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## **INDUSTRY INSIGHTS:**

## **A Market Moving Sideways**

- Jack R. Nerad, vice president, executive editorial director and executive market analyst, Kelley Blue Book's KBB.com

f you are seeking automotive trends these days, you might be hardpressed to find one. Fuel prices shot up at the beginning of the year, but now, in the portion of the year when we typically see a run-up in fuel prices, they are going down. In fact, in some areas they are plummeting. As fuel prices have dropped, the trend toward smaller, more fuel-efficient vehicles has cooled. Used-car prices, which had been unnaturally robust for the first several months of the year, are now returning to Earth. So the trend of used-car scarcity seems to be coming to an end.

> WHAT GROWTH THE AUTO INDUSTRY HAS SEEN IS LARGELY FUELED BY THE FACT THAT THE TYPICAL CAR IN THE AMERICAN FLEET IS GETTING SO OLD IT MUST BE REPLACED. - JACK R. NERAD

Of course the biggest stalling trend is the vehicle sales recovery the automotive industry witnessed throughout Q1 and Q2 2012. Just a few days ago, Kelley Blue Book analysts predicted the June seasonally adjusted sales rate (SAAR) would be 13.9 million units. The June forecast is slightly improved than the SAAR for May, but well off the 14.5-million-unit sales pace the market experienced during January through April this year. Oddly, that sales increase occurred in the face of a simultaneous fuel spike. Typically quick fuel-price increases influence consumers to weigh their options a bit

longer, but during Q1 the combination of high fuel prices, plentiful supply of fuel-efficient vehicles, and increasing consumer confidence led to immediate sales increases.

Fast-forward to the beginning of July. Today you will discover whatever momentum the auto market experienced throughout the first part of the year has largely stalled. Certainly sales haven't fallen off a cliff, in fact, sales in June 2012 will come in stronger than sales in June 2011. But there is virtually no sense that a vehicle sales recovery is gaining steam. What growth the auto industry has seen is largely fueled by the fact that the typical car in the American fleet is getting so old it must be replaced. One of the most interesting recent tidbits to come from Kelley Blue Book Market Intelligence is that the car currently owned by the average *new-car* shopper is eight years old! One would intuit that the owner of an eight-year-old car is a ripe-andready new-car prospect, but that is the new normal based on three-plus years of Depression-like vehicle sales and generally sluggish economic activity.

Now, in a year in which there have been glimpses of light at the end of a long, long tunnel, we are confronted with two more pieces of news that suggest difficult times remain ahead of us. In the United States, employment numbers have continually disappointed expectations, and there is nothing on the horizon that suggests change anytime soon. Meanwhile, the European debt crisis overseas continues to put a pall on vehicle sales, and has made things more difficult for domestic and import manufacturers alike.

The inescapable conclusion is that the American car market lacks momentum. The only real movement is sideways, and that's not the kind of movement that will satisfy many.

 

 WHAT'S NEW (Continued): New Car Fuel Economy: 27 Cars Rated at 40 mpg or Better New Car Prices Down \$500 Year Over Year According to Kelley Blue Book

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## LATEST NEWS STORIES ON KBB.COM:

Check out the very latest news stories by visiting <u>KBB.com</u> and clicking the the KBB Top Picks tab on the home page. The following latest news stories by KBB.com's editorial staff went live on the site or were updated during June 2012.

### Videos Posted to KBB.com:

2012 Ford Focus Video Review 2012 Mercedes M-Class Video Review 2012 Porsche Panamera Video Review 2012 Toyota Corolla Video Review 2012 Toyota Prius Video Review Celebrating Donut Day 2012

### Written Stories Posted to KBB.com:

2014 Kia Sorento previewed 2014 Mitsubishi Outlander PHEV teased - will come to the U.S. 2013 BMW Alpina B7 updates add power, performance, efficiency 2013 Bentley Continental Speed GT revealed 2013 Buick Verano Turbo revealed 2013 Chevrolet Malibu lineup pricing and packaging revealed 2013 Chevrolet Volt adds more EV range and improves MPGe marks 2013 Ford F-150 adds Special Service Vehicle Package 2013 Ford F-150 updates unveiled 2013 Ford Focus ST: Europe Arrives at your Doorstep 2013 GMC Terrain Denali First Review: Subdued Bling, More Power 2013 Honda Fit EV earns 118 MPGe EPA rating 2013 Hyundai Veloster Turbo will start at \$22,725 2013 Lexus ES First Review: A Little Edgier and Much More Electric 2013 Mercedes-Benz C300 4Matic adds more power and ECO start/stop 2013 Mercedes-Benz GL63 AMG unveiled 2013 Mercedes-Benz SLS AMG GT revealed 2013 Mini Clubvan details revealed 2013 Nissan Altima Sedan tops EPA marks for gas-only mid-size cars 2013 Porsche 911 Carrera S will offer new Powerkit upgrade 2013 Porsche Boxster First Review: Cerebral-Spinal Fluidity 2013 Volkswagen Beetle Fender Edition unveiled 2013 Volkswagen CC 2.0T R-line Revealed 2012 Tesla Model S arrives with an 89 MPGe EPA rating A123 Systems announces breakthrough electric vehicle battery tech AMG celebrates 45 years of fast times and offers a virtual factory tour Apple announces "Eyes Free" in-car integration for Siri

Aston Martin AM 310 Vanquish officially revealed Aston Martin Project AM 310 Concept previews next-gen DBS model Audi R18 e-tron Quattro Hybrid sweeps to historic victory at Le Mans Audi to introduce innovative digital rear-view mirror system BMW Zagato Coupe Concept debuts at Concorso d'Eleganza BMW i3 Concept updated, new e-assist i Pedelec Concept cycle revealed Ferrari SP12 EC - one-off neo-retro model commissioned by Clapton Ford 1.0-liter EcoBoost wins 2012 "International Engine of the Year" award Ford backing unique Motor City Innovation Exchange program Ford commits to a 25 percent reduction in energy use by 2016 GM Design celebrates 85th Anniversary How to Drag Race a 2012 Camaro ZL1 Jaguar holds a destruction derby for XF design model Lexus retains top spot in J.D. Power 2012 U.S. Initial Quality Study Mazda SkyActiv-D racing turbodiesel heading to Le Mans in 2013 Mazda prepping SkyActiv turbodiesel for 2013 Rolex Grand Am GX Series Mini Rocketman Concept re-launched for 2012 London Olympic Games Mini sets new Guinness mark for parking prowess NHTSA reveals "Blueprint for Ending Distracted Driving" Nissan Juke Nismo unveiled - and it's coming to America Saab saved, will be transformed into an EV manufacturer Sauber offers the ultimate inside look at a modern Formula One car Toyota EV P002 will shoot for Pikes Peak electric-car record Verizon and five automakers team to advance Connected Cars efforts Volvo's autonomous road train hits the streets in Spain Volvo S60 Polestar Performance Concept unveiled

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## NEW-VEHICLE REVIEWS ON KBB.COM:

The following new-vehicle reviews written by KBB.com's editorial staff went live on the site or were updated during June 2012. To see any new-vehicle review from KBB.com's editorial staff, please visit <u>KBB.com</u> and click on the *Car Reviews* tab, then select the make and model.

#### 2013 Acura ILX

The 2013 Acura ILX sedan has set its sights on tapping into a 4-door luxury-leaning market that sits just below, in price and size, the BMW 3 Series and Audi A4 audience. Acura has its entry-level-luxury bets covered with three models – sedate, sporty and hybrid – each with its own style...

#### 2013 Cadillac ATS

Cadillac's all-new compact luxury sport sedan, the 2013 ATS, puts its own unique spin on the division's Art & Science design philosophy. The new ATS trumpets bold looks, handling dynamics tuned on Germany's famed Nürburgring circuit, the choice of 4- or 6-cylinder power, and all of Cadillac's latest technology, including the new CUE infotainment interface...

#### 2013 Chevrolet Spark

Cars seem to be downsizing in the name of price, fuel efficiency, and perhaps, novelty. But while cars like the Scion iQ and the Smart Fortwo may be undersized afterthoughts for many car shoppers in the market, a real 4-seater like the forthcoming 2013 Chevrolet Spark could be on many shoppers' radars. The Spark is on par with its rivals from Scion and Smart...

#### 2013 Nissan Altima

Unsatisfied with the Altima's runner-up status, Nissan reaches for leadership in America's toughest car segment with a choice of fuel-efficient 4-cylinder or V6 power, the industry's best continuously variable transmission (CVT), handsome styling, sporting dynamics, and a suite of available features competitive with anyone. It follows Toyota's revamped 2013 Camry, Chevy's all-new Malibu and VW's Americanized Passat to market but precedes Honda's 2013 Accord and Ford's new Fusion by a few months...

### 2013 Porsche Boxster

The 2013 Porsche Boxster convertible is a fresh take on mid-engine performance that almost captures the sexy 911-style appeal that the Porsche Cayman has mastered. The new Boxster is slightly bigger than the previous-generation car, but feels tighter and its weight is lower...

#### 2012 Acura ZDX

Acura's 2012 ZDX sport crossover is a difficult car to justify. Its sharply-sloped back and aggressive front end are meant to impart a coupe-like stance, while its four doors and rear liftgate speak to a more utilitarian side. Unfortunately, the Acura ZDX crossover doesn't really pull either image off very well. It's not very coupe-like, and its roof design translates to a severe lack of rear-seat head and legroom ...

To read the latest Consumer Reviews & Ratings on this vehicle, click here.

#### <u>2012 Jaguar XJ</u>

For the better part of a century, Jaguar products were about as recognizable as the McDonald's golden arches. Enter the 2012 Jaguar XJ, a wholly relevant full-size luxury sedan with modern amenities, impeccable craftsmanship and a sporty, contemporary design. No longer old-fashioned and eccentric, the 2012 XJ is now a viable alternative to popular luxury brand flagships such as the Mercedes-Benz S Class, BMW 7 Series, Audi A8 and the Lexus LS...

#### 2012 Lincoln MKT

There's no denying that the 2012 Lincoln MKT has an exterior shape that could be called polarizing at best but, once you look past its bulbous back and step inside this 3-row people hauler, it's all about excellent accommodations that can seat up to seven in supreme comfort. Factor in the availability of all-wheel drive and a twin-turbo engine, and the Lincoln MKT further proves that you can't always judge a car by its covering ...

To read the latest Consumer Reviews & Ratings on this vehicle, click here.

### 2012 Smart fortwo

In America, fads come and go as quickly as reality TV stars. When the news of Smart's stateside arrival reached the eyes and ears of Euro-loving Americans, the subsequent waiting list presaged a bright future for the Mercedes-Benz subsidiary. With over 40,000 pre-orders, Smart experienced the automotive equivalent of crazed shoppers camped outside a local retailer to be among the first to get their hands on the latest Apple product...

To read the latest Consumer Reviews & Ratings on this vehicle, click here.

#### 2012 Suzuki Grand Vitara

The Suzuki Grand Vitara can feel like an orphan in the compact SUV segment. While competitors such as the Honda CR-V, Toyota RAV4, Ford Escape and Hyundai Tucson sell in droves, Suzuki's lone SUV often falls off buyers' radar – if they even know about its existence in the first place. Without significant updates since 2006 and its reliance on an outdated powertrain, it's easy to see why the Grand Vitara is in this predicament ...

To read the latest Consumer Reviews & Ratings on this vehicle, click here

#### 2012 Volkswagen Jetta Sportwagen

While many people prefer the rugged look and elevated ground clearance of a small SUV, there are still a number of drivers who prefer a traditional carbased wagon. For these few die-hard loyalists, Volkswagen builds the 2012 Jetta SportWagen, a midsize wagon based on the last generation Jetta sedan ...

To read the latest Consumer Reviews & Ratings on this vehicle, click here.

#### 2012 Volvo C30

Blurring the lines between station wagon and hatchback, the 2012 Volvo C30 is a compact, premium 3-door vehicle that looks unlike almost anything else on the road. The C30 also straddles the line of an upscale compact carryall, as it's pricier than a Mini Cooper but cheaper than an Audi A3. Even its engine is a breed apart, being a turbocharged 5-cylinder that aims for – and achieves – fuel economy almost as good as a 4-cylinder and power levels approaching those of a V6 ...

To read the latest Consumer Reviews & Ratings on this vehicle, click here.

#### 2012 Volvo S80

The 2012 Volvo S80 may not have the cachet of a Lexus GS, Audi A6 or BMW 5 Series, but it merits attention among premium brands nonetheless. Not surprisingly, Volvo's largest sedan isn't known for the most modern styling or thrilling performance, but rather the safety pedigree and understated elegance long associated with its Swedish maker ...

To read the latest Consumer Reviews & Ratings on this vehicle, click here.

#### 2012 Volvo XC70

Although the advent of the retractable hardtop can be traced back to the mid-1930s, it wasn't until the late 20th century that automotive engineers began refining and perfecting this technology of the "Golden Age." Today, the rising popularity of retractable hardtops stems as a result of their safety, light weight and, best of all, affordability ...

To read the latest Consumer Reviews & Ratings on this vehicle, click here.

# **First Time Car Buyer Tips**

### Enter 'First Car Freedom' Photo Contest for a Chance to Win a \$200 Gas Card

IRVINE, Calif., July 9, 2012 - Buying your first car can be a daunting experience. Many people are uncomfortable with price negotiation, and most often haggling is still a big part of the auto purchase process. First-time buyers also are confronted with a wide array of possible choices, a car, a truck or an SUV; whether to buy or lease, how to finance and where to buy. As a first-time buyer, this is uncharted territory, no wonder the thought of buying your first car can bring on a headache... *MORE* 

## July 4th Offers Best Deals On Top 25 New Cars, Crossovers

### New Car Buyers Should Purchase on 4th of July as Auto Incentives May Not Return Until Labor Day According to Kelley Blue Book

IRVINE, Calif., July 3, 2012 - Known for fireworks, hot dogs and commemorating the signing of the Declaration of Independence, July Fourth also has become one of the best times of the year to buy a new car. Among the top 25 selling cars and crossovers, consumers will find rock-bottom finance rates, plentiful cash rebates and the most affordable lease opportunities available so far this year, according to Kelley Blue Book, the leading provider of new car and used car information... *MORE* 

## Kelley Blue Book's KBB.com Names 10 Cars That Reignite The American Dream

## Chevrolet Corvette Ranked No. 1 on List of Detroit-Based Vehicles Experiencing Resurgence

IRVINE, Calif., July 2, 2012 - In honor of America's Independence Day, the expert editors from Kelley Blue Book's KBB.com name 10 Cars that Reignite the American Dream to honor a resurgence of new vehicles from Detroit-based manufacturers. The iconic Chevrolet Corvette ranked No. 1 on the list, captivating drivers for nearly 60 years.

It was not long ago that a pair of U.S. car companies was in bankruptcy and a third seemed to be hanging on by a thread. However, recently the editors of Kelley Blue Book's KBB.com have seen a definite revival in vehicles from American-based manufacturers, including new products that offer unique technology plus tried-and-true models that deliver exceptional value... *MORE* 

## New Car Fuel Economy: 27 New Cars Rated at 40 mpg or Better

IRVINE, Calif., June 27, 2012 - The majority of new-car shoppers say gas prices are having a greater effect on their vehicle consideration, and they expect gas prices to continue to rise, according to a recent Consumer Sentiment study of among new-car shoppers on <u>www.kbb.com</u>.

With the economy at a near-standstill and gas prices through the roof, many consumers want a new ride that won't empty their wallets at the gas pump. For the millions of car shoppers focused on fuel economy, Kelley Blue Book's KBB.com has created a list of <u>27 new cars that are all rated at 40 mpg or better</u>. With options including electric, hybrid, diesel, and even good old-fashioned gasoline-powered vehicles, this list is the perfect place to start for car shoppers looking for a new fuel sipper... <u>MORE</u>

# **New Car Prices Down \$500 Year Over Year According To Kelley Blue Book**

## New Japanese Car Prices Had Most Significant Decline in 2012

IRVINE, Calif., June 27, 2012 - On average, consumers are paying \$500 less for a new vehicle today compared to just one year ago, according to Kelley Blue Book, the leading provider of new car and used car information. Low inventory levels are no longer suppressing new-vehicle sales as supply is meeting demand. As a result, transaction prices, or Kelley Blue Book Fair Purchase Prices (the price consumers typically are paying for a car, based on actual new-vehicle transactions and updated weekly for changing market conditions), are considerably more affordable than this time last year. The most significant year-over-year declines are for vehicles offered by Japanese brands, specifically those that were severely impacted by inventory shortages stemming from Japan's major earthquake in 2011... MORE

## New-Vehicle Sales Remain Steady At 13.9 Million Seasonally Adjusted Annual Rate, According To Kelley Blue Book Analysts

## Significant Sales Gains Expected for Honda, Toyota, with Increased Inventory Levels Compared to 2011

IRVINE, Calif., June 26, 2012 - New-vehicle sales are projected to hit 13.9 million seasonally adjusted annual rate (SAAR) in June 2012, slightly improved from the 13.8 million unit pace posted in May 2012, according to Kelley Blue Book, <u>www.kbb.com</u>, the leading provider of <u>new car</u> and <u>used car</u> information.

Kelley Blue Book's prediction for June SAAR is well below the 14.5 million unit average pace for the first four months of the year. The daily selling rate will fall to 47,000 units per day, which is 8 percent below the four-year high in May and up 16 percent from June 2011. Despite the predicted decline for June, sales remain strong thanks to a steady flow of demand from consumers in need of a replacement vehicle... *MORE* 

# KBB.com's 10 Coolest New Cars Under \$18,000: Editors Name All-New Dodge Dart No. 1

## Kelley Blue Book's KBB.com Editors Rank This Year's Top Picks for Affordable New Rides Boasting Cool Factor

IRVINE, Calif., June 20, 2012 - The expert editors from Kelley Blue Book's <u>www.kbb.com</u>, the leading provider of <u>new car</u> and <u>used car</u> information, today name the <u>10 Coolest New Cars Under \$18,000</u>. In this annual list published by Kelley Blue Book's KBB.com, the editors ranked their top choices and named the <u>2013 Dodge Dart</u> as this year's No. 1 affordable new 'Cool Car.'

The economy is at a near-standstill and gas prices are through the roof, but regardless of financial constraints or economic hardships, the simple fact remains that car shoppers want their new ride to be cool. That is why now, more than ever, KBB.com's annual list of the 10 Coolest Cars under \$18,000 is in tune with the times, providing a great selection of cars that are not only affordable, but also fun... *MORE* 

To view the multimedia assets associated with this release, please click *here*.

# Analysts Highlight Key Findings, Predictions in June 2012 Blue Book Market Report

IRVINE, Calif., June 14, 2012 - Kelley Blue Book <u>www.kbb.com</u>, the leading provider of new car and used car information, today reports its latest automotive market insights are now available in its monthly distribution of the *Blue Book Market Report*. Kelley Blue Book's <u>Blue Book Market Report for</u> <u>June 2012</u> covers the new- and used-car markets with focus on oil, fuel prices, the state of the economy and more.

## **Blue Book Market Report Highlights:**

- Kelley Blue Book believes demand for *new cars* will carry sales beyond 14 million units in 2012.
- Used-car values dipped 3 percent in May due to falling oil prices. During the next three months, Kelley Blue Book analysts expect used-vehicle values will continue to decline by as much as 6 to 7 percent... MORE

## KBB.com Names 10 Cars Waving Goodbye In 2012, Explains Impact On Vehicle Values

## KBB.com Features Models Ending Production; Depreciation to Hit Some Harder than Others

IRVINE, Calif., June 13, 2012 - Kelley Blue Book's <u>www.kbb.com</u>, the leading provider of new car and used car information, today announces a list of <u>10 Cars Waving Goodbye in 2012</u>. In this Latest News story, KBB.com editors name 10 vehicles being discontinued after the 2012 model year, providing commentary about each car and the plans each automaker has to fill the void left by the outgoing model... <u>MORE</u>

## KBB.com Launches Newly Redesigned, App-Like Mobile Website; Introduces New Car-Shopping Features For Smartphone Users

## MobileWebAward-Winning Site Now Offers Vehicle Reviews, New-Car Comparisons to Help On-the-Go Buyers

IRVINE, Calif., June 12, 2012 - Kelley Blue Book, the leading provider of <u>new car</u> and <u>used car</u> information, today announces its newly redesigned app-like mobile website for its top-rated website, <u>www.kbb.com</u>. In addition to Kelley Blue Book<sup>®</sup> Values, smartphone users now have access to several new features on KBB.com<sup>s</sup> free mobile website to help make the best purchase decision possible while on-the-go ... <u>MORE</u>

To view the image associated with this release, please click *here*.

## About Kelley Blue Book (www.kbb.com)

Founded in 1926, Kelley Blue Book, The Trusted Resource<sup>\*</sup>, is the only vehicle valuation and information source trusted and relied upon by both consumers and the industry. Each week the company provides the most market-reflective values in the industry on its top-rated website *www.kbb.com*, including its famous Blue Book<sup>\*</sup> Trade-In and Suggested Retail Values and Fair Purchase Price, which reports what others are paying for new cars this week. The company also provides vehicle pricing and values through various products and services available to car dealers, auto manufacturers, finance and insurance companies as well as governmental agencies. KBB.com provides consumer pricing and information on cars for sale, minivans, pickup trucks, sedan, hybrids, electric cars, and SUVs. Kelley Blue Book's KBB.com ranked highest in its category for brand equity and was named Online Auto Shopping Brand of the Year by the 2012 Harris Poll EquiTrend<sup>\*</sup> study. Kelley Blue Book Co. Inc. is a wholly owned subsidiary of AutoTrader.com