



BLUE BOOK

Used-Car Market Report

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Automotive Insights from Kelley Blue Book

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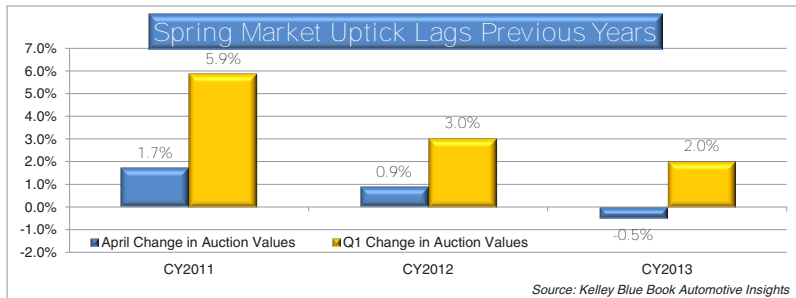
USED-CAR MARKET ANALYSIS:

Peak Comes Early at Dealer Auctions, Thanks to Mild Fuel Prices and Increased Supply

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

The typical spring market uptick was relatively mild this year, as used-car values increased only 2 percent in Q1. The 2 percent bump was just below the 3 percent increase from last year, and far shy of the 6 percent gain in 2011. Although values have eased as supply has improved due to slight increases in off-lease units in recent months, recently cheaper gas is helping to keep values in check so far this year. Gas prices currently are more than \$0.30 per gallon less than they were at this time last year and continue to fall.

Cheaper gas prices and improving supply at auction not only kept Q1 appreciation to a minimum, it brought the spring market uptick to an early end with values expected to drop close to 0.5 percent in April. The peak came approximately 2 weeks earlier this year than in 2012, and more than a month earlier than in 2011. With supply conditions at auction expected to continue improving and fuel prices expected to remain below levels seen last year, Kelley Blue Book believes used-vehicle values likely will decline between 1 to 3 percent in the second quarter, and will continue to drop modestly throughout the rest of 2013.



In This Issue:

USED-CAR MARKET ANALYSIS
Peak Comes Early at Dealer Auctions, Thanks to Mild Fuel Prices and Increased Supply

Values Drop 1.7 Percent Year-Over-Year on Average, Expected to Remain Down

Trucks Hold Steady on Improving Housing Market

Values of Small Cars Ease After Rising Sharply in March

Growing Availability of Hybrids at Auction Brings Prices Back Down to Earth

Full-Size and Mid-Size Sedan Values Increase in Q1

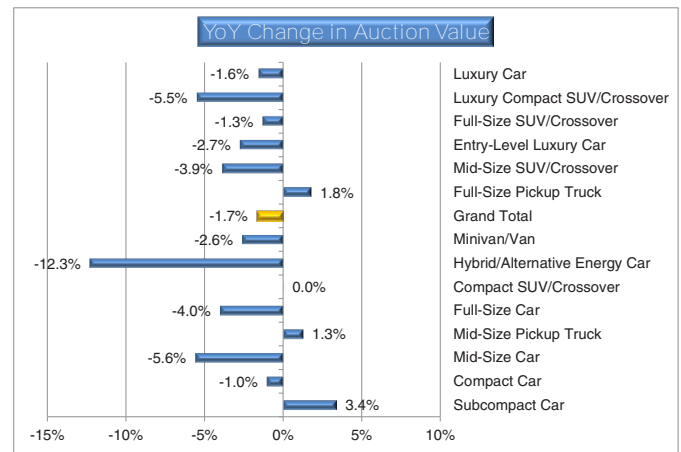
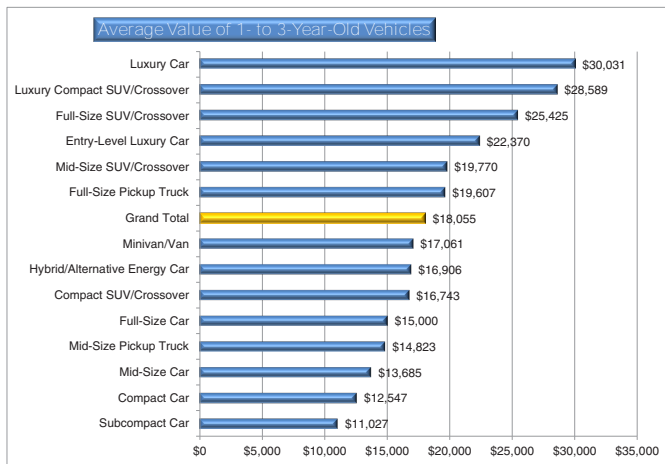
Used Luxury Posts Only 1.4 Percent Gain in Q1

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- ALEC GUTIERREZ

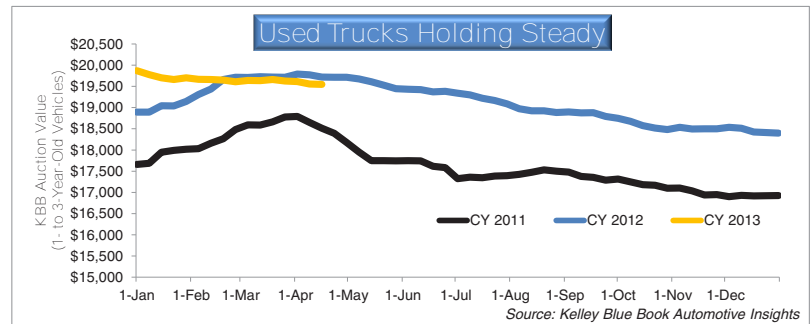
Values Drop 1.7 Percent Year-Over-Year on Average, Expected to Remain Down

Used-vehicle values were down in nearly every segment in April, with the average used vehicle selling approximately 1.7 percent below prices paid at this time last year for similarly aged vehicles. Hybrid vehicles experienced the most significant declines, with values more than 12 percent below last year's levels. Values of used hybrids have been kept low by cheaper gas prices and attractive finance offers on new hybrid models. For example, Toyota's \$239 per month, \$1,999 down lease on the 2013 Prius is certainly catching the attention of consumers, but putting downward pressure on values of the used 2012 Prius, which is currently selling for more than \$2,000 below prices paid at auction in 2012. Mid-size cars also are relatively soft year-over-year, due in large part to the strength of the model-year 2013 redesigns for the Honda Accord, Ford Fusion and Nissan Altima. Due to improving supply conditions at auction, attractive new vehicle finance offers, and cheaper gas prices, Kelley Blue Book expects used-car values to remain down year-over-year, likely ending the year 3 to 5 percent below prices paid in 2012.



Trucks Hold Steady on Improving Housing Market

The market for used full-size pickup trucks was stable in April with only nominal depreciation. Values for full-size trucks were down less than a quarter of a percent from the beginning of April, and only 0.1 percent lower when compared month-over-month to values in March. The average value of all 1- to 3-year-old trucks fell 0.8 percent year-over-year from the April 2012 average. These declines go against the trend seen in both 2011 and 2012, where values for full-size trucks reached their peak in late April, but they are not surprising given the liberal supply levels and incentives currently available on new trucks. It is likely that values for used trucks would have dropped more significantly, if not for the strengthening construction and housing industries.



The U.S. Department of Housing and Urban Development reported the number of new privately-owned housing starts rose 7 percent in March from February, and 46.7 percent compared to March 2012. Much of this growth came from larger projects, as construction starts for structures with five or more units increase an impressive 26.9 from February 2013 and 82.3 percent from March 2012. Additionally, the available supply of used trucks at auction has not kept pace with the ramp-up in demand; the volume of full-size trucks sold at auction in Q1 2013 only rose 0.6 percent from the first quarter in 2012. Despite the readily available discounts in the new truck market, there should not be excessive downward pressure on the used market, considering the growing demand fueled by the housing industry and relatively constrained supply of used full-size trucks.

Values of Small Cars Ease After Rising Sharply in March

While auction prices for the used small-car segment are up on a year-to-date basis, it appears this will not be the case much longer. March saw a seasonal surge in used-car pricing, and while a number of vehicles appreciated as much as 8 percent (with a few rising even higher), the spike was short lived. Halfway through April, the market already is giving back those inflated figures. The Ford Fiesta raised a sharp 7.92 percent in March, and while the popular subcompact had some of the highest appreciation across the segment, it already has given back a substantial 1.46 percent of those gains by mid-April. As the month comes to a close and gas prices continue to tumble, Kelley Blue Book expects further declines across the small car segment.

Vehicle	January (%)	February (%)	March (%)	April (%)	YTD Change
Ford Focus	2.47%	0.19%	5.84%	-1.07%	7.51%
Mazda Mazda3	0.60%	1.95%	3.47%	-0.44%	5.65%
Chevrolet Cruze	-1.45%	0.52%	5.04%	0.75%	4.83%
Toyota Corolla	-0.47%	0.34%	4.07%	-1.01%	2.90%
Nissan Sentra	-2.36%	4.67%	3.58%	-3.03%	2.65%

Source: Kelley Blue Book Automotive Insights

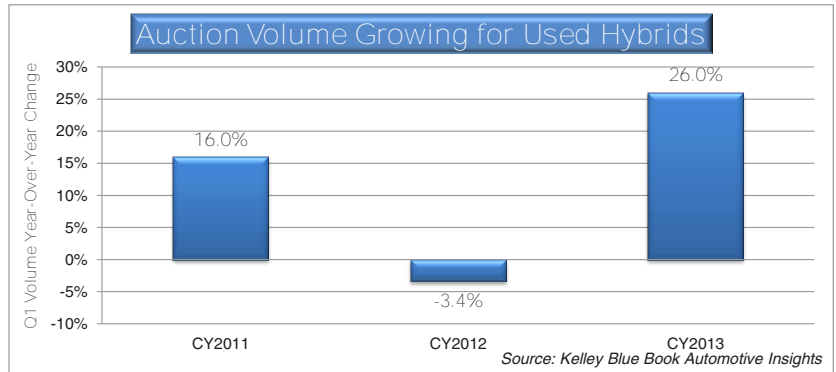
Vehicle	January (%)	February (%)	March (%)	April (MTD)	YTD Change
Nissan Versa	-1.54%	1.05%	6.04%	1.72%	7.32%
Toyota Yaris	-0.25%	1.75%	3.67%	0.89%	6.16%
Kia Rio	0.68%	0.88%	4.99%	-1.53%	5.00%
Ford Fiesta	-3.00%	1.45%	7.92%	-1.46%	4.64%
Chevrolet Sonic	-1.33%	2.25%	4.40%	-1.68%	3.55%

Source: Kelley Blue Book Automotive Insights

Growing Availability of Hybrids at Auction Brings Prices Back Down to Earth

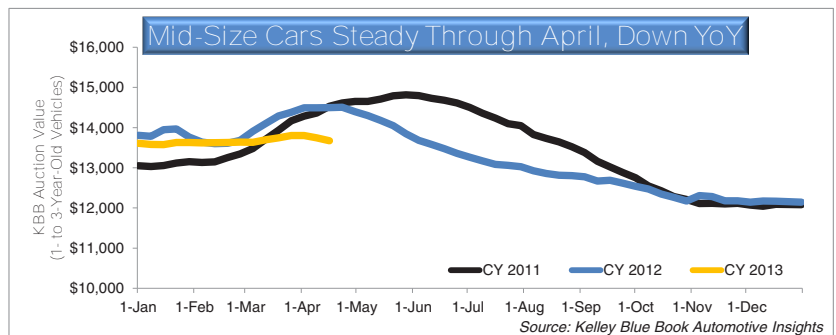
First quarter 2013 gave way to growing auction sales for the hybrid vehicle segment, with volume for the first three months of the year more than 20 percent higher than Q1 2012.

Volume increased in the first quarter for many popular hybrids such as the Toyota Prius and Honda Insight, thanks in part to strong lease programs offered for each of these models during the past several years. As hybrid volume increased, prices have decreased, with the average hybrid currently selling approximately 12 percent below prices paid last year. Hybrid values will likely continue to decline as supply grows in future years, due to the surge in new hybrid models that have been introduced by manufacturers during the past several years. In the past three years, the used-car hybrid market has grown an average of 29 percent per year in terms of new-model introductions, and additional hybrids come to market every year. Kelley Blue Book expects this trend to continue. As consumers continue to adopt hybrid powertrains and manufacturers continue to offer new hybrid introductions, Kelley Blue Book foresees additional modest softening in values of hybrid vehicles. Impressive sales numbers, the Elantra overtook both the face-lifted Chevrolet Cruze and Ford Focus in market share, gaining an impressive 11.9 percent to put the Elantra in third place for overall market share within the segment. In addition to increasing share, Hyundai saw a 1.6 percent increase in average transaction prices in March, as the average Elantra sold for approximately \$20,300. It also is striking that the Elantra body style remains unchanged since 2011; however, Hyundai has added a two-door coupe and five-door hatchback GT to the 2013 Elantra lineup.



Full-Size and Mid-Size Sedan Values Increase in Q1

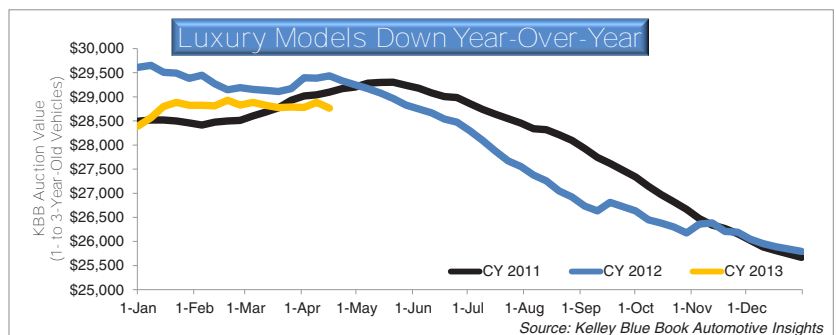
In the first quarter, auction values of full-size sedans slightly outperformed the more popular mid-size sedans, with auction values up by 2.28 percent and 1.44 percent, respectively. Values of full-size sedans were helped by a decline in auction volume likely triggered by reduced availability of vehicles like the Ford Crown Victoria, which was a favorite of municipal and taxi fleet operators prior to ceasing production after the 2011 model year. Sales volume of full-size sedans at auction decreased 7.34 percent year-over-year in the first quarter, while the volume of mid-size sedans increased by 1.79 percent.



Despite the lower volume at auctions, values of full-size sedans are down 2.35 percent year-over-year, slightly outpacing the average decline of 1.7 percent for the industry. Consumers looking for a little extra leg room typically opt for a mid-size sedan, due to their more affordable price point, better fuel economy, and comparable size and feature set. Although mid-size sedans typically are favored by consumers, the latest batch of redesigns has put downward pressure on values of used mid-size offerings. In fact, the typical used mid-size car is down 4.0 percent year-over-year, underperforming the less desirable full-size segment. Used mid-size and full-size sedans are expected to remain soft for the foreseeable future, especially as the latest redesigns arrive at auction.

Used Luxury Posts Only 1.4 Percent Gain in Q1

Used-luxury models, which are known for their steep depreciation, posted modest gains in the first quarter of the year, with the average auction value rising 1.4 percent to \$28,763. While in contrast to last year's drop of 1.5 percent, the luxury market still finished the first quarter 2.3 percent lower than 2012. In fact, since mid-January, average auction values for used luxury vehicles were essentially unchanged. While new-car luxury vehicle sales were up 14.6 percent in the first quarter, overall auction volume on used luxury units declined 4.2 percent from 2012. Buoyed by low interest rates and attractive leases, Kelley Blue Book is watching buyers shift toward new luxury units, creating downward pressure on used values.



Although values of used-luxury vehicles were up in the first quarter, they dropped an average of 0.5 percent in April, slightly outpacing the 0.2 percent average industry decline. The only segment showing signs of strength was compact luxury crossover/SUVs, where the BMW X3 posted gains of 2.2 percent. High-end luxury cars were the hardest hit, as BMW 7 Series values dropped 3.4 percent and Mercedes-Benz S-Class models declined by 2.8 percent. Looking forward to the second quarter, Kelley Blue Book anticipates greater off-lease volume to hit the market than in previous years, further driving down values. Throughout the remainder of 2013, luxury values are likely to decline faster than the overall market, and drops in the second quarter can be expected around 3 percent.

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HOT USED-CAR REPORT:

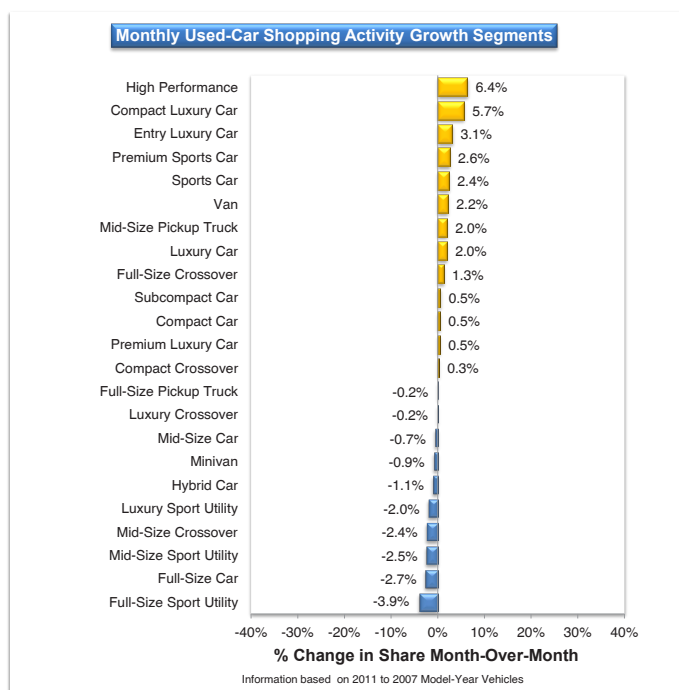
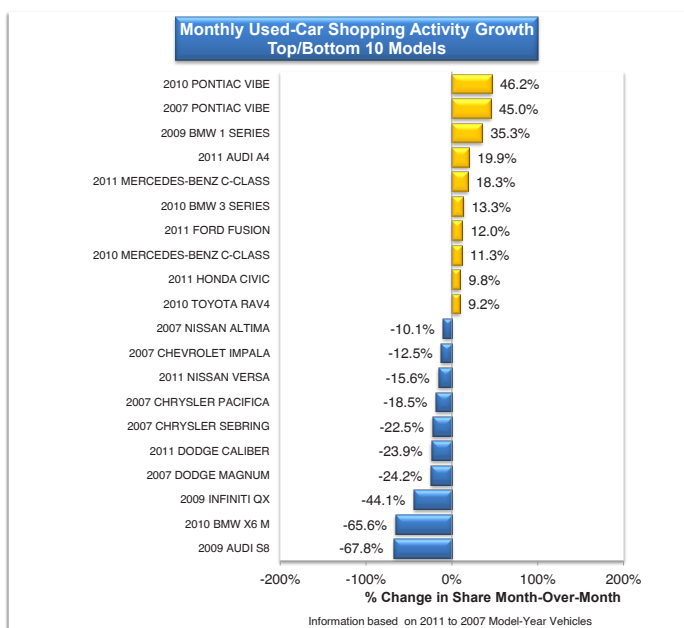
Spring Fling

- 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.

As prices are falling, the nation is starting its winter thaw and KBB.com shoppers are showing us that this is a good time to be a car enthusiast. This is represented in their vehicle choices, and this month shopping interest increased for all performance vehicles. From compact luxury cars to high-performance vehicles, share of shopping traffic has increased between 2.4 percent to 6.4 percent. Typically in March, shoppers begin to shift their interests away from utility vehicles and more toward performance-oriented vehicles, but it has been tempered in the past few years due to high gas prices. Now that gas prices are not a major concern, a wide range of vehicles are popping up on the radars of shoppers. Vehicles experiencing an increase include the Audi A4, BMW 1 Series, BMW 3 Series and Mercedes-Benz C-Class.

Another vehicle that has piqued shopper attention is the Pontiac Vibe. Owners rate this vehicle 9.2 out of 10 and praise the Vibe for its reliability and utility. Owners also are aware that the Vibe is essentially the same vehicle as the Toyota Matrix, which is on the Corolla platform. The 2010 Vibe is currently valued (suggested retail price) just below \$15,000 and appears to be a great vehicle if you're looking for roominess on a budget.



About Kelley Blue Book (www.kbb.com)

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