

BLUE BOOK Market Report FEBRUARY 2013

Automotive Insights from Kelley Blue Book

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NEW-CAR MARKET ANALYSIS:

New-Car Sales Soar, While Economy Slows

- Alec Gutierrez, senior market analyst, automotive insights, Kelley Blue Book

ales hit 15.3 million seasonally adjusted annual rate (SAAR) in January 2013, despite a slow economic recovery. While sales were booming, the unemployment rate increased by a tenth of a percent for the second consecutive month. Unemployment now stands at 7.9 percent, just shy of a half point below the 8.3 percent unemployment rate from one year ago. Adding insult to injury was the expiration of the payroll-tax holiday in January. The 2 percentage point reduction in pay sent the Conference Board's Consumer Confidence Index down for the second consecutive

month to a 14-month low of 58.6 (1985=100). We also learned that gross domestic product (GDP) declined by 0.1 percent in the fourth quarter of last year, which is the first contraction in the economy since Q2 2009.

Although the economy may have lost some steam in recent months, Kelley Blue Book remains cautiously optimistic that new-vehicle sales can maintain their current momentum. Sales consistently have outpaced the economic recovery during the past several years, and Kelley Blue Book believes this trend can continue, provided that the economy and employment continue to grow, even at a modest pace. Although unemployment has crept up slightly in recent months, the

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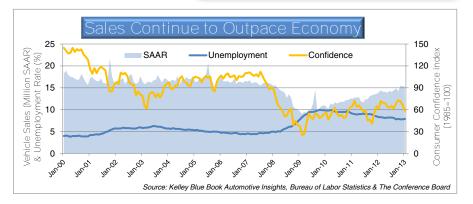
Mid-Size Cars Poised to Excel with New Look in 2013;
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USED-CAR MARKET ANALYSIS

Used-Car Values Dip Slightly in January; 2012 Model-Year Vehicles Worth Less Than Used 2011 Models Year-Over-Year

LATEST HOT USED-CAR REPORT

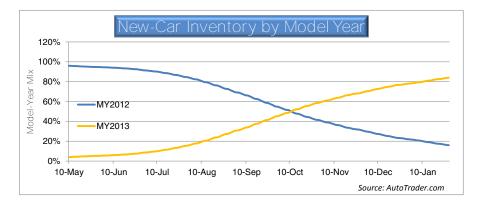
Practicality Sells



Federal Reserve projects unemployment will continue its descent modestly in 2013. The decline in quarterly GDP also should not be viewed negatively since it was mostly attributable to a drop in defense spending, and that should not impact future quarters. Of greater concern will be the reaction of consumers to the 2 percent drop in pay. As it stands today, vehicle sales have shown no signs of slowing. As the industry heads into late February, Kelley Blue Book doesn't anticipate a sales slowdown, but if conditions in the economy continue to degrade, vehicle sales could lose momentum.

It's Still a Buyer's Market

Ithough economic concerns remain, consumers in a position to buy a brand-new vehicle have more options today than ever before. Since the 2011 model year, nearly each vehicle in every major selling category has undergone a significant redesign that has upped expectations of consumers by a sizable margin. Shoppers considering one of the latest and greatest can count on significant improvements in fuel economy, performance, build quality, amenities offered and style from the generation being replaced, and all for only a modest bump in its manufacturer's suggested retail price (MSRP).



Shoppers keen on picking up one of the recent redesigns should be able to do so at a reasonable price. According to Kelley Blue Book* Fair Purchase Price, the price people typically pay a dealer for a new car, based on actual new-car transactions and adjusted regularly as market conditions change, those looking for a brand-new vehicle can expect to pay 94 percent of MSRP on average in February, not including incentives. This is roughly flat compared to what consumers paid in both December and January. In terms of available incentives, consumers can expect to find attractive offers, even on models redesigned for the 2013 model year, such as the Ford Fusion and Honda Accord. The Fusion is available with up to \$1,500 in cash rebates or a \$209 per month 24-month lease with \$2,588 due at signing. The Honda Accord has an available 36-month lease offer priced at \$249 per month with only \$2,299 down.

In addition to reasonable pricing, consumers seeking a brand-new 2013 model-year vehicle can expect ample selection when it comes time to visit the dealership. Kelley Blue Book's latest listing data from AutoTrader.com and KBB.com Classifieds indicates that there was a 60-day supply of vehicles available nationwide as the industry entered February, 80 percent of which were 2013 model year. This is welcome news for consumers who have been waiting to scoop up one of the latest redesigns offered this year.

Small-Car Sales Surge

mall-car sales were hot in January, with subcompact, compact and hybrid cars increasing 4.6, 11.2 and 49.1 percent respectively year-over-year. Sales of the Toyota Corolla, Nissan Sentra and Toyota Prius were especially strong, increasing nearly 30 percent each. In the case of the Prius, sales increases largely were driven by the inclusion of the Prius c and Prius v variants, which were arriving in showrooms at this time last year. Sales of the Sentra were helped by the latest redesign, while the Corolla benefitted from higher inventory relative to January 2012, when the lingering effects of the earthquake and tsunami in Japan during 2011 kept inventories slightly below optimal levels. With fuel prices once again on the rise and economic conditions as shaky as ever, Kelley Blue Book expects demand for small cars to remain strong. In fact, sales in 2013 could surpass totals previously seen in 2007, when the industry last posted sales in excess of 16 million units.

On average, consumers can expect to pay about 93 percent of MSRP for a brand-new small car, roughly flat from prices paid in December. There is very little in the way of cash incentives available on vehicles in this segment; however, low-interest financing for up to 60 months is widely available. For example, the 2013 Hyundai Elantra currently is being offered with up to \$500 cash and 2.9 percent financing for 60 months. Used-vehicle prices remains near new-vehicle pricing in the small-car segment, thanks in large part to the strong demand from dealers for the latest used redesigns at auction. Since the bulk of these vehicles were redesigned for the 2012 model year, now they are beginning to arrive at used-car auctions across the country, and so far demand for redesigned models such as the Ford Focus, Hyundai Elantra and Honda Civic, has been high. In fact, Kelley Blue Book found that consumers only are paying about \$2,000 more for a brand-new small car than a comparable 1-year-old used variant. In some cases, as with the Honda Civic, a 1-year-old used vehicle is nearly identical in price to that of the brand-new model.



New vs. Used Breakdown - Compact Cars

Make	Model	FPP*	2012	2011	2010	2009	2008
Honda	Civic	\$17,716	\$17,300	\$16,250	\$15,100	\$14,000	\$12,150
Ford	Focus	\$18,773	\$15,985	\$13,835	\$13,000	\$11,165	\$10,965
Toyota	Corolla	\$18,196	\$16,200	\$14,750	\$13,300	\$12,500	\$11,350
Chevrolet	Cruze/Cobalt	\$19,036	\$16,100	\$14,900	\$12,350	\$10,550	\$9,300
Hyundai	Elantra	\$19,737	\$16,600	\$16,300	\$12,450	\$10,985	\$9,355

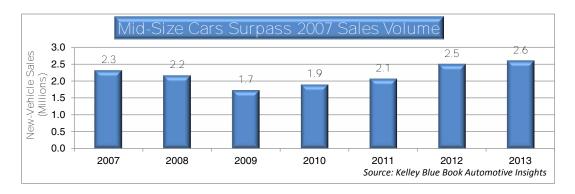
Fair Purchase Price represents what consumers are actually paying for a MY12 or MY13 new vehicle*

^{**}Model-year 2012 and prior represent the suggested retail value for the used-vehicle specified

Mid-Size Cars Poised to Excel with New Look in 2013

id-size car sales were up nearly 18 percent in January, led by strong sales of models that were redesigned for the 2013 model year. The Honda Accord and Ford Fusion led the segment with year-over-year increases of 75 and 64.5 percent respectively. Both the 2013 Ford Fusion and 2013 Honda Accord launched in the fall of last year and only became available in good supply in January. Consumers who were forced to wait on the sidelines late last year due to a lack of selection finally were able to get their hands on the configuration of their choice last month. Now that the latest batch of redesigns are available nationwide, Kelley Blue Book expects mid-size segment sales in 2013 to surge to heights not seen since 2007. Our forecast for this segment calls for sales in excess of 2.6 million vehicles in 2013, more than 200,000 units above the total number of mid-size cars sold in 2007.

With consumer demand for the mid-size segment as high as it's ever been, shoppers will be happy to know that pricing remains affordable, whether considering new or used. Consumers interested in the 2013 Nissan Altima, Ford Fusion or Chevrolet Malibu will need to buy new since these vehicles only launched in late 2012, and are not currently available in the used-car market. Budget-oriented buyers willing to forego the advancements offered by the latest generation may want to consider picking up a used 2012 model-year vehicle. Shoppers interested in a Nissan Altima, Ford Fusion or Chevrolet Malibu can save more than \$5,000 by opting for a 1-year-old model. Although the latest generation Toyota Camry and Hyundai Sonata are available in limited quantities in the used market, interested shoppers are best served purchasing new, since there is only a modest price difference between the new and used variants at this time.



New vs. Used Breakdown - Mid-Size Cars

Make	Model	FPP	2012	2011	2010	2009	2008
Nissan	Altima	\$25,675	\$17,050	\$15,450	\$15,050	\$14,050	\$13,250
Ford	Fusion	\$24,844	\$17,585	\$16,450	\$15,215	\$12,635	\$11,435
Toyota	Camry	\$22,543	\$18,850	\$16,900	\$15,750	\$14,800	\$13,600
Hyundai	Sonata	\$22,258	\$21,300	\$18,965	\$15,905	\$14,550	\$11,850
Chevrolet	Malibu	\$23,631	\$16,985	\$15,700	\$14,665	\$14,235	\$13,700

^{*}Fair Purchase Price represents what consumers are actually paying for a MY12 or MY13 new vehicle

Truck Sales Accelerate, Thanks to Rising Housing Starts and Steep Discounts

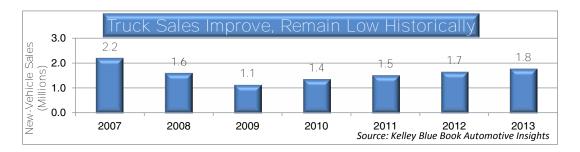
ickup-truck sales have soared in recent months, especially in January when sales increased nearly 25 percent year-over-year. Pickup-truck sales have been aided by steadily rising housing starts, as well as strong cash incentives. The GMC Sierra and Chevrolet Silverado posted the greatest gains in January, each increasing sales by more than 30 percent year-over-year. General Motors' trucks have been in high demand, thanks to cash incentives of \$5,000 or more depending on configuration. With the next generation of GM trucks scheduled to launch in the second quarter of this year, Kelley Blue Book expects GM to maintain generous incentives as it tries to sell down remaining 2012 and 2013 model-year inventory. As it stands today, GM still has a more than 80-day supply of full-size pickups nationwide, so truck shoppers should have no trouble finding the right truck to meet their needs for a bargain price.

PICKUP-TRUCK SALES HAVE SOARED IN RECENT MONTHS. PICKUP-TRUCK SALES HAVE BEEN AIDED BY STEADILY RISING HOUSING STARTS, AS WELL AS STRONG CASH INCENTIVES.

- ALEC GUTIERREZ

^{**}Model-year 2012 and prior represent the suggested retail value for the used-vehicle specified

With the next generation of full-size pickup trucks just around the corner, consumers in the market for a new truck can expect to pay around 93.7 percent of MSRP before incentives in today's market. Those that are unable to wait for the next Chevrolet Silverado, Ford F-Series or Toyota Tundra to be released may want to consider purchasing used, especially truck shoppers on a budget. A slightly used 1- or 2-year-old truck offers the same power and towing capacity as the current generation of trucks currently being sold, but for as much as \$5,000 less than a brand-new pickup with available incentives. Those who would prefer to hold out for the next generation of new trucks will only have to wait a few months for the new Chevrolet Silverado and GMC Sierra, while Ford F-Series loyalists must wait at least another 12 to 18 months for the redesigned 2015 model year to arrive. The 2014 Toyota Tundra, just unveiled at the Chicago Auto Show, presents yet another option for truck shoppers.



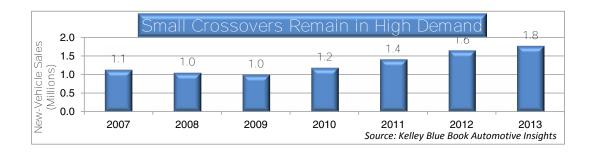
New vs. Used Breakdown - Full-Size Pickup Trucks

Make	Model	FPP	2012	2011	2010	2009	2008
Ford	F150 Regular Cab	\$26,599	\$23,435	\$21,400	\$19,135	\$17,250	\$14,500
Chevrolet	Silverado 1500 Ext. Cab	\$30,809	\$23,035	\$22,700	\$21,965	\$21,135	\$18,450
Ram	1500 Quad Cab	\$27,885	\$22,735	\$21,635	\$19,300	\$19,050	\$17,215
Toyota	Tundra Double Cab	\$27,693	\$25,900	\$25,165	\$22,400	\$21,665	\$19,235
Nissan	Titan Crew Cab	\$34,495	\$25,100	\$23,400	\$21,335	\$19,300	\$17,015

^{*}Fair Purchase Price represents what consumers are actually paying for a MY12 or MY13 new vehicle

Compact Crossovers Remain a Most-Considered Segment Among Shoppers

ales of small crossovers surged 21.6 percent in January, accounting for 12 percent of all vehicles sold during the month. The redesigned Ford Escape led the segment with nearly 20,000 units sold for the month, a 15.5 percent annual increase. The Ford Escape edged out Honda's redesigned CR-V by nearly 2,000 units, perhaps in part to more attractive incentive offers. The Ford Escape currently is available with up to \$2,500 in cash rebates and an attractive \$209 per month lease with \$2,738 due at signing. Honda isn't advertising any cash incentives for the CR-V, but is promoting a \$259 per month lease that calls for \$2,299 due at signing. Although the Ford Escape led the segment this month, it likely will be a toss-up between the Escape and Honda CR-V for the segment-sales crown in 2013; although, it is important to note that the Chevrolet Equinox only trailed the CR-V by about 500 units in January. In 2012, the Honda CR-V led the segment with 281,000 sales, followed by the Ford Escape and Chevrolet Equinox, which had 260,000 and 218,000 sales respectively.



^{**}Model-year 2012 and prior represent the suggested retail value for the used-vehicle specified

Regardless of which brand wins the sales crown in 2013, Kelley Blue Book anticipates a strong year for compact crossovers, with sales approaching 1.8 million units overall. This would mark a 7 percent year-over-year gain and a nearly 700,000 unit increase over sales in 2007. The segment has grown considerably since 2007, as truck-based SUVs have lost market share in favor of unibody compact CUVs that offer superior fuel economy and handling. Now nearly every manufacturer has at least one entrant in the segment, and of those entrants, nearly every model was redesigned during the past two model years. The redesigned 2013 Toyota RAV4, which was unveiled at the Los Angeles Auto Show, is the latest competitor to enter the fray, and is just now arriving at dealerships. Whether purchasing a new or used crossover, consumers have plenty of options available at a fair price.

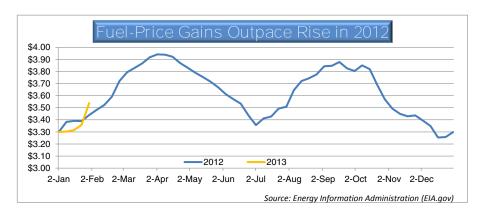
New vs. Used Breakdown - Compact Crossovers

Make	Model	FPP	2012	2011	2010	2009	2008
Ford	Escape	\$27,478	\$22,770	\$22,000	\$19,220	\$16,720	\$14,300
Chevrolet	Equinox	\$25,607	\$23,770	\$21,270	\$19,970	\$16,070	\$13,550
Honda	CR-V	\$26,486	\$23,665	\$21,400	\$19,350	\$17,750	\$16,150
Toyota	RAV4	\$24,060	\$22,000	\$19,935	\$19,085	\$17,185	\$15,035
Hyundai	Tucson	\$25,695	\$19,800	\$17,900	\$18,770	\$13,970	\$11,900

^{*}Fair Purchase Price represents what consumers are actually paying for a MY12 or MY13 new vehicle

Keep an Eye on Annual Fuel Price Increases

ising fuel prices have become an unwelcome tradition during the typically strong spring market in recent years, as the typical seasonal increases at auctions have been exacerbated by rising fuel prices in the previous two years. Although forecasts for 2013 generally point toward cheaper fuel relative to 2012, a rapid rise in fuel prices during the past few weeks has given Kelley Blue Book reason to suspect that consumers may be in store for the third consecutive year of fuel prices at nearly \$4.00 per gallon. Although \$4.00 per gallon is certainly a possibility in the months ahead, Kelley Blue Book doesn't expect to see the same knee-jerk reaction that occurred in 2008, when fuel prices first hit \$4.00 per gallon. In 2008, there was a 30 percent swing in used-car values at auction, upward for small



cars, and downward for trucks and SUVs. Since that time, consumers largely have made changes to either their driving habits or the type of vehicle they drive to offset short-term fuel spikes.

When fuel prices approached \$4.00 per gallon in 2011, and again in 2012, values swung less and less each subsequent time. If fuel prices approach \$4.00 per gallon once again this summer, expect to see values of small cars and hybrids increase by 3 to 5 percent at most, which is below the 30 percent swings of 2008 and 15 percent increase from 2011. With so many fuel-efficient new vehicles available at affordable prices, there is little reason for used-vehicle values to jump much beyond current levels, especially considering that used-vehicle values are only 6 to 7 percent below the all-time peak prices of 2011. Although Kelley Blue Book expects price increases at auction to be modest compared to previous years, dealers should prepare for potentially higher prices in the months ahead if fuel prices continue on their current trajectory.

USED-CAR MARKET ANALYSIS:

Used-Car Values Dip Slightly in January; 2012 Model-Year Vehicles Worth Less Than Used 2011 Models Year-Over-Year

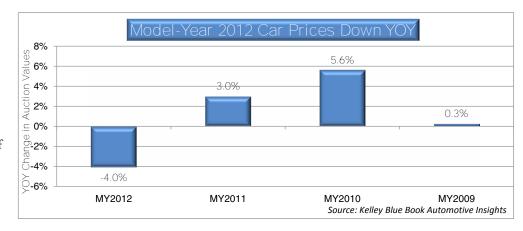
uction values were relatively flat in January in accordance with typical seasonal patterns, declining a modest 0.3 percent overall. However, values were up 2.6 percent on average year-over-year. Although most model years are worth more today than a vehicle of similar age at this time last year, 2012 model-year vehicles are actually worth 4 percent less than a used 2011 model-year vehicle at this time last year.

^{**}Model-year 2012 and prior represent the suggested retail value for the used-vehicle specified

USED-CAR MARKET ANALYSIS:

The 4 percent drop in values year-over-year can be attributed to the still narrow gap between newand used-vehicle pricing in many segments, such as compact cars and small crossovers, where only a few thousand dollars separate a brand-new vehicle from a 1- or 2-year-old used variant. Dealers are becoming reluctant to continue to pay close to original MSRP for used vehicles at auction, and as a result, Kelley Blue Book has seen a convergence of late-model values.

Further suppressing values of used 2012 modelyear vehicles is the jump in availability relative to previous model years. With more than 14.5 million vehicles sold last year, Kelley Blue Book



expects considerably more 2012 model-year vehicles to be available at auction this year than 2011, 2010, or 2009 model-year vehicles were in previous years. As the 2012 models continue to return to auction in higher volumes than their 2011, 2010, and especially 2009 counterparts, Kelley Blue Book will continue to see late-model values get squeezed.

This commentary focuses on model years 2009-2011. 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.

Practicality Sells

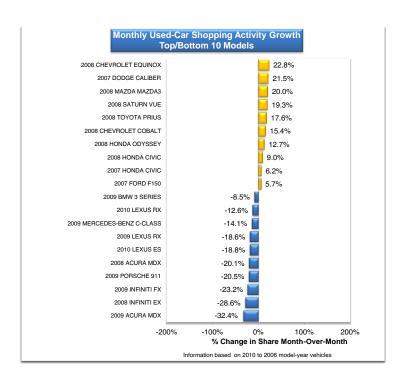
- Arthur Henry, manager of market intelligence and market analyst, Kelley Blue Book

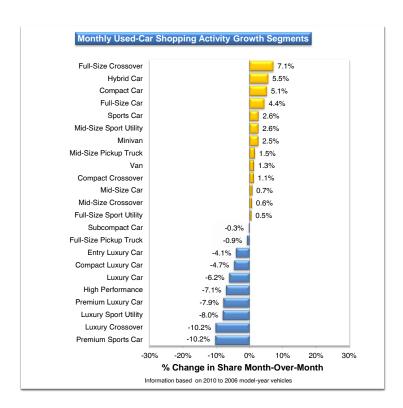
Kelley Blue Book's Hot Used-Car Report captures monthly used-car shopper activity on KBB.com, including a list of the top and bottom movers in the same time period. Results are provided by the Kelley Blue Book Market Intelligence Team, in an effort to help dealers better understand which used vehicles consumers are looking at most each month.

n January, shoppers displayed an increased interest in the full-size crossover, hybrid car and compact car segments. There are a few seasonal and market trends shaping KBB.com shopper research patterns.

January marks the end of the holidays and the start of the new year, which means the return to work and school. At this time, shoppers are looking toward practical vehicles that are multi-functional to serve their family's needs; hence, the increase in shopping activity in the full-size crossover segment. August is another month in which consumers gravitate toward vehicles in this same segment, likely due to the back-to-school season.

In addition, gas prices are on the rise once again, prompting shoppers to pay more attention to the fuel-sipping hybrid car and compact car segments. The pair of compact cars gaining extra attention are the 2007 Dodge Caliber and 2008 Mazda Mazda3. The 2007 model year was the first year that the Caliber was available on the market as it replaced the Dodge Neon. Dodge's goal with the Caliber was to offer a more versatile vehicle without sacrificing fuel economy. In the 2008 model year, Mazda3 added additional safety features, further increasing its appeal. The Mazda3 is a perennial favorite among consumers as it provides the complete package: fuel economy, space, style and affordability.





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