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BLUE BOOK MARKET REPORT

July 2009

An e-newsletter from Kelley Blue Book Public Relations

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

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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.

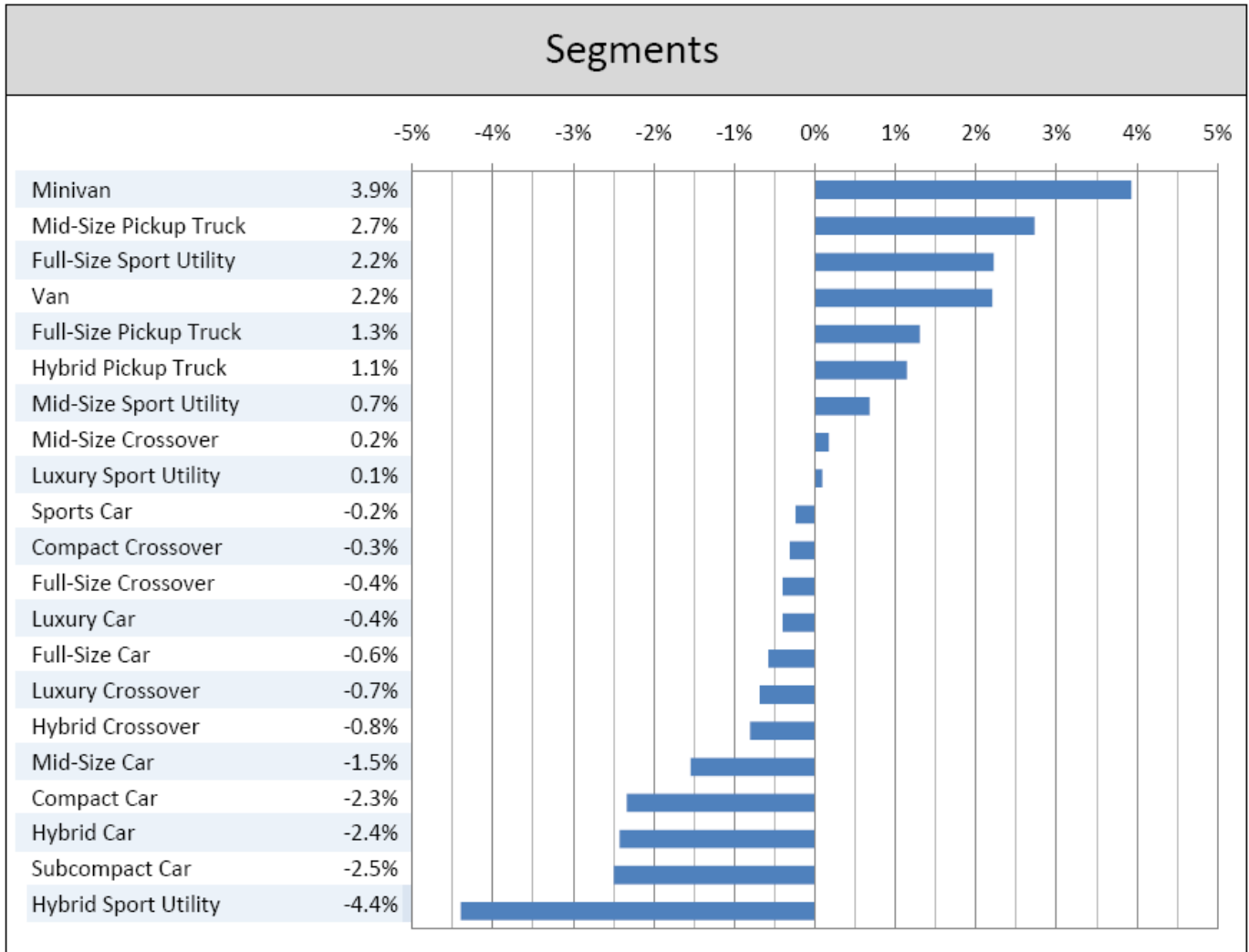
Used-vehicle values were flat for the month of June, depreciating 0.2 percent overall. The stability of the market was consistent across all segments with only a few exceptions, most notably minivans, which increased 3.9 percent. Values for trucks, vans, and SUVs increased for the fifth consecutive month,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

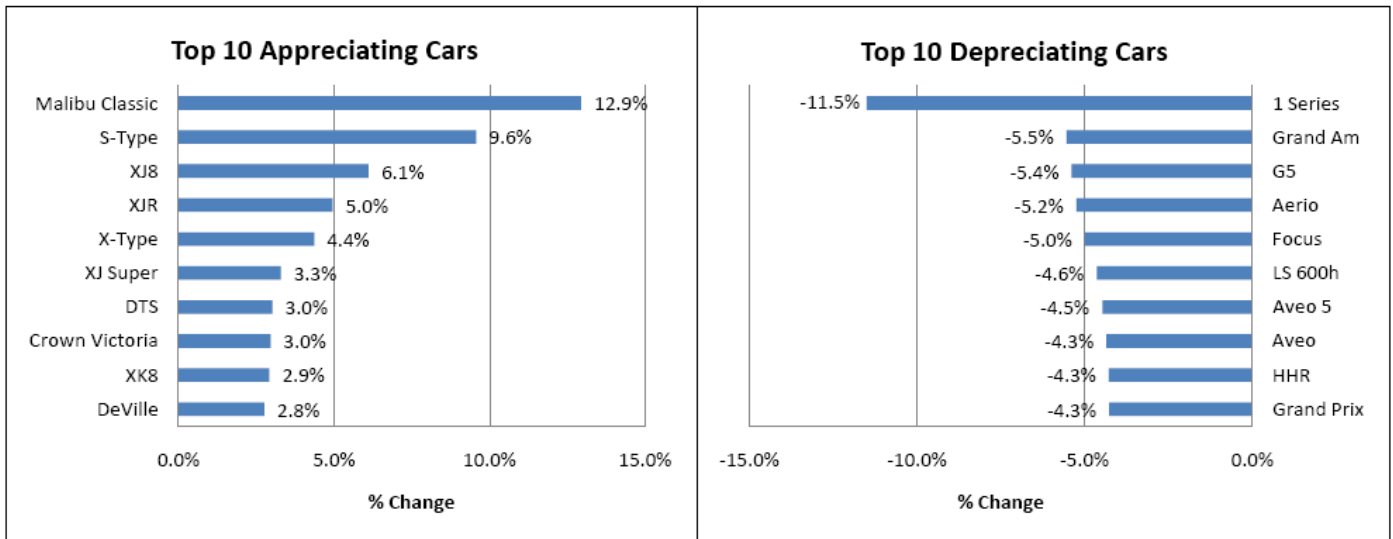
MARKET ANALYSIS CONTINUED

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.

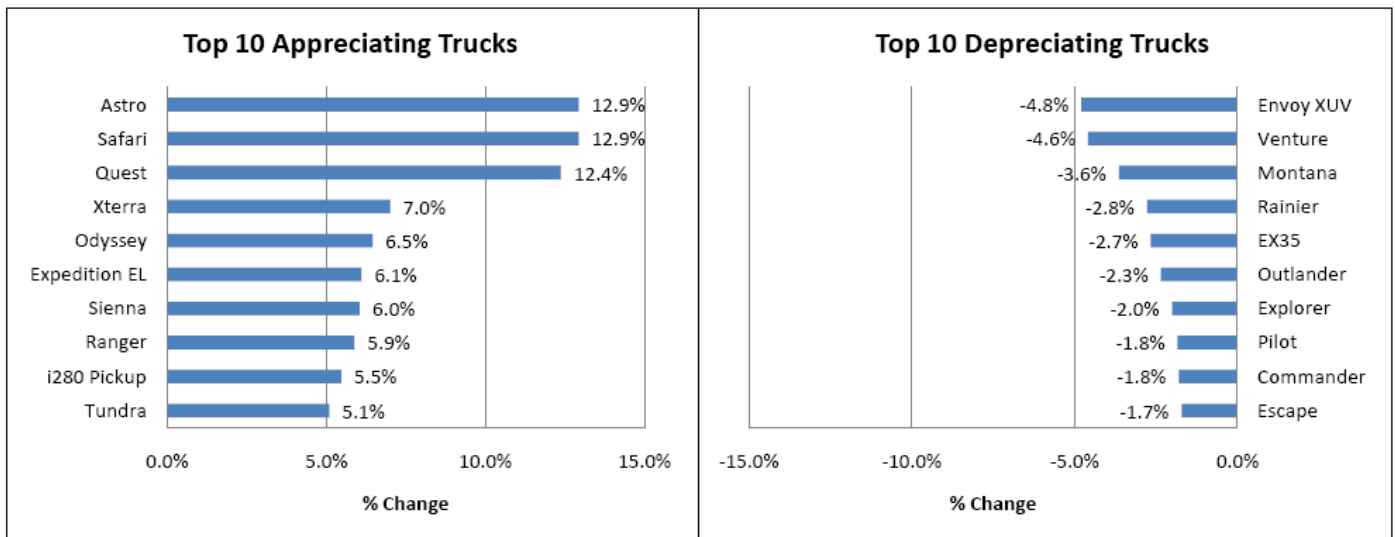
MARKET ANALYSIS CONTINUED

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.**

