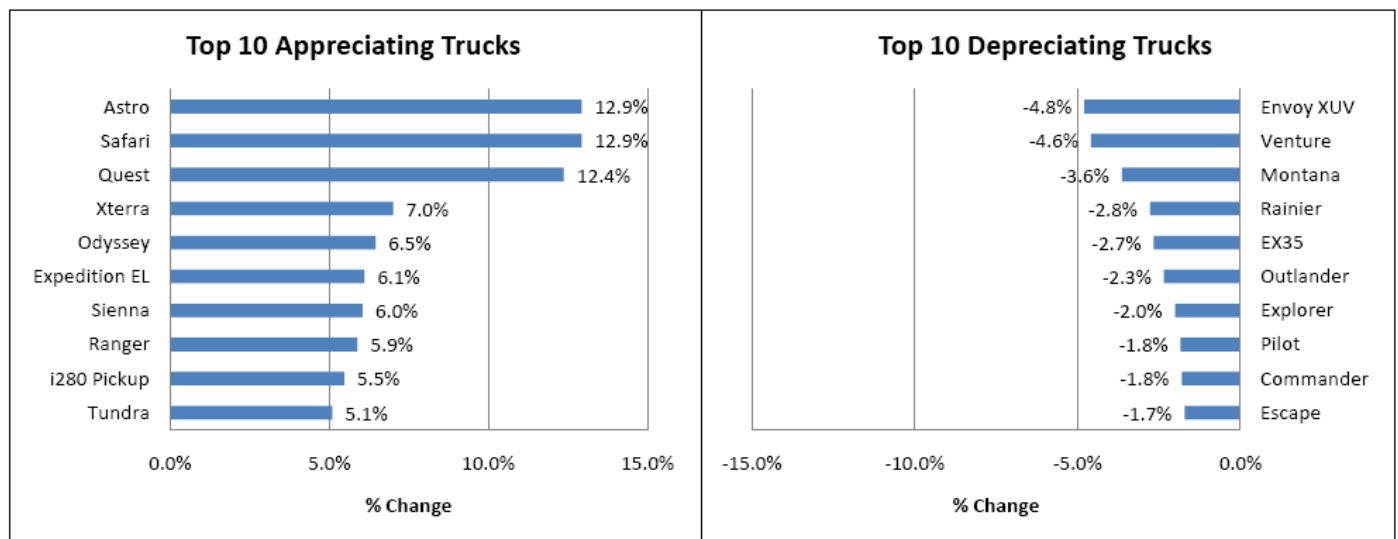
## MARKET ANALYSIS CONTINUED

### Truck Segment Analysis

Truck segments continued to rise in value as demand remained surprisingly strong going into the summer months. The segments demonstrating the most strength were full-size trucks (1.3 percent), full-size SUVs (2.2 percent) and minivans (3.9 percent). The return to normal depreciation for the truck segments predicted last month has been delayed given a surprising upsurge in truck values over the last 30 days. This is most likely attributable to reduced supply at auction and steady demand.

#### Trucks and SUVs

Values for trucks and SUVs rebounded in June, continuing to shed the losses from late 2008. Full-size SUV and truck values increased 2.2 percent and 1.3 percent respectively, compared to 1.7 percent and 0.0 percent last month. Lack of supply and the relative affordability of large trucks and SUVs are the driving forces behind the rise in value of these vehicles. With more consumers chasing fewer used vehicles, we expect there to be continued supply concerns at auction, keeping values relatively strong. The Ford Expedition EL and Toyota Tundra are two examples of vehicles benefitting from low supply at auction, increasing 6.1 percent and 5.1 percent respectively.



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.

#### Minivan

For the second consecutive month minivan values have increased more than any other segment. Overall, minivans increased 3.9 percent for the month of June, nearly doubling the rate of appreciation in May. The Chevrolet Astro, Nissan Quest, and Honda Odyssey all showed significant gains, increasing 12.9 percent, 12.4 percent, and 6.5 percent respectively. The recent strength in minivans can be attributed to two factors: 1) a lack of supply at auction and 2) the affordability of minivans relative other segments. Consumers would need to pay up to an additional \$4,000 to purchase a mid-size SUV, the closest competitor to minivans in terms of size and utility. This clearly demonstrates the value offered by minivans, especially for consumers looking to maximize their utility per dollar. **Continued on Page 5.**

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## MARKET ANALYSIS CONTINUED

### Truck Segment Analysis - Continued

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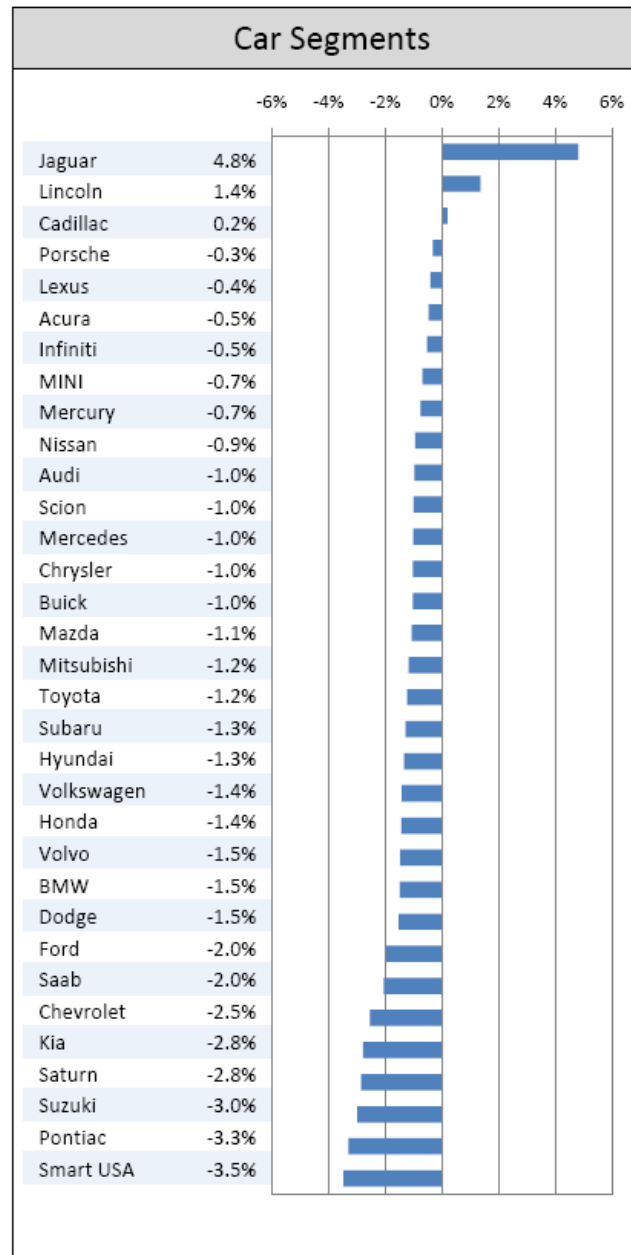
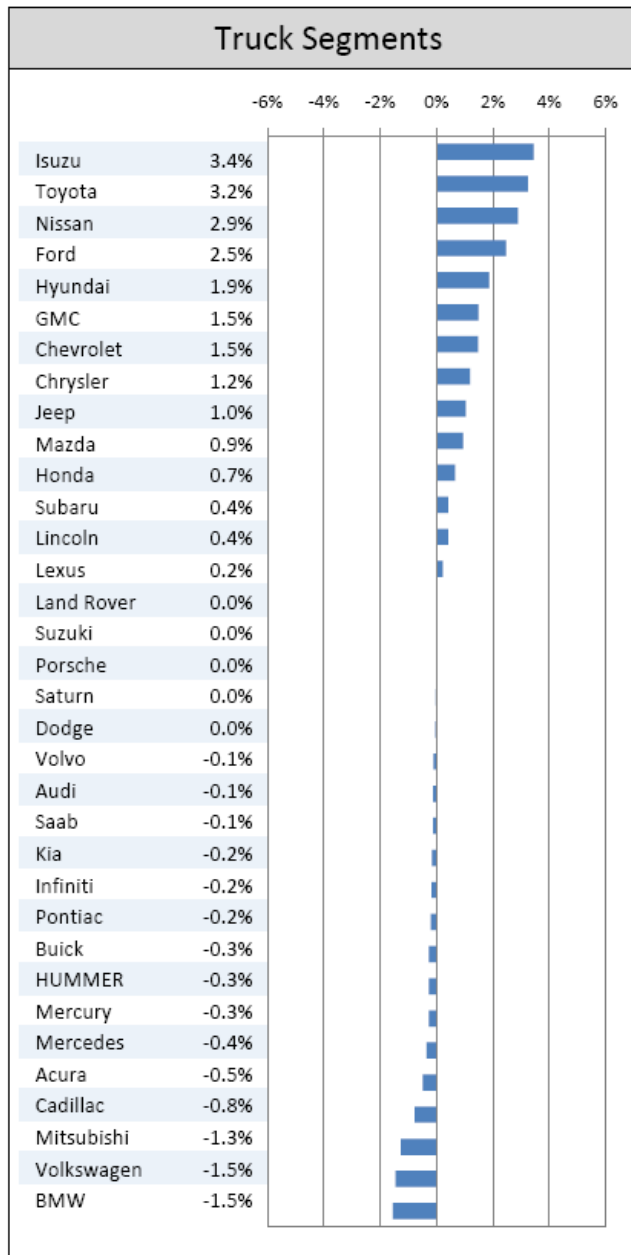
#### *Crossover*

Vehicles in the crossover segment were mostly flat in June (-0.3 percent), with only a handful of models changing in excess of the segment average. Hybrid crossovers declined more in value than any other crossover segment (-0.8 percent). Like hybrid cars, hybrid crossovers have been suffering all year as consumers find it difficult to justify paying the excessive hybrid premium given current gasoline prices. Luxury crossover vehicles also took a relatively large hit compared to other crossovers, dropping 0.7 percent for the month. During the economic boom, ending in 2007, the purchase of luxury vehicles was facilitated by consumers extracting equity from their homes. With national unemployment currently above 9 percent and median home values in some major metropolitan areas down over 20 percent year-over-year, it is no surprise to see weakness in luxury segments. The Infiniti EX35 led the drop in this segment, declining 2.7 percent. Crossover values should remain stable for the foreseeable future since they offer utility comparable to most SUVs coupled with the fuel economy of a passenger car.

**Continued on Page 6.**

## 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.

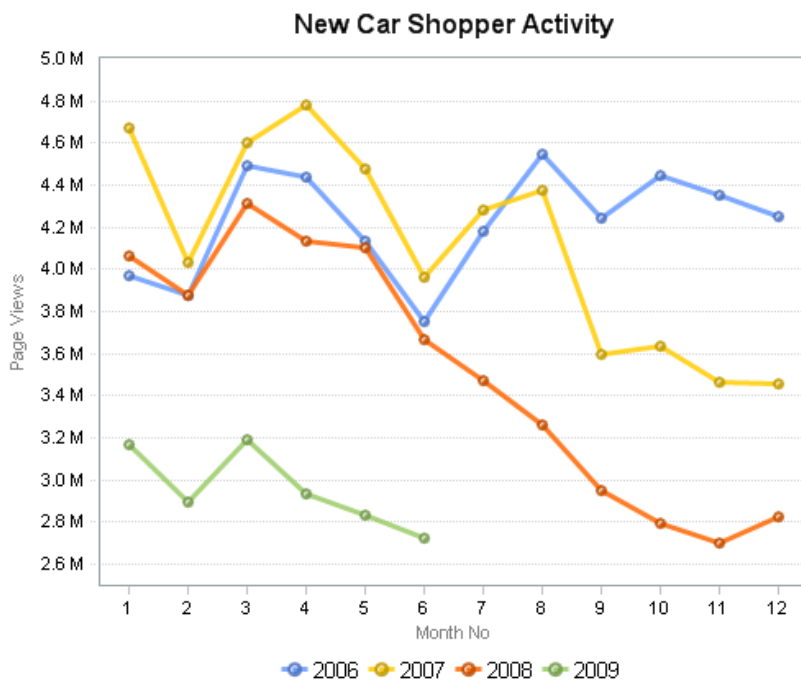
*This commentary focuses on Model Years 2005-2008. The statements set forth in this publication are the opinions of the authors and are subject to change without notice. This publication has been prepared for informational purposes only. Kelley Blue Book assumes no responsibility for errors or omissions.*

## Market Watch®

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

For June 2009, new-car shopper activity declined 4 percent, compared to the previous month, with few brands experiencing considerable increases. Buick and Pontiac led in month-over-month gains with 23 percent and 16 percent increases, respectively. All Buick models helped with the brand's jump in traffic, while Pontiac's traffic was primarily driven by the G6 and Vibe. In addition, Kia also was among the top five in shopper activity share of market interest gains due to its Soul.

All segments witnessed mild declines in June. Hybrid and sedans had the most significant declines from the prior year, down 53 percent and 39 percent, respectively.



	Jun-09	M/M	Y/Y
Import Brands		-4%	-31%
Domestic Brands		-4%	-9%
GM Brands		4%	-11%
Ford Brands		-6%	13%
Chrysler Brands		-15%	-13%
Luxury Brands		-8%	-18%
Non-Luxury Brands		-3%	-27%
<b>Total Industry</b>		<b>-4%</b>	<b>-26%</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*

## Market Watch® Continued

### New Car Shopper Activity Continued

Make	M/M	Y/Y	Rank	Share	vs. PM	vs. PY
Toyota	↘ -2%	↘ -35%	1	16.3%	0.27	-2.32
Honda	↘ -5%	↘ -45%	2	11.9%	-0.14	-4.22
Ford	↘ -5%	↗ 16%	3	8.9%	-0.14	3.19
Chevrolet	↗ 2%	↘ -8%	4	8.4%	0.52	1.66
Nissan	↘ -9%	↘ -33%	5	6.1%	-0.37	-0.62
Hyundai	↗ 5%	↘ -13%	6	3.9%	0.33	0.56
Lexus	↗ 6%	↘ -6%	7	3.5%	0.31	0.74
Volkswagen	↗ 2%	↘ -12%	8	3.4%	0.20	0.53
BMW	↘ -14%	↘ -33%	9	3.1%	-0.36	-0.34
Dodge	↘ -16%	↘ -9%	10	2.9%	-0.41	0.53
Mercedes-Benz	↘ -14%	↘ -14%	11	2.8%	-0.32	0.38
Mazda	↘ -6%	↘ -26%	12	2.7%	-0.06	-0.02
Audi	↘ -10%	↘ -3%	13	2.2%	-0.16	0.53
Kia	↗ 11%	↗ 17%	14	2.2%	0.30	0.80
Jeep	↘ -11%	↗ 1%	15	1.9%	-0.15	0.49
GMC	↗ 4%	↘ -9%	16	1.8%	0.14	0.34
Subaru	↗ 0%	↘ -10%	17	1.7%	0.07	0.31
Acura	↘ -5%	↘ -30%	18	1.7%	-0.02	-0.11
Pontiac	↗ 16%	↘ -34%	19	1.5%	0.25	-0.18
Infiniti	↘ -3%	↘ -21%	20	1.3%	0.01	0.08
Volvo	↗ 14%	↗ 0%	21	1.2%	0.19	0.30
Cadillac	↘ -12%	↘ -13%	22	1.2%	-0.10	0.17
Chrysler	↘ -17%	↘ -35%	23	1.2%	-0.18	-0.17
Buick	↗ 23%	↗ 3%	24	1.0%	0.21	0.27
Lincoln	↘ -10%	↗ 28%	25	0.9%	-0.06	0.36
Mitsubishi	↘ -18%	↘ -47%	26	0.8%	-0.14	-0.33
Saturn	↗ 4%	↘ -69%	27	0.8%	0.06	-1.09
Porsche	↘ -17%	↗ 18%	28	0.7%	-0.12	0.27
Mercury	↘ -4%	↘ -25%	29	0.7%	0.00	0.01
MINI	↘ -3%	↘ -61%	30	0.7%	0.01	-0.58
Scion	↘ -7%	↘ -57%	31	0.6%	-0.02	-0.43
Suzuki	↗ 15%	↘ -7%	32	0.6%	0.09	0.11
Jaguar	↘ -20%	↘ -14%	33	0.4%	-0.08	0.06
Land Rover	↘ -23%	↘ -8%	34	0.4%	-0.10	0.07
Smart	↗ 2%	↘ -67%	35	0.3%	0.02	-0.41
HUMMER	↘ -12%	↘ -13%	36	0.3%	-0.02	0.04
Saab	↘ -14%	↘ -34%	37	0.2%	-0.03	-0.03

#### 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

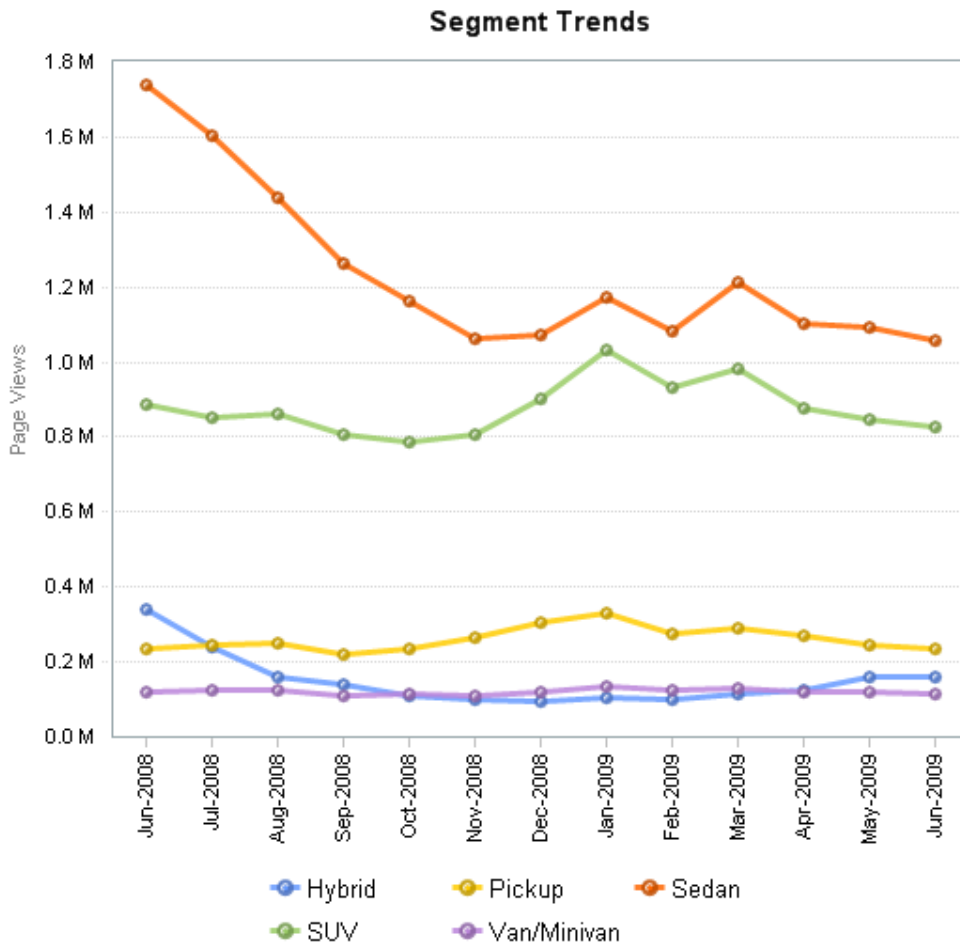
Rank based on share of total

vs. PM = change in share versus prior month

vs. PY = change in share versus prior year



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

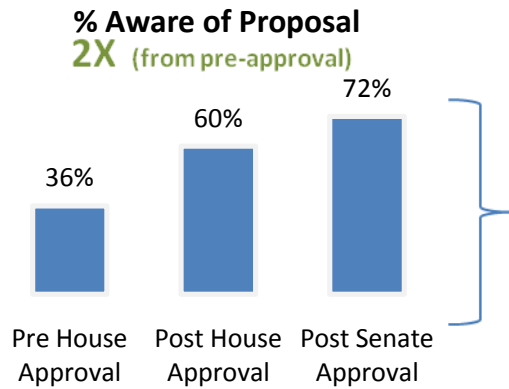
	M/M	Y/Y
Hybrid	↘ -2%	↓ -53%
Pickup	↘ -3%	→ 0%
Sedan	↘ -4%	↓ -39%
SUV	↘ -3%	↘ -7%
Van/Minivan	↘ -4%	↘ -5%

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

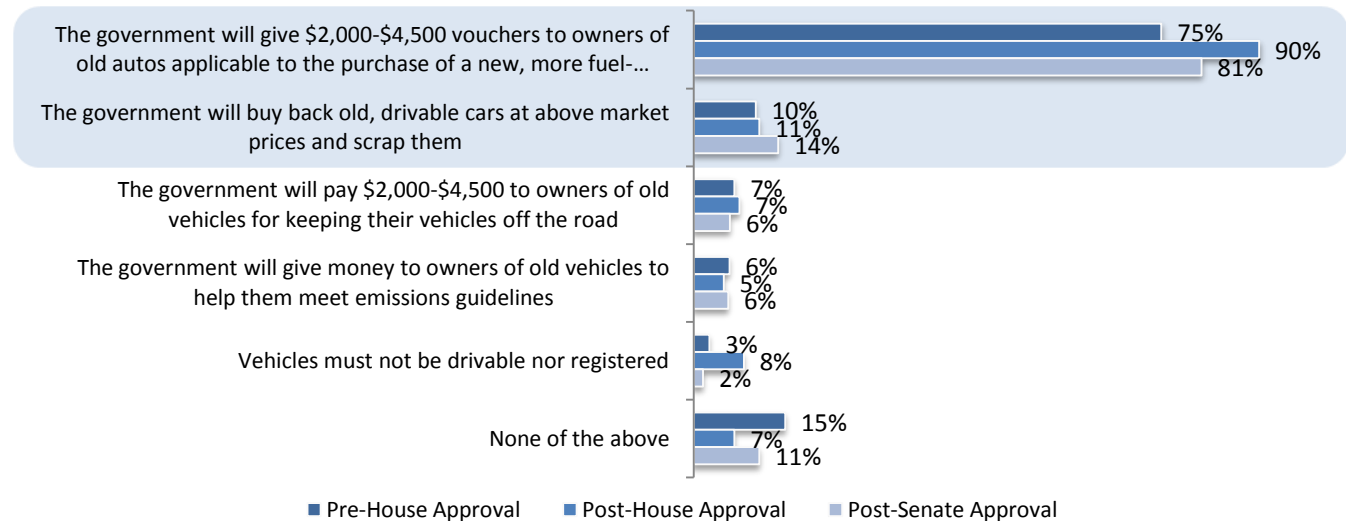
## Market Intelligence - June 2009

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 current automotive news.

### “CASH FOR CLUNKERS” AWARENESS



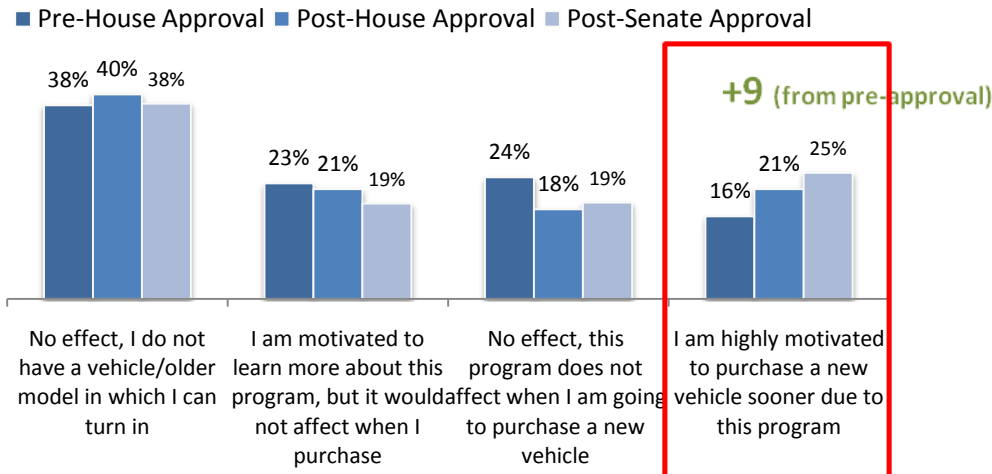
### Components of “Cash for Clunkers”



**“CASH FOR CLUNKERS”**

Impact on Purchase Timeframe

**Impact on Purchase Timeframe**



*Base: Total Respondents - Pre-House: Jun3 – Jun9 (n=1127), Post-House: June 10-11 (n=206); Post:-Senate: June 20-23 (n=382)  
 Q: Have you ever heard of the “Cash for Clunkers” bill?  
 Q: Which of the following aspects do you believe are a part of the “Cash for Clunkers” program?*

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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. – 2008 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.