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# BLUE BOOK MARKET REPORT

April 2010

Analysis from Kelley Blue Book's Analytic Insights and Market Intelligence Teams

## IN THIS ISSUE:

### **MARKET ANALYSIS -**

**Bargain Shoppers Driving Market; Domestic, Koreans Benefit**

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

### **APRIL 2010**

### **RESIDUAL ANALYSIS**

**Toyota Residuals Increase Along With Rise in Industry**

### **MARKET WATCH® -**

**March 2010**

**Highlights: Minivans Make a Comeback**

### **MARKET INTELLIGENCE -**

**Survey Results from March 2010**

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## MARKET ANALYSIS

### **Bargain Shoppers Driving Market; Domestic, Koreans Benefit**

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

### **Looking Forward**

With values rising in all segments through March, many may be wondering how long the current strength in the marketplace will continue. Through the second quarter, Kelley Blue Book is forecasting values for most car segments to continue to climb. We also are anticipating values for compact cars to increase 1.8 percent, subcompact cars to increase 3.5 percent, and mid-size cars to appreciate 0.8 percent. An expected uptick in gas prices during Summer and continued limited supplies of these vehicles are two contributing factors influencing the uptick in these segments. Alternatively, we expect values for full-size trucks to drop 3 percent through the same period in response to the expected rise in gas prices. So while a limited supply at auction is expected to keep values for many segments strong through the next quarter, rising gas prices could play a role in bringing down the value of vehicles with less-than-ideal fuel economy.

### **Demand for Used Cars Remains High**

While we can attribute much of the strength over the past month to limited supply at auction, we also must note that strong consumer demand supports rising values. Continued weakness in the economy is another factor keeping demand for used vehicles high. With the national unemployment rate still hovering just below 10 percent and bankruptcy filings and loan delinquencies on the rise, many consumers are purchasing a used or certified pre-owned vehicle as an alternative to a new vehicle due to their lower cost of entry. Additionally, strong incentive support from OEMs such as Honda and Toyota has increased foot traffic in showrooms, bolstering not only new-vehicle sales, but ultimately, sales of used vehicles. Unlike dealer or customer cash, lease and financing incentives do not generally lower the resale value of used vehicles, since they do not have a significant effect on the transaction price of a new car. In addition, the aggressive lease and financing support available in March gives an indication that credit has become more readily available for consumers looking to finance their purchases. We would expect to see demand remain strong or even increase as credit markets thaw and it becomes easier for consumers to obtain financing. For these reasons, Kelley Blue Book expects that values will remain strong for many segments in the short term, especially if attractive financing opportunities remain available for consumers.

**Continued on Page 2.**

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## MARKET ANALYSIS CONTINUED

### Used Vehicle Values Strengthen as Dealers Return to Auction

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Values were especially strong through March, supported by a limited supply of high-quality, good condition vehicles at auction. Excellent weather through the month of March also helped boost values, prompting dealers to replenish inventory at auction to keep up with demand through the Spring selling season. While we typically expect some appreciation during this time, the strength we are seeing today exceeds seasonal trends. Overall, used-vehicle values were up 2.2 percent, a significant increase relative to the 0.5 percent increase observed during March 2009. Interestingly, the appreciation in March was limited mainly to 2008 and older model years. One-year-old vehicles (MY 2009) have not fared as well, staying flat or even dropping in some cases, narrowing the spread between one- and two-year-old vehicle values. A significant increase in the supply of 2009 vehicles at auction has prevented these vehicles from strengthening to the same degree as older models.

### Domestic Brands Lead the Charge, Surpass Imports

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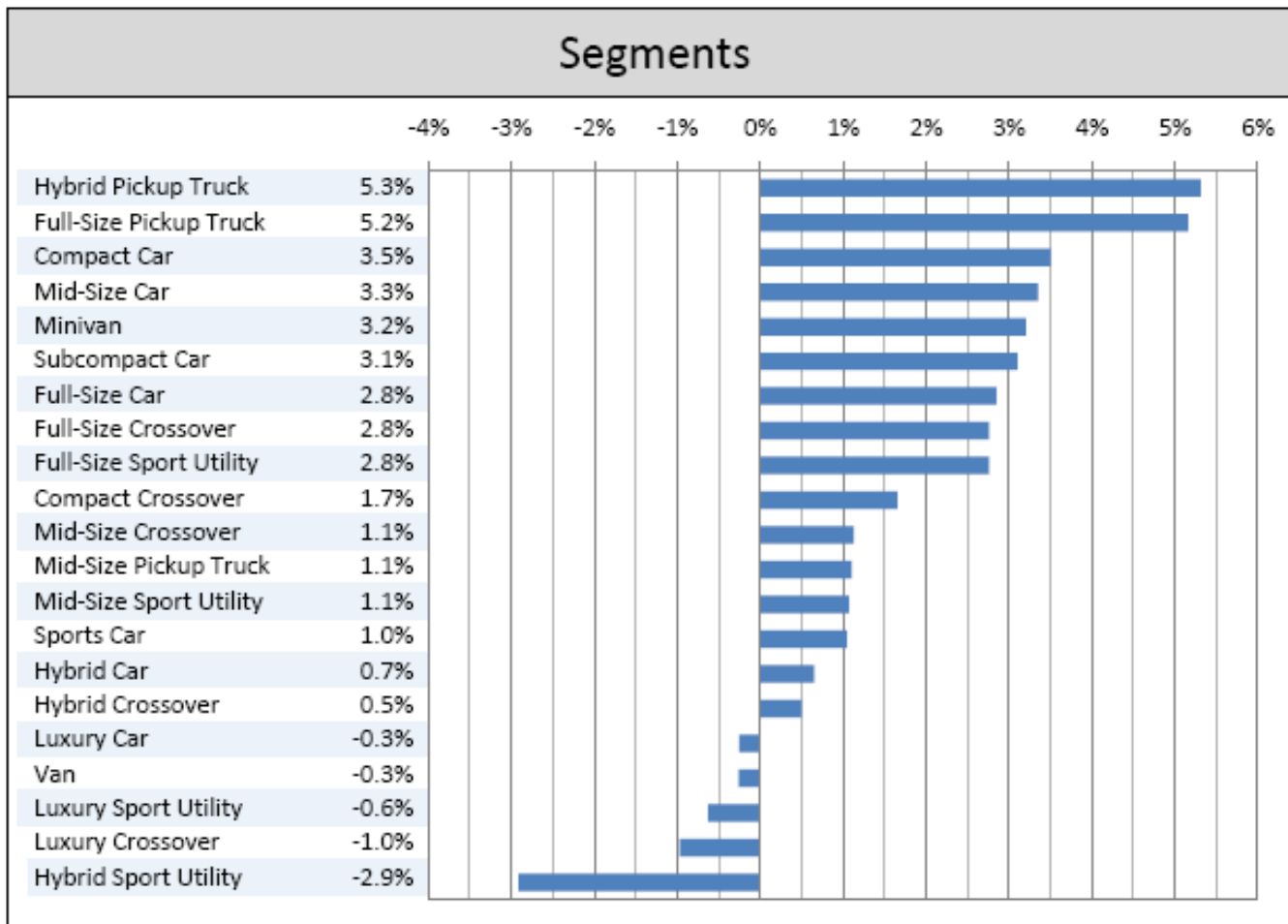
From full-size SUVs to subcompact cars, values were strong regardless of segment during March. However, within each segment, domestic vehicles have led the charge, appreciating more than their import counterparts in nearly all cases. Domestic vehicles appreciated 2.9 percent on average, nearly double the 1.5 percent increase for import vehicles. In many segments, the disparity in month-over-month performance is even more pronounced. If we take compact cars for example, values for domestics were up 5.2 percent, while values for imports were only up 1.8 percent for the month. More specifically, the Ford Focus was up 6.6 percent while the Honda Civic was up a more modest 2.6 percent. While the disparity between the changes for these two vehicles certainly seems significant at face value, if we take into consideration the current values of these vehicles we can gain a little perspective.

On average, a two-year old Honda Civic LX Sedan (MY 2008) has an auction value of a little more than \$12,000. Compare this to a two-year old Ford Focus SE Sedan, which has an auction value of just over \$9,000, and we can see that a comparably equipped import vehicle typically commands a significant premium over its domestic counterpart. As consumers continue to stretch their dollars further, domestic values will remain strong due to their lower cost of entry compared to an import vehicle.

Significant improvements in new vehicles being offered by Ford and GM also have helped to restore the confidence of consumers in domestic brands, and helped to chip away at the perceived quality gap between domestic and import vehicles. Vehicles like the new Chevrolet Malibu, Ford Taurus and Cadillac CTS have worked wonders for the image of domestic manufacturers. In addition, the major recalls issued by Toyota and Honda have brought the untarnished image of these manufacturers back down to reality, further reducing the perceived quality gap between domestic and import vehicles. In either case, there still is plenty of room for domestics to appreciate relative to imports. As consumers continue to try to get the most for their money, we may see the gap between import and domestic vehicles continue to shrink, both in terms of value, and more importantly, perceived quality. **Continued on Page 3.**

## MARKET ANALYSIS CONTINUED

### Segments Overview



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.

Continued on Page 4.

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## MARKET ANALYSIS CONTINUED

### Cars

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While values for most car segments improved for the month, some vehicles certainly fared better than others. Values for subcompact, compact and mid-size cars improved more than all other cars segments, each increasing in excess of 3 percent. The best-performing vehicles in these segments were the Dodge Caliber, Ford Fusion and Chevrolet Aveo, each appreciating approximately 7 percent. These vehicles have strengthened in response to a limited supply of vehicles at auction in addition to the affordability of these vehicles relative to their import counterparts. In contrast to the strength demonstrated by these vehicles, the Toyota Corolla, Subaru Legacy and Toyota Yaris all underperformed their respective segments, dropping 0.2, 1.5, and 1.6 percent, respectively. While these vehicles may have underperformed their respective segments for the month, we must keep in mind that these vehicles are traditional segment leaders and typically command a premium.

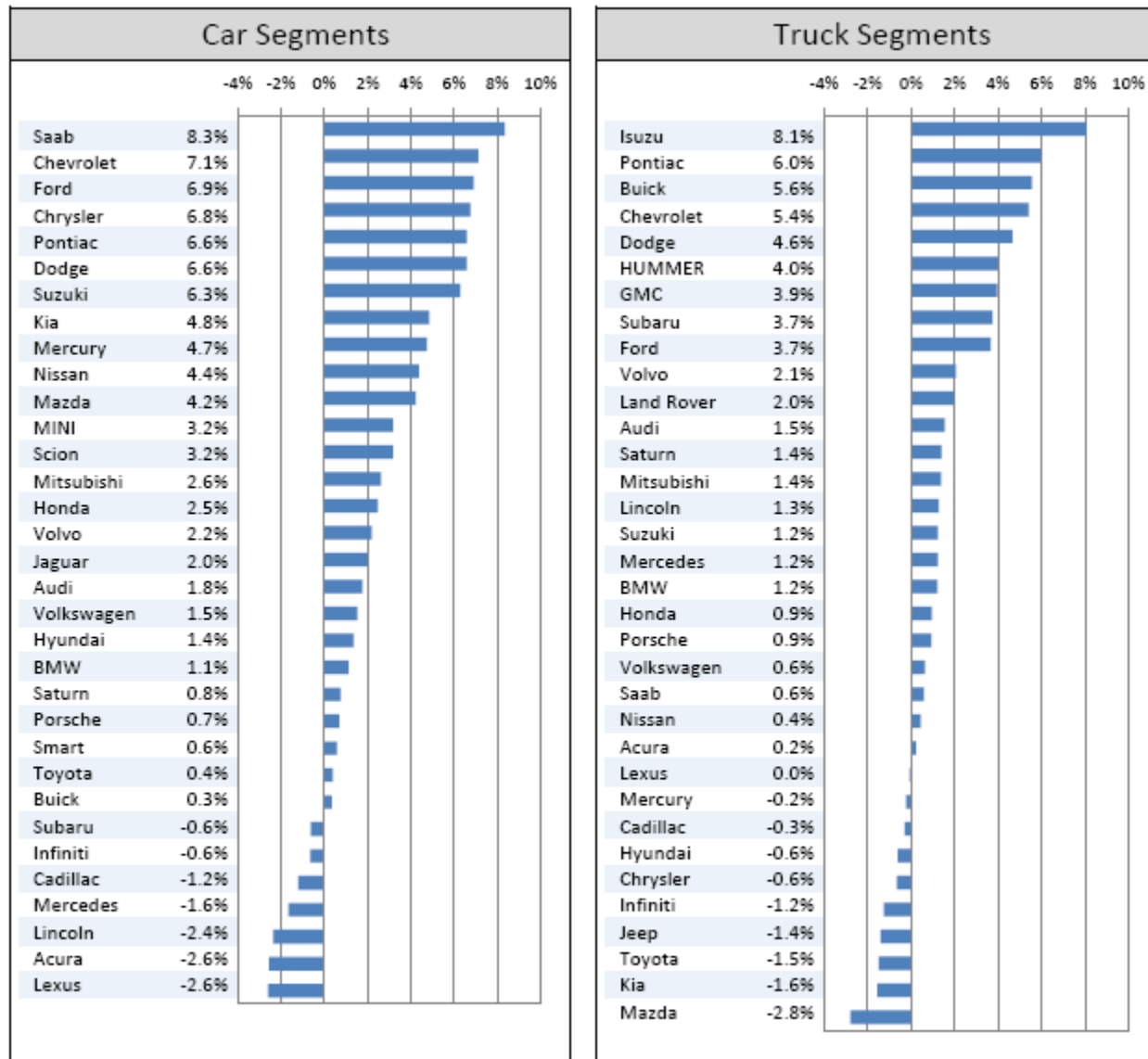
### Trucks

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Truck segments appreciated in line with the rest of the marketplace in March, with the most significant gains coming from full-size trucks and minivans, which appreciated 5.2 and 3.2 percent, respectively. Within these segments, the Chevrolet Silverado 1500, Dodge Ram 1500, and Chrysler Town and Country were among the best-performing vehicles, appreciating 8.5, 8.0 and 6.8 percent, respectively. The strength in full-size trucks has continued despite a slight uptick in gas prices, while minivans are picking up due to the amount of utility they offer to those on a budget. If gas prices continue to pick up as we approach Summer, we may see some of the strength in full-size trucks begin to level-off since values for these vehicles are highly sensitive to the price of fuel. **Continued on Page 5.**

## MARKET ANALYSIS CONTINUED

### Car and Truck Segments Overview

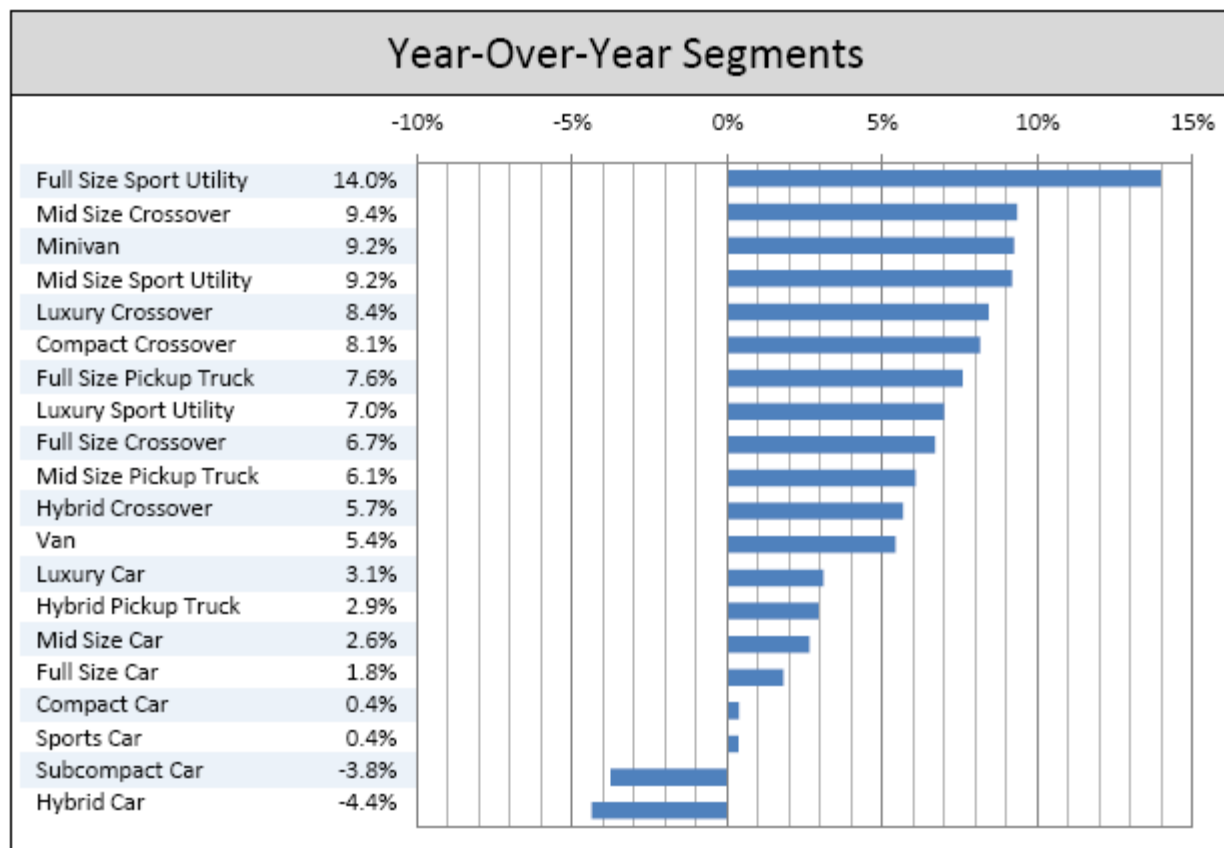


The above charts display month-over-month used-vehicle depreciation percentages by brand. The depreciation percentages shown are not indicative of the retention percentages or relative positions of the included brands.

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## MARKET ANALYSIS CONTINUED

### Year-Over-Year Segments Overview

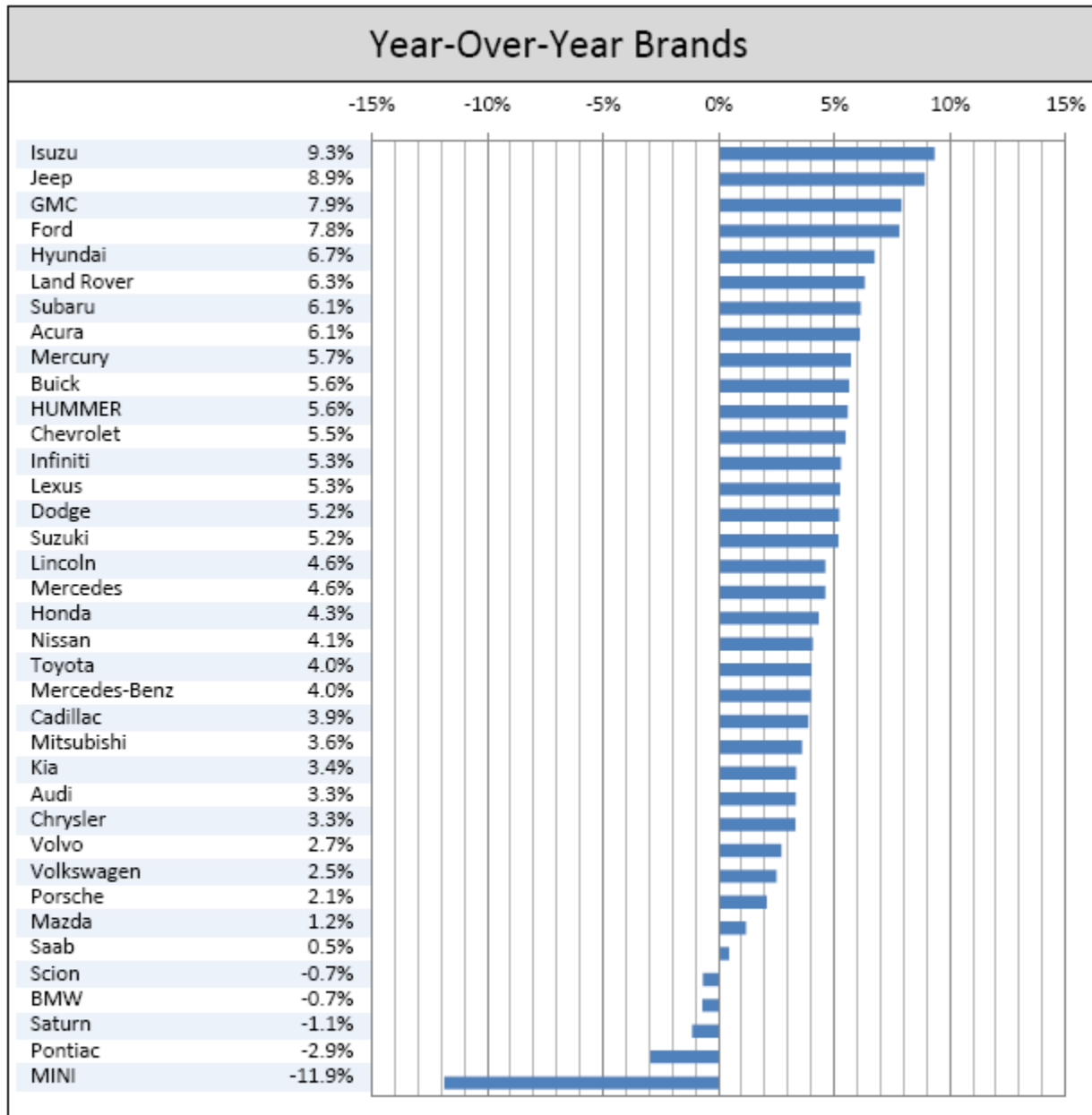


The above chart displays year-over-year change with respect to retained value (auction value/MSRP). This change reflects the average retained value of MY 2006-2008 vehicles in the current period compared with average retained value of MY 2005-2007 vehicles for the same period in the prior calendar year.

Continued on Page 7.

## MARKET ANALYSIS CONTINUED

### Year-Over-Year Brands Overview



The above chart displays year-over-year change with respect to retained value (auction value/MSRP). This change reflects the average retained value of MY 2006-2008 vehicles in the current period compared with average retained value of MY 2005-2007 vehicles for the same period in the prior calendar year.

*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.*

## APRIL 2010 RESIDUAL ANALYSIS

### Toyota Residuals Increase Along With Rise in Industry

Kelley Blue Book® Values data to be published in the company's *May/June Residual Value Guide* shows that the average year-over-year change in 36-month residual values of new Toyota models is forecasted to increase by 4.2 percentage points (based on the vehicles' MSRP). While Toyota's increase is below the industry average increase of 6.2 percentage points, it still outperforms a number of other brand increases. Year-over-year changes in residual values in the May/June release are largely being driven by changes within the vehicle segments.

In February, Kelley Blue Book lowered the used-car values associated with Toyota vehicles affected by the recall. Used-car values reflect the current prices that dealers pay at auction and are more likely to be impacted by an event like a recall. Residual values, on the other hand, are forecasts of future used-car values and are affected only when current events have an impact on values two to five years later. In early March, Toyota began offering various incentives to bring consumers back to the brand. Toyota's recall lingering in the press, along with the introduction of these incentives, raised questions about Toyota's residual values.

According to Kelley Blue Book analysts, shifts in incentive spending often impact current used-car values much more than future values otherwise known as residual values. At this time, Kelley Blue Book's residual analysts do not believe that Toyota will make zero-percent financing a permanent fixture and therefore values will not be impacted greatly three or four years from now.

"Incentives offering lower interest rates have less of an impact on future values than cash incentives," said Eric Ibara, director of residual value consulting, Kelley Blue Book. "If attractive lease programs run for an extended period of time, the volume of lease returns could depress values when this larger-than-normal volume returns to the market three years later."

Toyota's attractive incentive offers announced in early March appear to be driving a rebound in consideration and interest in Toyota, according to Kelley Blue Book Market Intelligence data.

The latest data shows 38 percent of in-market new-car shoppers now are considering a Toyota, returning to levels recorded prior to the recall announcements. Additionally, this week's levels are 10 percentage points higher than when Toyota's consideration was at its lowest point in the midst of the recall crisis, at only 28 percent in early February.

"The incentives being offered by Toyota, and now Honda, are definitely bringing customers back to those brands," Ibara added. "However, Kelley Blue Book doesn't expect this will have an impact on residual values unless these incentive offers extend into June of this year."

In the most recent weeks, Toyota consideration among in-market new car shoppers has returned to late January levels. During the height of the recall, Toyota's safety perceptions plummeted from 8.4 to 5.7; however, it has now stabilized at a lower level – ranging from 6.1 to 6.6 (on a 10-point scale).

This Kelley Blue Book Market Intelligence study on the Toyota recall was fielded to a total of 338 in-market car shoppers on Kelley Blue Book's kbb.com from April 2 – 4, 2010. Kelley Blue Book's Brand Watch is an ongoing study tracking and trending consumer perceptions, detailing strengths and weaknesses of makes within each segment and acts as a leading sales indicator by tracking and trending shopping behavior on Kelley Blue Book's kbb.com.



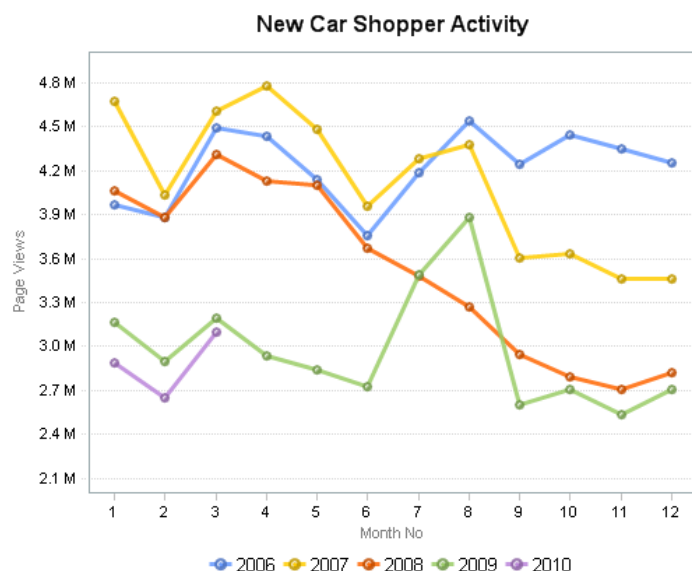
## Market Watch - March 2010

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

New-car shopper activity surged 17 percent and nearly closed the gap with prior-year levels due to all the sales events that occurred in March. The minivan segment had the best performance, up 29 percent, driven primarily by segment leaders Toyota Sienna and Honda Odyssey, up 68 percent and 19 percent, respectively. The sedan segment also was largely favored with a 21 percent increase, reclaiming the top spot as the most-shopped segment by a small margin.

Toyota's heavy incentives compelled Honda and many other brands to offer competitive incentives, which helped drive shopper activity. Toyota garnered the largest increase among the tracked kbb.com brands, up 50 percent month-over-month. All Toyota models experienced double-digit percentage gains with its most-trafficked vehicles being Camry, Highlander, RAV4 and Corolla, up by more than half. Jaguar spiked 25 percent month-over-month due to increases across the entire lineup. MINI followed closely with a 24 percent month-over-month increase. Mitsubishi also experienced a 24 percent month-over-month increase due to a surge of interest in the 2011 Eclipse. Infiniti closed the month with a 22 percent increase with heightened interest in the newly introduced 2011 M37 and M56 sedans.

Among the bottom movers were brands that did not largely benefit from the increase in March shopper activity. Cadillac saw a soft 4 percent month-over-month increase. Although increases were seen across the board, Cadillac's largest-volume models saw little or no movement, driving down the overall brand. Kia only saw a 1 percent gain as the brand's most-shopped Sorento saw a 14 percent decline in traffic, the first since the 2011 introduction. GMC remained flat month-over-month as interest in the Terrain continued to drop following its peak in January. Acadia, which accounted for a quarter of GMC traffic, remained flat in the latest period and further impacted the brand's traffic. Lincoln saw a mild decline of 1 percent month-over-month as results were mixed among its lineup. HUMMER saw the only notable decline among the tracked brands, with an 11 percent drop in shopper activity which was attributed to a decline in all its vehicles. **Continued on Page 10.**



Mar-10	M/M	Y/Y
Import Brands	21%	1%
Domestic Brands	10%	-8%
Luxury Brands	11%	-4%
Non-Luxury Brands	19%	-2%
<b>Total Industry</b>	<b>17%</b>	<b>-3%</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*

*Note: GM brands include Buick, Cadillac, Chevrolet and GMC*

## Market Watch - March 2010 Continued

### New-Car Shopper Activity Continued

Make	M/M	Y/Y	Rank	Share	vs. PM	vs. PY
Toyota	↑ 50%	↘ -1%	1	15.4%	3.39	0.24
Honda	↑ 17%	↘ -8%	2	11.4%	0.05	-0.60
Ford	↑ 10%	↘ 2%	3	9.0%	-0.54	0.48
Chevrolet	↑ 11%	↘ -1%	4	7.9%	-0.43	0.13
Nissan	↑ 16%	↘ 1%	5	6.5%	-0.06	0.23
Hyundai	↑ 18%	↑ 53%	6	6.0%	0.05	2.18
BMW	↑ 14%	↘ -7%	7	3.3%	-0.07	-0.13
Mercedes-Benz	↑ 11%	↘ 3%	8	3.1%	-0.18	0.18
Volkswagen	↘ 8%	↘ -2%	9	2.9%	-0.24	0.03
Lexus	↑ 14%	↓ -14%	10	2.8%	-0.08	-0.37
Audi	↘ 6%	↘ 1%	11	2.6%	-0.26	0.11
Dodge	↑ 17%	↓ -24%	12	2.6%	-0.01	-0.73
Mazda	↑ 17%	↓ -15%	13	2.6%	0.01	-0.36
Kia	↘ 1%	↑ 44%	14	2.6%	-0.40	0.84
Subaru	↑ 15%	↑ 29%	15	2.5%	-0.04	0.62
GMC	↘ 0%	↑ 26%	16	2.3%	-0.39	0.54
Acura	↘ 7%	↘ 5%	17	1.9%	-0.17	0.14
Jeep	↑ 9%	↓ -16%	18	1.6%	-0.11	-0.25
Infiniti	↑ 22%	↘ -6%	19	1.5%	0.06	-0.05
Cadillac	↘ 4%	↘ -6%	20	1.3%	-0.16	-0.04
Buick	↑ 16%	↑ 50%	21	1.3%	-0.01	0.44
Volvo	↘ 8%	↑ 11%	22	1.1%	-0.10	0.15
Mitsubishi	↑ 24%	↓ -13%	23	0.9%	0.05	-0.10
Porsche	↑ 20%	↑ 13%	24	0.8%	0.02	0.12
Chrysler	↑ 15%	↓ -45%	25	0.7%	-0.01	-0.55
Lincoln	↘ -1%	↓ -20%	26	0.7%	-0.12	-0.14
Land Rover	↘ 6%	↑ 19%	27	0.6%	-0.06	0.11
MINI	↑ 24%	↓ -16%	28	0.5%	0.03	-0.08
Pontiac	↑ 12%	↓ -65%	29	0.5%	-0.02	-0.91
Suzuki	↘ 5%	↓ -18%	30	0.5%	-0.06	-0.09
Jaguar	↑ 25%	↘ -7%	31	0.5%	0.03	-0.02
Mercury	↘ 6%	↓ -30%	32	0.4%	-0.05	-0.16
Scion	↑ 18%	↓ -24%	33	0.4%	0.00	-0.12
Saturn	↑ 10%	↓ -67%	34	0.3%	-0.02	-0.59
HUMMER	↓ -11%	↓ -19%	35	0.2%	-0.07	-0.05
Smart	↑ 10%	↓ -53%	36	0.1%	-0.01	-0.16
Saab	↘ 9%	↓ -49%	37	0.1%	-0.01	-0.12

#### 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

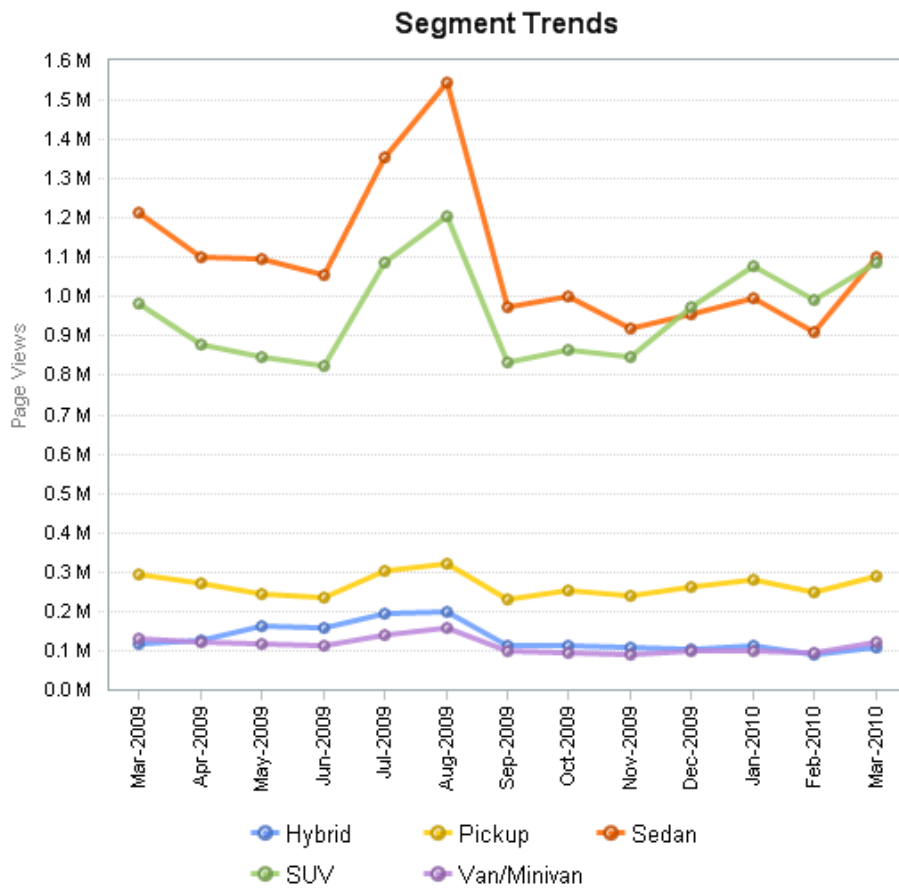
vs. PM = change in share versus prior month

vs. PY = change in share versus prior year

Continued on Page 11.

## Market Watch - March 2010 Continued

### 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	↑ 16%	↘ -9%
Pickup	↑ 16%	↘ -1%
Sedan	↑ 21%	↘ -9%
SUV	↑ 10%	↑ 10%
Van/Minivan	↑ 29%	↘ -8%

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

**Kelley Blue Book Market Intelligence - Survey Results for March 2010**

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 the latest in automotive news.

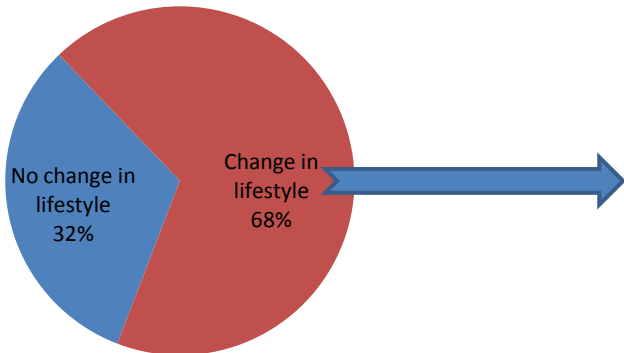
**ECONOMIC ISSUES**

ISSUES OF CONCERN  
RECESSION

Among individuals who state that they are concerned about the fact that the U.S. economy is in a recession, 32 percent of shoppers indicate they’ve made no change to their lifestyle.

Among those who have made changes, reducing credit card spending, dining out less, and cutting back on non-essentials are the most-frequently cited changes.

**Change in Lifestyle as a Result of Concern for the Recession**



Types of changes made to lifestyle:  
(Among those who say they made a change)

48%	•Reduced credit card spending
46%	•Dine out less
45%	•Cut back on non-essentials
39%	•Reduced or deferred spending on major purchases
36%	•Use coupons/bargain shop more frequently
9%	•Choose fast food establishments over dine in restaurants
8%	•Delayed retirement
6%	•Tapped into my 401(K)
1%	•Filed for bankruptcy
1%	•Came out of retirement

*Q: Which of the following changes, if any, have you made to your lifestyle as a result of the current economic conditions? (Please select all that apply.)*

*± 1% due to rounding.*

Continued on Page 13.

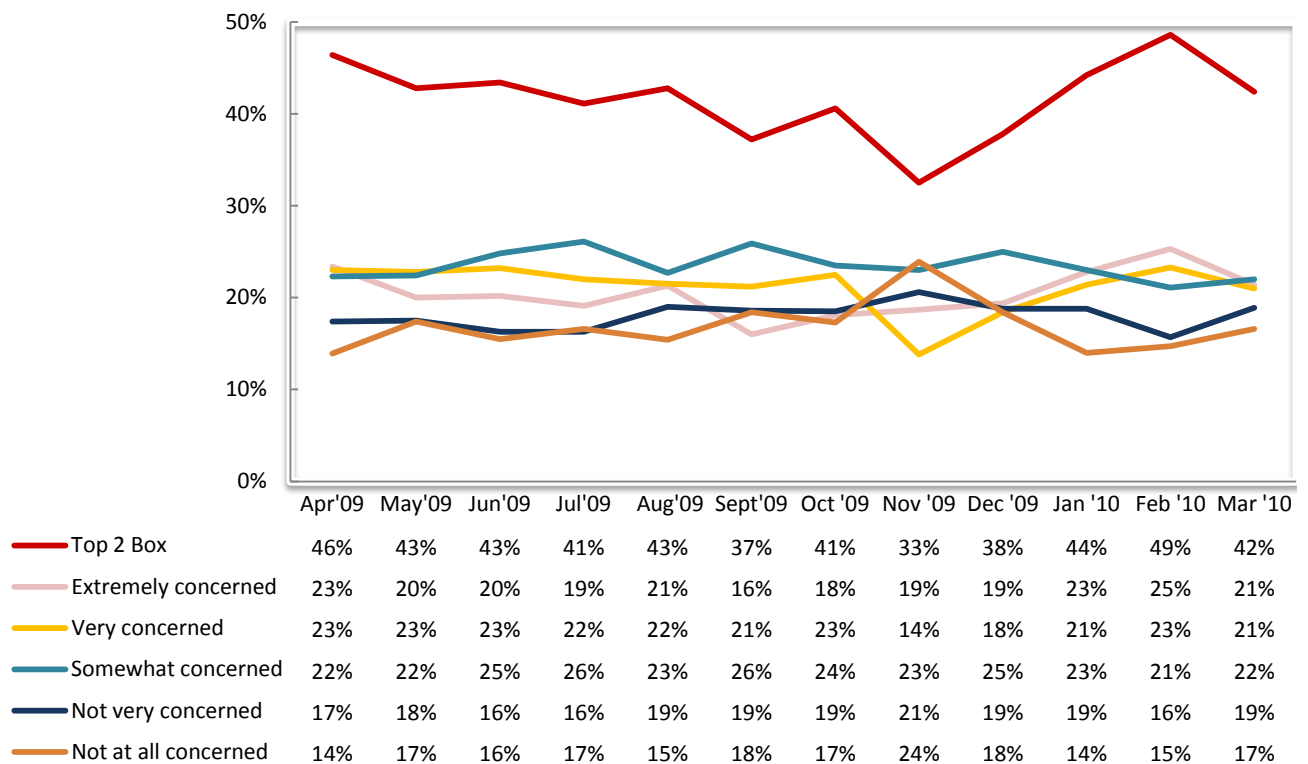
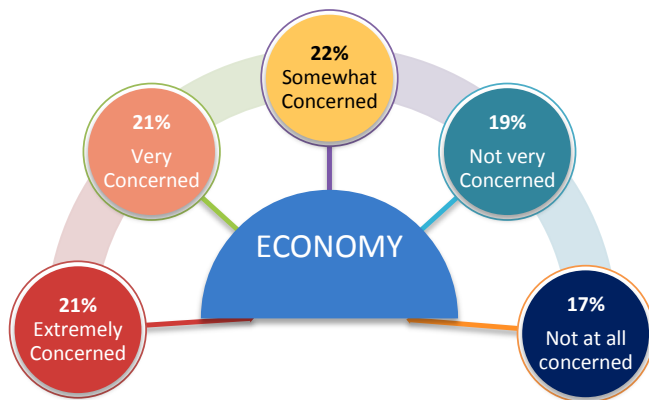
## Survey Results for March 2010 Continued

### ECONOMIC ISSUES

#### LEVEL OF CONCERN FOR THE U.S. ECONOMY IN A RECESSION

##### TRENDED

Percent of shoppers expressing high concern (very/extremely concerned) that the U.S. economy is currently in a recession has come down by 4 percentage points (46 percent in April '09 to 42 percent in March '10), while those saying they were not at all concerned increasing 3 percentage points (14 percent to 17 percent).



**Q: How concerned are you with each of the following? Please select an answer for each.**

± 1% due to rounding.

Continued on Page 14.

## Survey Results for March 2010 Continued

### CONSUMER PROFILE

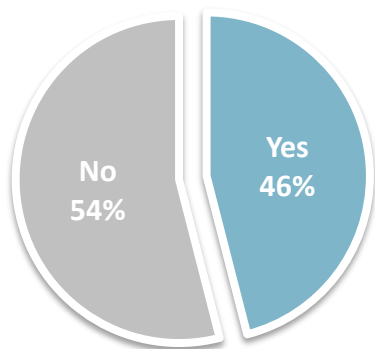
#### VEHICLE PURCHASE DELAY

#### TRENDING OVER TIME

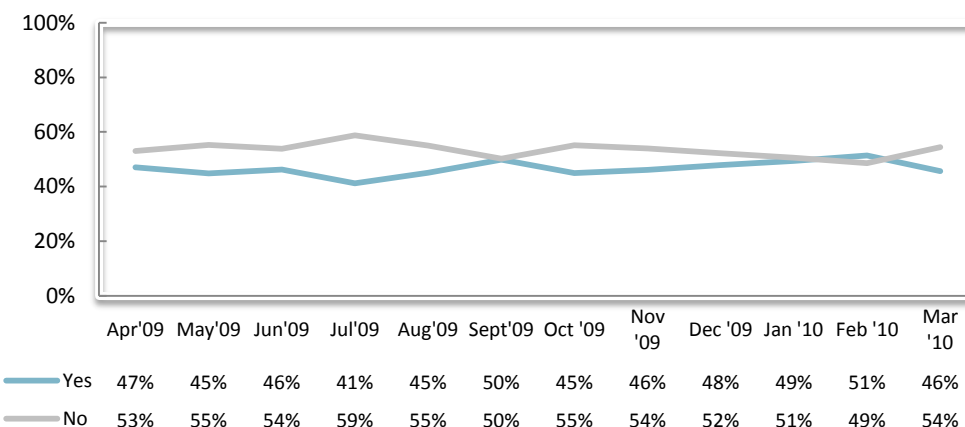
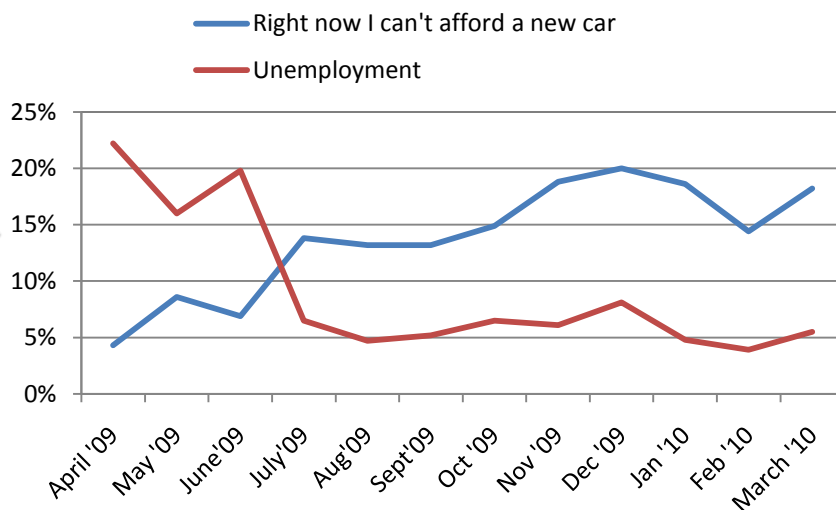
Vehicle purchase delay has been slowly decreasing since February.

Forty-six percent of shoppers indicated that they have delayed the purchase of a new vehicle (down 5 percentage points), with 22 percent citing lack of motivating vehicle deals as the reason for delaying, followed by not being able to afford a new car right now (18 percent).

#### Delayed The Purchase of a New Vehicle:



#### Reason for Delaying New Car Purchase



61% of those who delayed say they have delayed the purchase of a new vehicle for 7 or more months

**Q: Have you...? (Please select one answer for each item.)**

**Q: You mentioned that you are delaying the purchase of a new vehicle. Please tell us which of the following best describes why you are delaying your vehicle purchase. (Please select only one answer).**

± 1% due to rounding.

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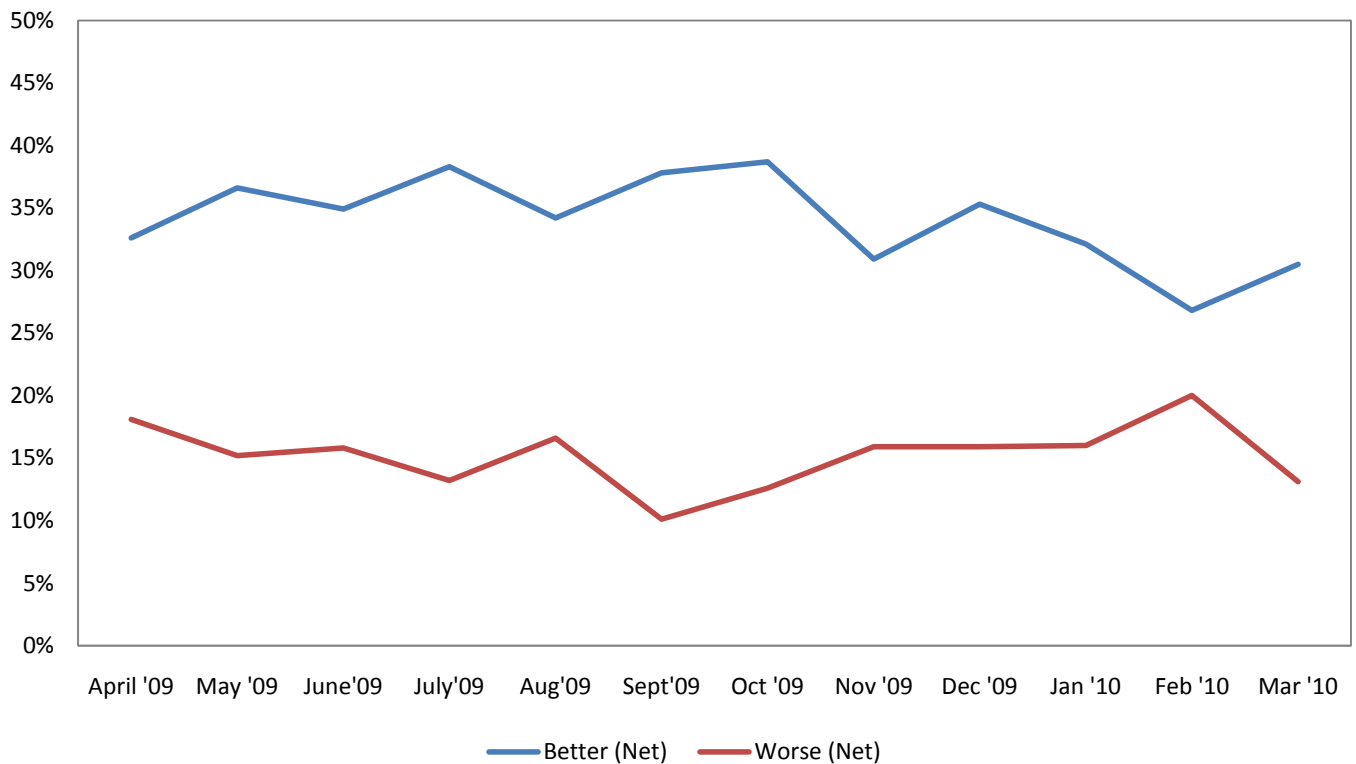
## Survey Results for March 2010 Continued

### CONSUMER PROFILE

#### FUTURE FINANCIAL OUTLOOK

#### TRENDING OVER TIME

Financial outlook had been on a bumpy decline since April '09; however, most recently shoppers have become slightly optimistic.



*Q: Do you think your family's financial situation will be much better, somewhat better, about the same, somewhat worse or much worse a year from now? (Please select one answer.)*

*± 1% due to rounding.*

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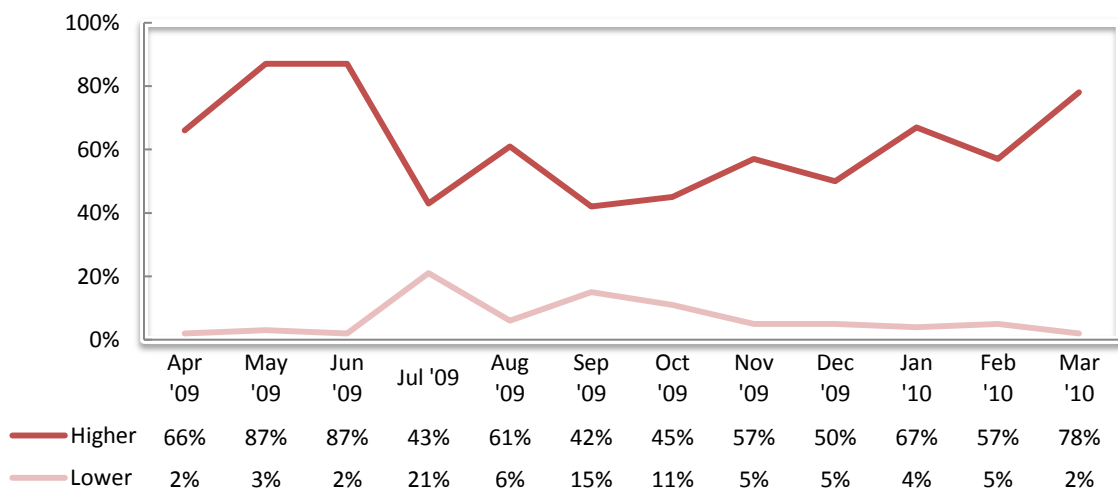
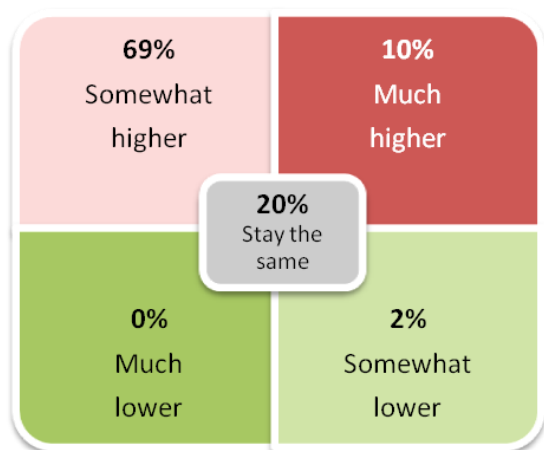
## Survey Results for March 2010 Continued

### EFFECTS OF GAS PRICES

EXPECTED DIRECTION OF GAS PRICES WITHIN THE NEXT 30 DAYS

TRENDING OVER TIME

More than three-quarters (78 percent) of shoppers believe that gas prices will be somewhat/much higher in the next 30 days (up significantly -- 12 percentage points - compared to April '09).



**Q: What do you think will happen to gas prices within the next 30 days? Gas prices will be...**  
 ± 1% due to rounding.

#### About Kelley Blue Book ([www.kbb.com](http://www.kbb.com))

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. – 2009 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. Kelley Blue Book's kbb.com also is a W3 Gold Award winner, sanctioned by the International Academy of Visual Arts. 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.