www.kbb.com

BLUE BOOK MARKET REPORT

February 2010

Analysis from Kelley Blue Book's Analytic Insights Team

IN THIS ISSUE:

Kelley Blue Book Public Relations Contacts:

ROBYN ECKARD
Director, Public Relations
949.268.3049
reckard@kbb.com

JOANNA PINKHAM
Senior Public Relations Manager
949.268.3079
jpinkham@kbb.com

BRENNA ROBINSON
Public Relations Mgr
949.267.4781
berobinson@kbb.com

REBEKAH KING
Consumer Communications Mgr
949.267.4982
rking@kbb.com

MARKET ANALYSIS
Toyota Recall Could Benefit Competing Vehicles
- Juan Flores, director of vehicle valuation, Kelley Blue Book

Quality and reliability are two words that come to mind when describing a typical Toyota vehicle. These traits have defined Toyota over the past several decades and have helped Toyota become one of the most trusted and well-respected automakers in the world. Unfortunately, Toyota's latest recall has the potential to erode their reputation for producing reliable vehicles, ultimately, leading to the possible devaluation of many of their most popular models. While it may be too early to determine the long-term impact, Kelley Blue Book is dropping recalled Toyota models by 1 to 3 percent this week.

Depending on the response time of Toyota to rectify this gas pedal situation with both the Department of Transportation and the public, there may be further devaluation ahead. With production shut down, sales halted, and rental car companies pulling affected vehicles from their fleets, Toyota's usually rock-solid reputation for quality has taken a hit in the minds of consumers. The potential demand lost as a result of these actions becomes more and more difficult to recover with each passing day. In addition to a drop in consumer demand for Toyota, there is a growing supply of used Toyota vehicles that could put further downward pressure on values. As leases come due and used Toyotas are returned to the manufacturer, the inability of dealerships to either sell or remarket these vehicles could add to an increase in overall supply of used Toyotas. Additionally, as manufacturers such as GM, Chrysler, Ford, and Hyundai continue offering additional conquest trade-in credit for used Toyotas, the supply of unsellable used Toyotas will continue to grow. A growing inventory of used Toyota vehicles, coupled with a reduction in demand, however slight, only leads to the potential for further devaluation. If a swift resolution is not implemented within the first few weeks, we expect to see a cumulative depreciation between 4 to 5 percent by the time this issue concludes, especially as the glut of inventory continues to build.

As Toyota's perceived quality continues to take a hit, there may be a substitution effect, in that in-market consumers previously considering a vehicle from Toyota begin to look for alternatives. This shift in demand could potentially lead to appreciation in vehicles that directly compete with the vehicles affected by Toyota's recall. Additionally, as rental-car companies adjust their fleets to account for their loss of Toyota inventory, vehicles that were to be sold at auction are being put back into service, reducing the supply of vehicles that directly compete with Toyota's recalled vehicles. While this reduction to the supply of used vehicles may be slight, Kelley Blue Book expects that an increase in the demand for Toyota alternatives coupled with the aforementioned supply reduction could possibly push used-car values upward, again, most noticeably on models that directly compete with recalled Toyota vehicles. **Continued on Page 2.**

MARKET ANALYSIS CONTINUED

Full-Size and Mid-Size SUV Value Strength Continues into the New Year

In January, values for most segments dropped slightly as dealers reentered the marketplace following a typical fourth-quarter lull in demand. As dealers begin to ramp-up inventory in anticipation of the spring selling season, they have increased overall demand, while strengthening values in a handful of segments in the process. On average, values depreciated 1.7 percent for the month, although many segments are showing signs of improvement year-over-year. Overall, retained values for one- to three- year-old used vehicles are currently up 2.4 percentage points year-over-year, based on a comparison of average auction value as a percentage of MSRP. Gas prices have played a significant role in the year-over-year performance of many segments, as evidenced by the segments that outperformed and underperformed the overall market average. Full-size and mid-size SUVs were two of the best performing segments year-over-year, showing improvements of 11.3 and 9 points, respectively. On the opposite end of the spectrum, values for subcompact and hybrid cars are down 8.2 and 7 points, respectively. The disparity between these segments can be attributed to their sensitivity to fluctuations in the price of gasoline.

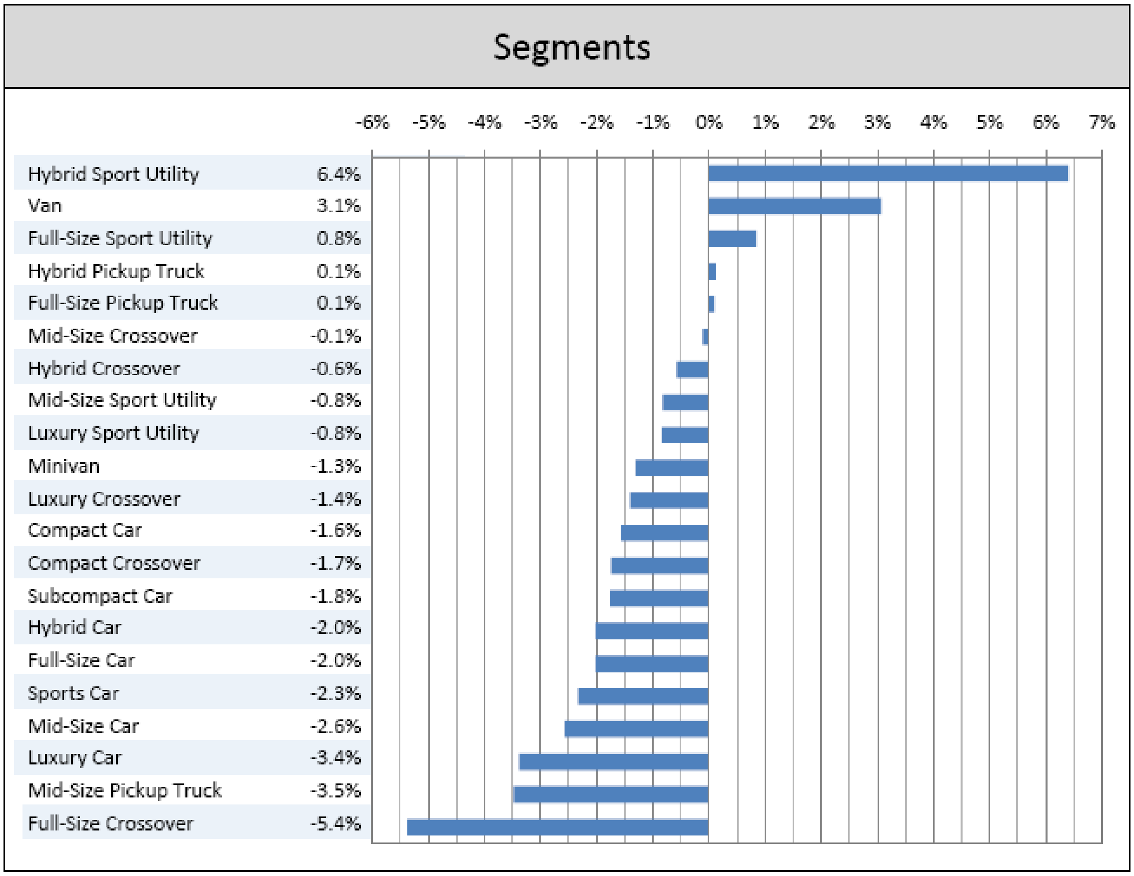
First Quarter Outlook for Fuel-Sensitive Vehicles

While values either dropped slightly or remained flat for many segments in January, there were signs of improvement as values for popular late-model vehicles started to firm up in a handful of segments. Specifically, values for full-size trucks and full-size SUVs improved, up 0.1 percent and 0.8 percent, respectively. Although these segments have strengthened through the month of January, steadily increasing gasoline prices may begin to bring these values back down. In fact, Kelley Blue Book's own forecast indicates that values for full-size trucks and full-size SUVs will end the first quarter down 2.2 percent and 3.6 percent, respectively. Conversely, we expect a 3.3 percent improvement in the values for compact cars, offsetting the depreciation that has occurred over the past few months. Values for compact cars only dropped 1.6 percent in January, perhaps signaling the beginning of a turnaround. The rising price of gasoline and cost conscious consumers may prove to play significant roles in the strengthening of this segment. As the cost of fuel continues to rise, we could see values for compact cars improve as values for full-size trucks and SUVs soften.

Continued on Page 3.

MARKET ANALYSIS CONTINUED

Segment Overview

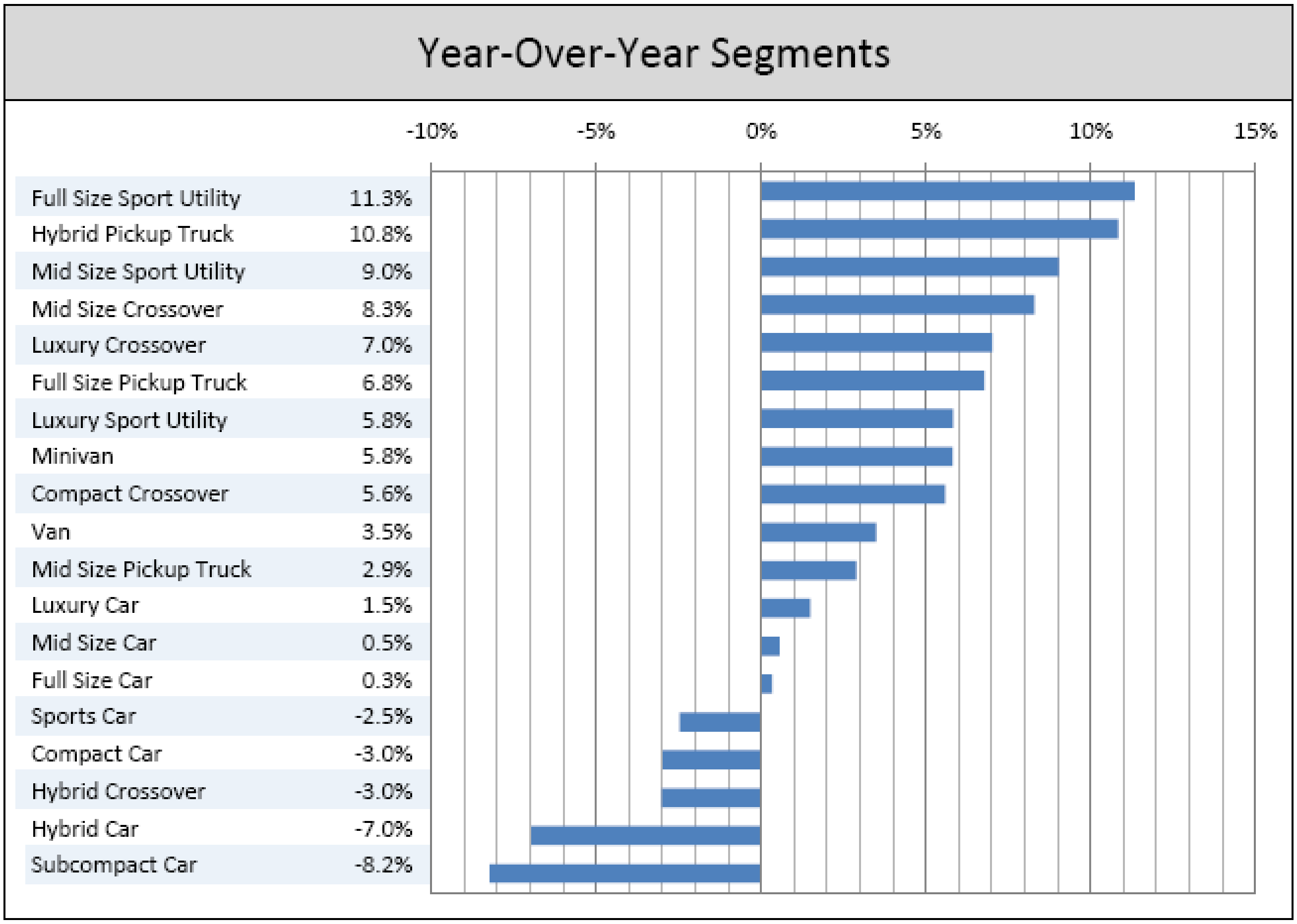


The above chart displays month-over-month used-vehicle depreciation percentages by segment. The depreciation percentages shown are not indicative of the retention percentages or relative positions of the included segments.

Continued on Page 4.

MARKET ANALYSIS CONTINUED

Year-Over-Year Segment Overview

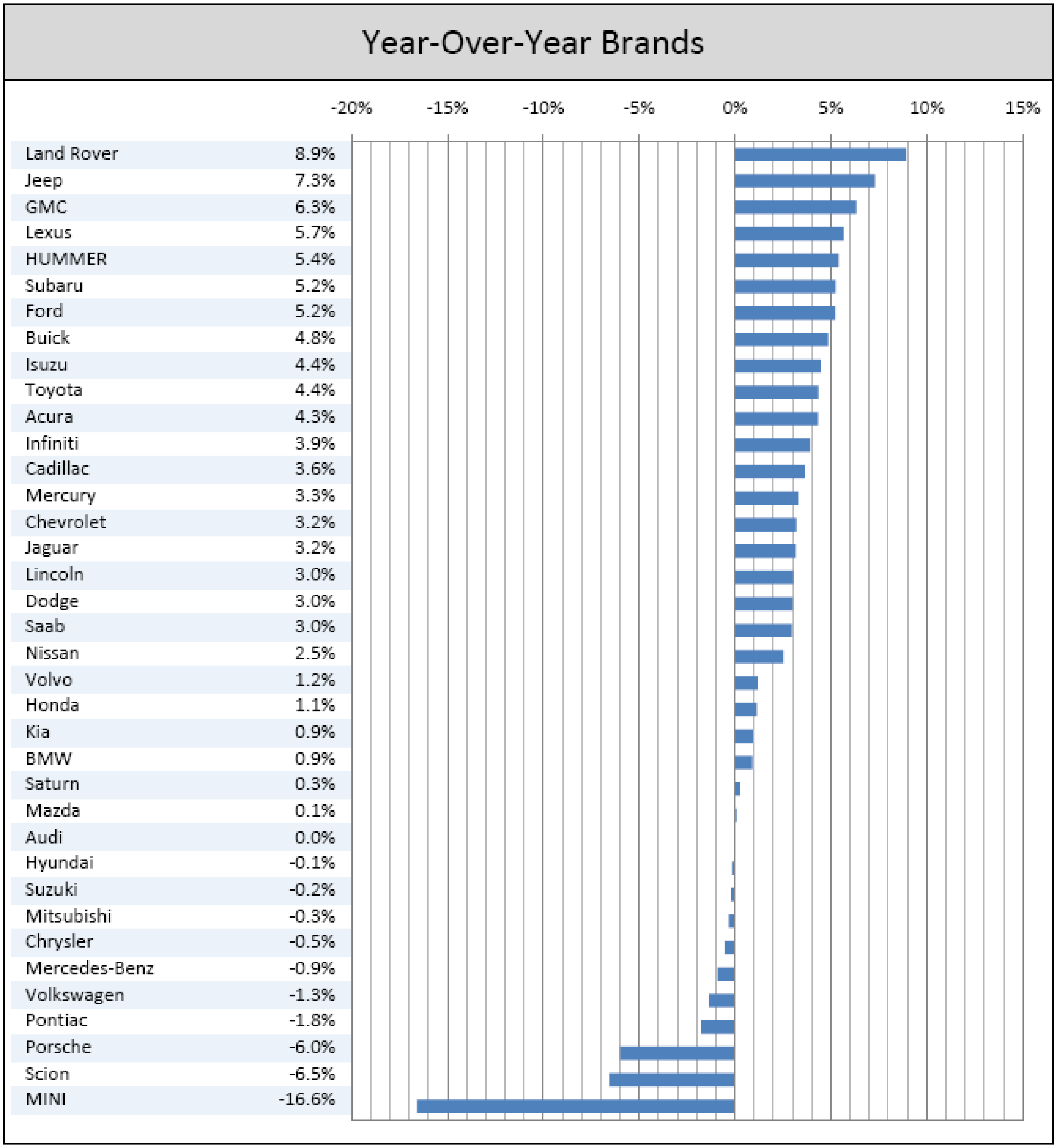


The above chart displays year-over-year change with respect to retained value (auction value/MSRP). This change reflects the average retained value of MY 2006-2008 vehicles in the current period compared with average retained value of MY 2005-2007 vehicles for the same period in the prior calendar year.

Continued on Page 5.

MARKET ANALYSIS CONTINUED

Year-Over-Year Brand 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 6.

MARKET ANALYSIS CONTINUED

Car and Truck Segment Analysis

Car values were slightly down in January, with the most appreciable drops coming from mid-size and luxury cars. The 2.6 percent drop for mid-size cars and 3.4 percent drop for luxury cars are within the expected range of typical seasonal depreciation trends for this time of year for these specific segments. Looking ahead, our forecast indicates that both the luxury and mid-size car segments should remain fairly stable through the first quarter. We anticipate values for luxury cars to increase 0.5 percent through the first quarter and values for mid-size cars to increase 0.2 percent for the same period. Although values in these segments have dropped slightly in January, we believe that they should level out and increase slightly through February and March.

Mid-size Cars

Within the mid-size car segment, the Buick Lacrosse and Subaru Legacy are two mid-size cars bucking the trend, outperforming the overall segment average, each dropping less than 1 percent. The well-received redesigns of these two vehicles for the 2010 model year have played a role in keeping values steady for even the older generations of these models, by reinvigorating interest in the nameplate with renewed consumer enthusiasm. In fact, the retained value for the Lacrosse is showing a 1.5 point improvement year-over-year, while the Legacy is currently at a 4.5 point improvement relative to January 2009. Overall, mid-size cars are relatively flat year-over-year, showing a scant 0.5 point improvement relative to this time last year.

Luxury Cars

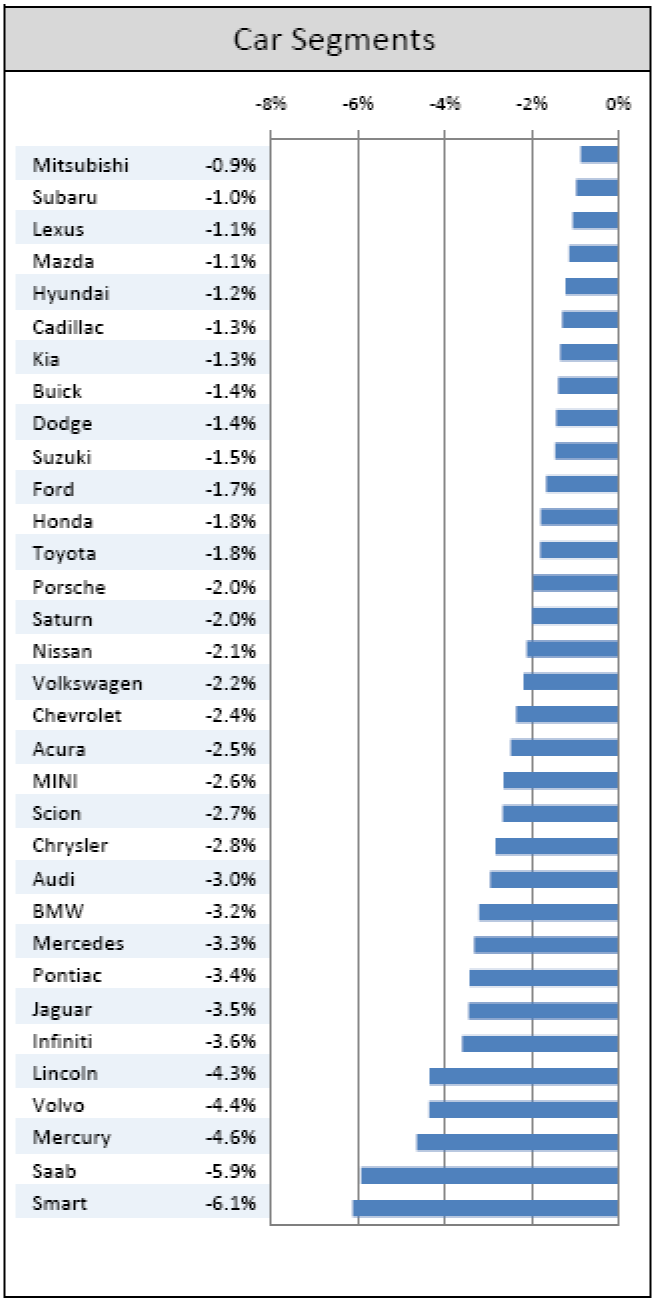
In the luxury car segment, there were a handful of models showing strength for the month. The Lexus LS 430 increased 0.8 percent for the month, while the Audi A8 increased 2.3 percent. These values have been steadily increasing since early last year when they were at a low point, following aggressive depreciation that resulted from record high gas prices in 2008 and the onset of the recession. In fact, retained value for the Audi A8 is currently up 2.9 points year-over-year, while the Lexus LS 430 is up 5.7 points. The entire luxury car segment is also showing signs of improvement as evidenced by a 1.5 point retained value improvement year-over-year.

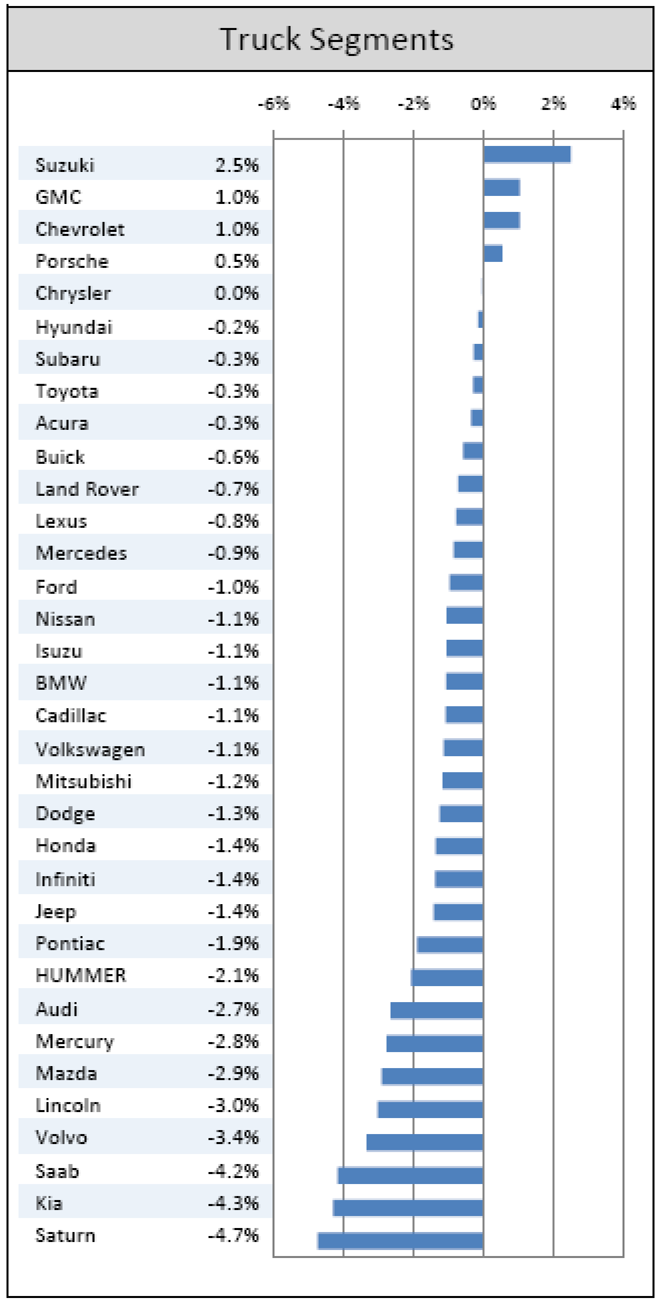
Trucks

Full-size trucks and SUVs outperformed most other truck segments, improving 0.1 percent and 0.8 percent, respectively, for the month. Within these segments, the Nissan Titan and Chevrolet Tahoe were two of the top vehicles, appreciating 2.8 percent and 4.5 percent, respectively. Retained value for these vehicles is up 5.6 and 10.8 points, respectively, year-over-year. Similar to luxury cars, values for these segments were depressed in January 2009 as a result of the run-up in fuel prices during the summer of 2008. As gas prices have come down and remained relatively affordable through 2009, values for these segments rebounded and remain up year-over-year. **Continued on Page 7.**

MARKET ANALYSIS CONTINUED

Car and Truck Segment Overview





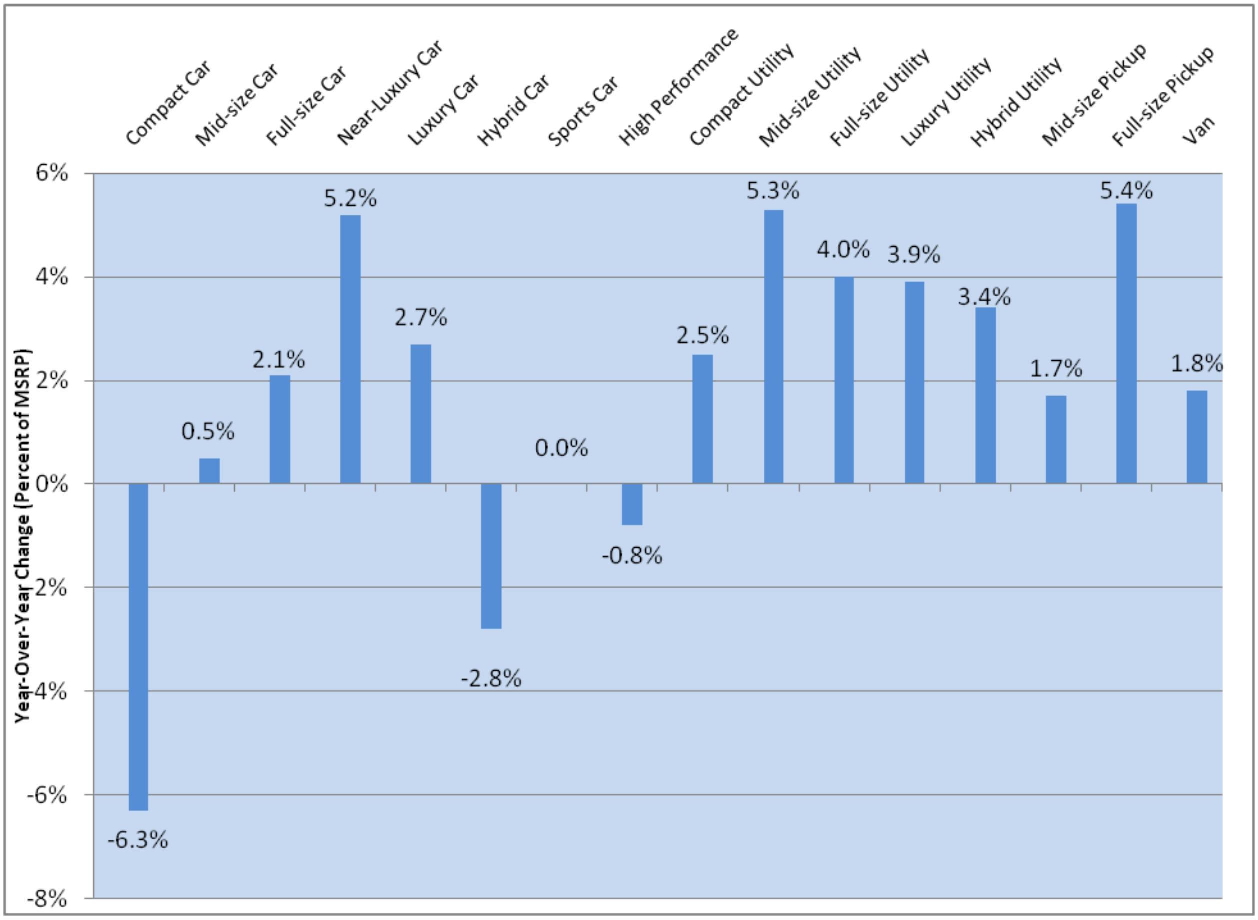
The above charts display month-over-month used-vehicle depreciation percentages by brand. The depreciation percentages shown are not indicative of the retention percentages or relative positions of the included brands.

The charts provided capture data from January 1-31, 2010, and do not report the full effect of the Toyota recall.
This commentary focuses on Model Years 2006-2008. 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.

FEBRUARY 2010 RESIDUAL ANALYSIS

- Eric Ibara, director of residual valuation consulting, Kelley Blue Book

The year-over-year change in 60-month residual values, across all models included in the March-April edition of the Kelley Blue Book® Residual Value Guide, was a gain of 1.4 percentage points. This was accompanied by a value increase in 12 of the 16 vehicle segments across the industry. Continuing the trend from the last few months, compact cars and hybrid cars experienced fairly significant drops, when compared with last year's value, as the outlook remains soft for these soon-to-be crowded segments. All truck segments increased in value over the past 12 months with the mid-size utility and full-size pickup segments leading the pack. These gains were the result of stronger values in trucks and utility vehicles compared to last year and the introduction of several redesigned vehicles, including the Dodge Ram and Lexus RX350.



All percentages are for the 60-month term and are expressed with the vehicles' MSRP as the base.

Continued on Page 9.

FEBRUARY 2010 RESIDUAL ANALYSIS CONTINUED

Will Toyota's Recall Impact Values?

As the market trends turn back toward typical historical patterns, attention in the industry shifts to major news events that could impact values. Last year, the focus was on Chrysler and General Motors and how the expected bankruptcies would impact the future values of these brand's vehicles. Many experts were surprised at how quickly both companies emerged from bankruptcy, and while the story is not entirely closed on these companies, the prevailing sentiment now is that vehicle values from Chrysler and GM may not suffer much, if any, from the brief excursion through Chapter 11 bankruptcy.

There is a lesson to be learned from 2009. Today's seismic event is the lingering issue of sticky accelerator pedals that plagues Toyota.

At the time of this writing, there appears to be a fix for the accelerator pedal. However, it will take weeks (if not months) to implement this fix across all vehicles impacted. And the question remains; is there a long-term impact on the values of these recalled Toyota vehicles? Does the impact extend beyond the recalled models to all Toyota vehicles?

Of course, this question can't be answered with certainty at this point. Pundits can speculate that a recall of this size must impact values, and it appears highly likely that values for the impacted vehicles will suffer in the short term. However, it may be difficult to gauge until after the fix is implemented as the affected vehicles have been pulled from auction sales. The temporary shortage of Toyota vehicles from auction may actually cause competing vehicles' value to rise, and when the Toyota vehicles with repaired accelerators re-join the market, it may be in a temporarily stronger market.

How effective Toyota is at convincing the public that it truly understands the cause of the problem will have a large impact on future values. Toyota needs to implement the recall quickly with as little inconvenience to its customers and instill in them the confidence that the unintended acceleration has been forever resolved. Even if the affected Toyota vehicles experience an immediate drop in value, the fate of the long-term residuals will rest on whether Toyota can convince owners and future buyers that it has identified and solved the accelerator pedal problem. As we observe the values Toyota vehicles command at auction, an early indication of the success of Toyota's message will be seen in the values of Toyota vehicles not impacted by the recall. If the public still has confidence in Toyota's ability to produce and sell quality vehicles, the value of Toyota vehicles not on the recall list should hold as it normally would. Any lack of public confidence will cause these non-impacted Toyota values to fall.

From a residual value perspective, the analysts at Kelley Blue Book will be monitoring the market very closely. The lesson from last year is that the worst case scenario does not always materialize. But apart from the immediate impact on Toyota values, there is concern about the strategic direction Toyota takes over the coming months. It seems a focus on volume and market share may have caused Toyota engineers to neglect some controls that a smaller Toyota might not have missed in previous years. A continuing focus on volume could signal that future recalls from Toyota will continue.

However, in recent remarks from Chairman Toyoda, he appeared to be signaling that they recognize what the true cost of their focus on volume has been and they now will return their full attention to quality. If this is the new direction for this company, and if the accelerator recall goes smoothly, little long-term impact on values is expected to result. After all, Toyota has proven to the world that they know how to design and manufacture vehicles with world-class quality. All they need is the direction and the will to do so.

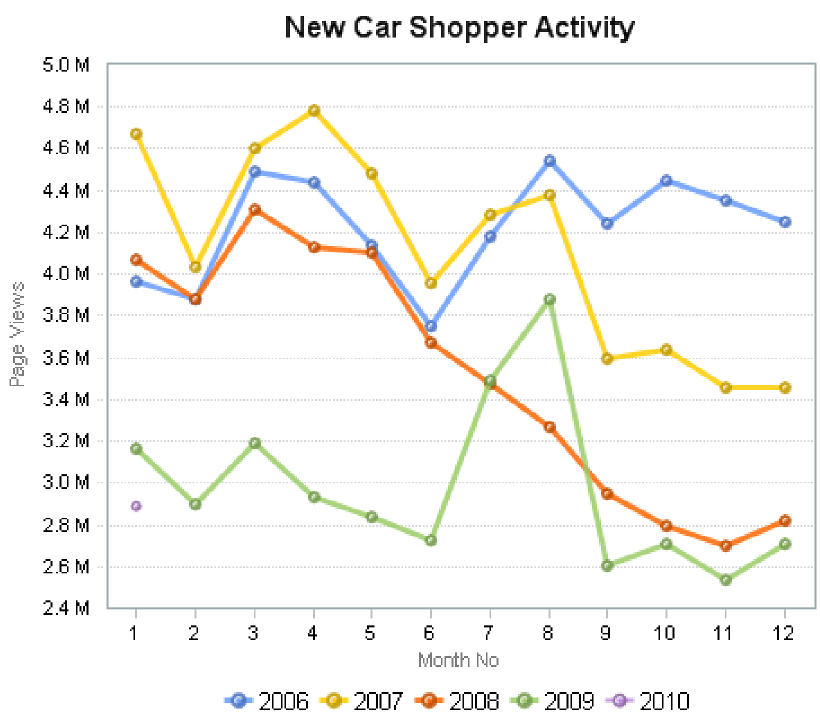
Market Watch - January 2010

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

New-car shopper activity increased 7 percent month-over-month in January, slightly softer than gains typically made at the start of the New Year. All segments experienced increased activity in January. The SUV segment fared particularly well and further extended its lead over the sedan segment, up 11 percent month-over-month.

Most brands witnessed shopper activity increases in January. Kia and Hyundai saw the largest gains, climbing 45 percent and 39 percent month-over-month, respectively. All vehicles within the Kia and Hyundai lineup saw gains with a few key models making notable gains. Kia's redesigned 2011 Sorento spiked 213 percent month-over-month, while Hyundai's redesigned 2010 Tucson and freshened 2010 Santa Fe surged 144 percent and 64 percent month-over-month, respectively. Traffic to the Sorento and Tucson on kbb.com reached their highest levels in recent history due to the new model year introductions.

Toyota's shopper activity declined 4 percent month-over-month; the majority of the decline occurred in the latter half of the month, coinciding with the recall announcement. However, Lexus remained flat while Scion saw an activity increase of 14 percent month-over-month. **Continued on Page 11.**



Jan-10	M/M	Y/Y
Import Brands	5%	-7%
Domestic Brands	9%	-10%
GM Brands	13%	4%
Ford Brands	9%	-3%
Chrysler Brands	14%	-32%
Luxury Brands	2%	-3%
Non-Luxury Brands	8%	-9%
Total Industry	**7%**	**-9%**

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 - January 2010 Continued

New-Car Shopper Activity Continued

Make	M/M	Y/Y	Rank	Share	vs. PM	vs. PY
Toyota	-4%	-17%	1	14.1%	-1.64	-1.33
Honda	0%	-15%	2	11.4%	-0.72	-0.87
Chevrolet	14%	-4%	3	9.0%	0.59	0.48
Ford	10%	1%	4	8.6%	0.28	0.80
Nissan	10%	-15%	5	6.1%	0.20	-0.48
Hyundai	39%	27%	6	4.6%	1.06	1.30
Lexus	0%	3%	7	3.4%	-0.24	0.39
BMW	-4%	-11%	8	3.3%	-0.39	-0.10
Mercedes-Benz	5%	9%	9	3.3%	-0.05	0.53
Volkswagen	9%	5%	10	3.1%	0.06	0.39
GMC	17%	31%	11	3.1%	0.27	0.93
Dodge	17%	-31%	12	2.7%	0.22	-0.87
Kia	45%	36%	13	2.6%	0.69	0.86
Audi	0%	17%	14	2.5%	-0.17	0.57
Subaru	5%	9%	15	2.4%	-0.04	0.40
Mazda	14%	-10%	16	2.4%	0.16	-0.05
Acura	12%	-7%	17	2.0%	0.09	0.03
Jeep	9%	-23%	18	1.7%	0.04	-0.31
Cadillac	-2%	-6%	19	1.6%	-0.14	0.05
Infiniti	6%	-27%	20	1.3%	-0.01	-0.31
Buick	13%	31%	21	1.2%	0.07	0.38
Volvo	-2%	3%	22	1.1%	-0.10	0.12
Chrysler	18%	-49%	23	0.8%	0.07	-0.64
Mitsubishi	13%	-30%	24	0.8%	0.04	-0.25
Pontiac	-20%	-49%	25	0.7%	-0.25	-0.59
Lincoln	-1%	-21%	26	0.7%	-0.06	-0.11
Porsche	5%	7%	27	0.7%	-0.01	0.10
Land Rover	13%	14%	28	0.6%	0.03	0.13
Saturn	-18%	-52%	29	0.6%	-0.18	-0.54
Suzuki	18%	0%	30	0.5%	0.05	0.04
MINI	10%	-19%	31	0.5%	0.02	-0.06
Scion	14%	-24%	32	0.5%	0.03	-0.10
Mercury	9%	-26%	33	0.5%	0.01	-0.11
Jaguar	-6%	-4%	34	0.4%	-0.06	0.02
HUMMER	9%	-10%	35	0.3%	0.01	-0.01
Saab	19%	-36%	36	0.2%	0.02	-0.08
Smart	13%	-32%	37	0.2%	0.01	-0.06

Key

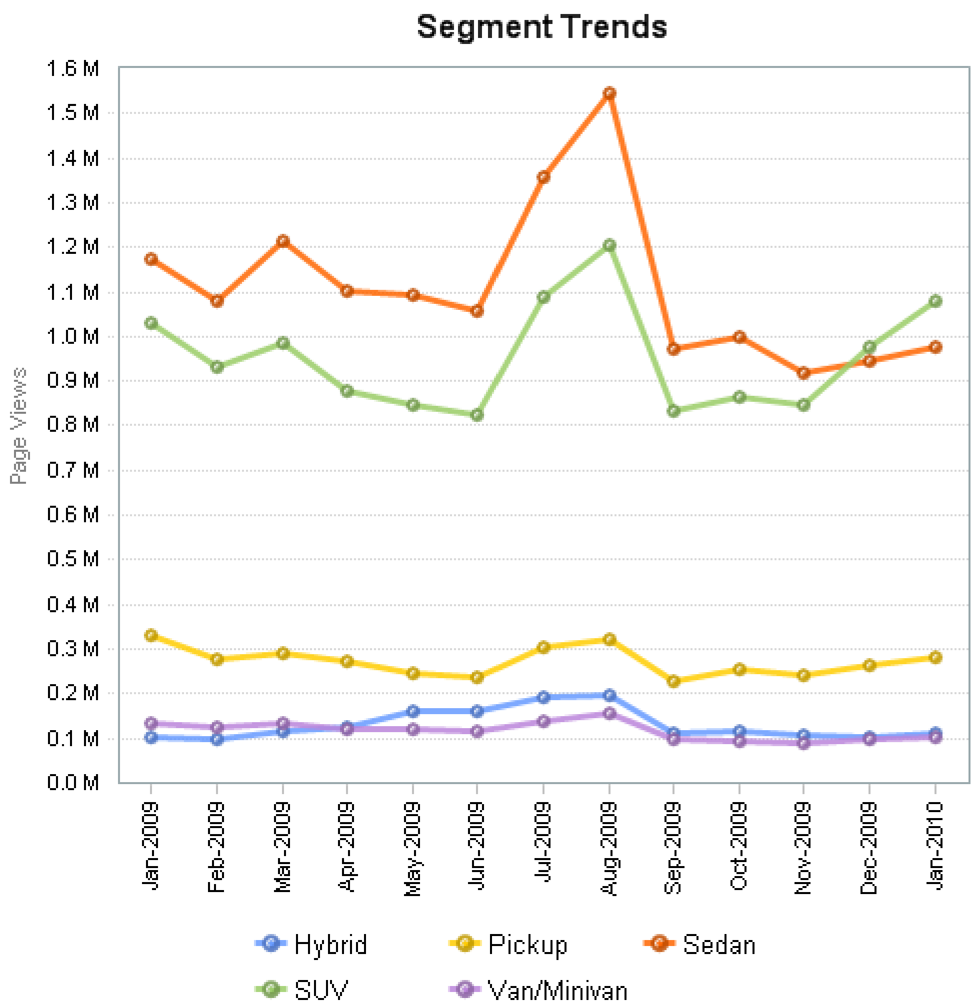
10% Signficantly higher than prior mo/yr by 10% or more
1% Change is not significantly higher than prior mo/yr (between 1 and 10%)
0% Flat/no change (less than ±1%)
-1% Change is not significantly lower than prior mo/yr (between -1 and -10%)
-10% Signficantly lower than prior mo/yr by 10% or more

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 12.

Market Watch - January 2010 Continued



Key

⇧	10%	Signficantly 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%	Signficantly lower than prior mo/yr by 10% or more

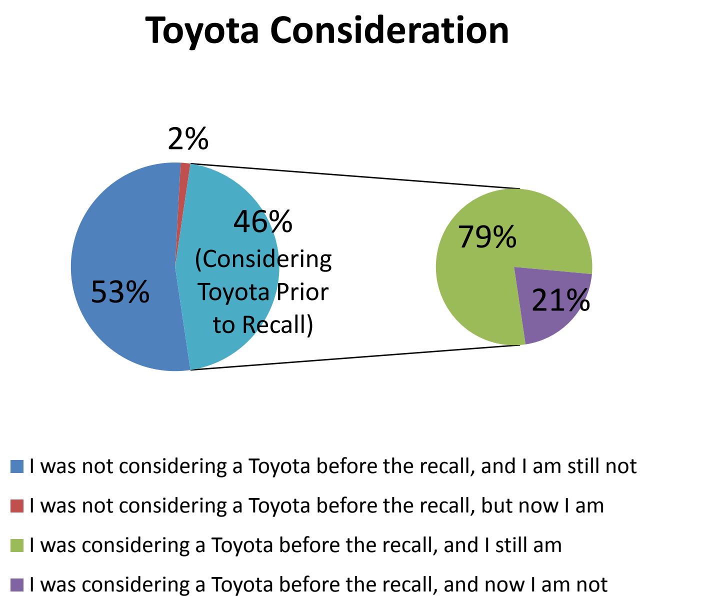
	M/M	Y/Y
Hybrid	⇗ 7%	⇗ 6%
Pickup	⇗ 7%	⇩ -15%
Sedan	⇗ 3%	⇩ -17%
SUV	⇧ 11%	⇗ 5%
Van/Minivan	⇗ 2%	⇩ -26%

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

Market Intelligence - January 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.

TOYOTA RECALL: BRAND CONSIDERATION



SOURCE: KBB Internal Survey (n=406)

Q: Toyota has recently recalled, temporarily halted production, and suspended sales of select vehicles. How does the recent news regarding the Toyota recall affect your consideration of that brand?

SHOPPING ACTIVITY

Week Over Week Activity
Week of Jan 18 Vs Week of Jan 25

Model	% Change of Page Views
TOYOTA CAMRY	-27%
TOYOTA RAV4	-32%
TOYOTA COROLLA	-32%
TOYOTA HIGHLANDER	-27%
TOYOTA AVALON	-34%
TOYOTA VENZA	-16%
TOYOTA TUNDRA CREWMAX	-24%
TOYOTA TACOMA ACCESS CAB	-15%
TOYOTA YARIS	-12%
TOYOTA TUNDRA DOUBLE CAB	-19%
TOYOTA 4RUNNER	-8%
TOYOTA SEQUOIA	-18%
TOYOTA MATRIX	-24%
TOYOTA TACOMA DOUBLE CAB	-9%
TOYOTA SIENNA	-6%
TOYOTA TACOMA REGULAR CAB	-13%
TOYOTA PRIUS	-2%
TOYOTA TUNDRA REGULAR CAB	-17%
TOYOTA FJ CRUISER	3%
TOYOTA LAND CRUISER	10%
TOYOTA OVERALL	**-20%**

SOURCE:: MARKET WATCH
Dates : January 18th – January 31st , 2010

TOYOTA BRAND: CONSIDERATION, SAFETY AND DURABILITY/RELIABILITY RATINGS

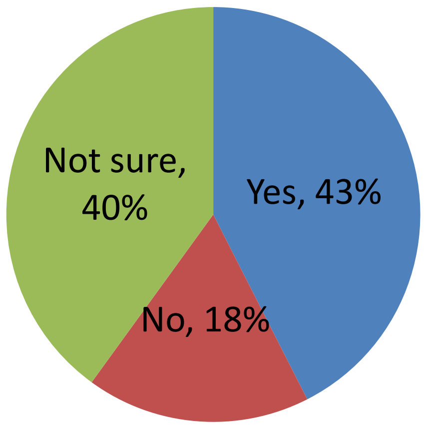
	Q4 (n=3002)	1/22-1/26 (n=146)	1/27-1/31 (n=189)	January 2010 (n=541)
Consideration	25.35%	29.45%	18.52%	24.03%

SOURCE: KBB Brand Watch

Continued on Page 14.

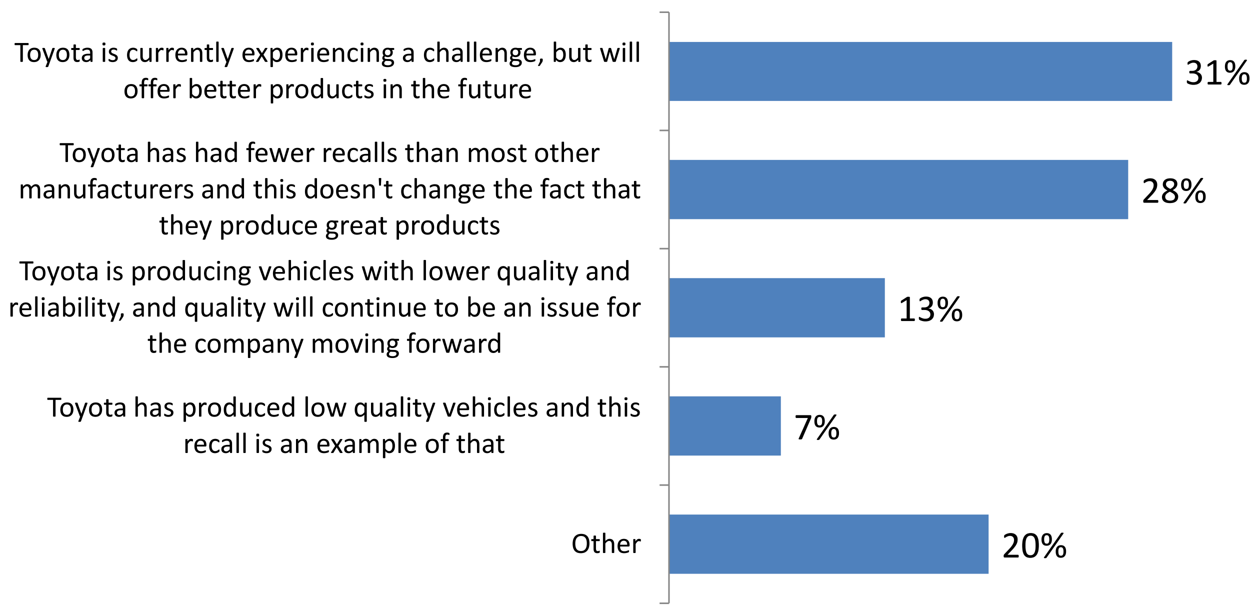
TOYOTA RECALL: FUTURE CONSIDERATION

If Toyota's problems get resolved, consideration for a Toyota vehicle
(Among Toyota Defectors)



SOURCE: KBB Internal Survey; Among those no longer considering Toyota (n=39)
Q: If Toyota's problems get resolved, will you consider a Toyota vehicle again?

TOYOTA RECALL: REACTION

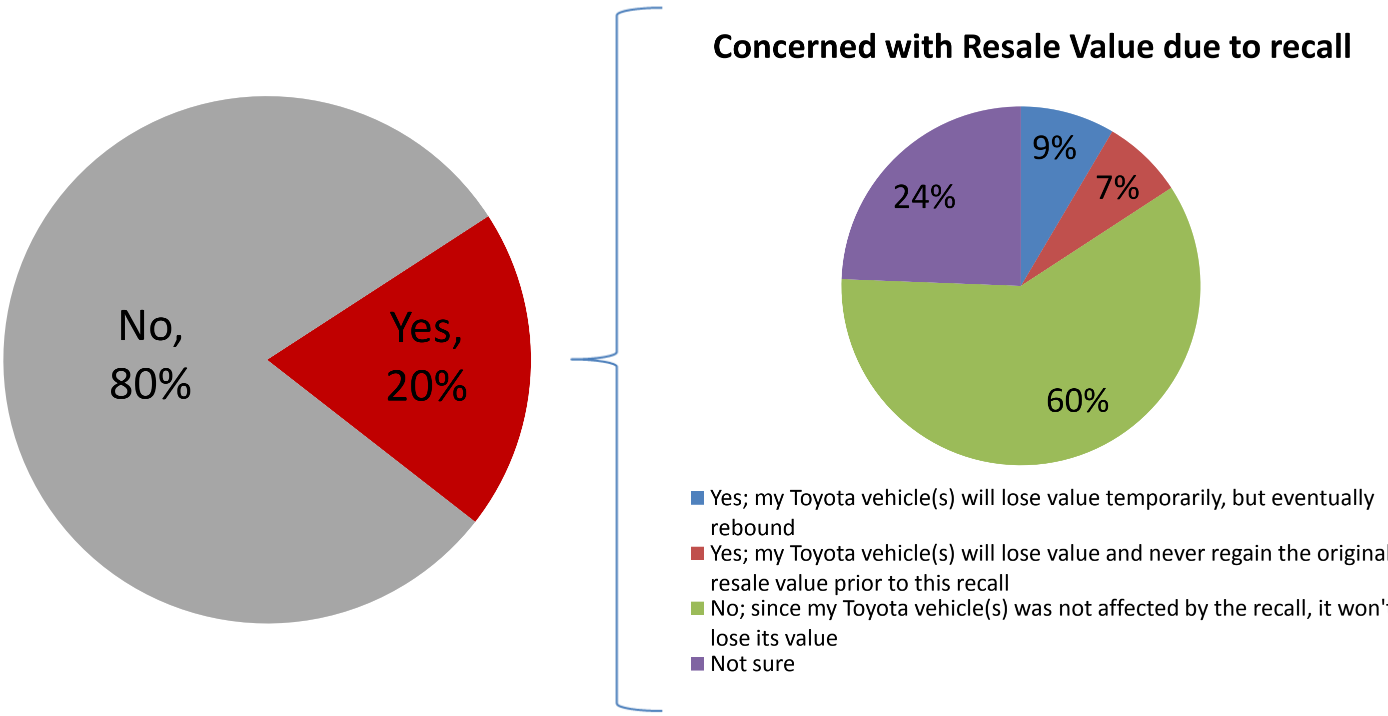


SOURCE: KBB Internal Survey (n=406)
Q: Which of the following statements best describe your reaction to Toyota's recall of select vehicles?

Continued on Page 15.

Market Intelligence - January 2010 Continued

TOYOTA RECALL: TOYOTA OWNERS



SOURCE: KBB Internal Survey (n=406)
Q: Do you currently own a Toyota vehicle?
Q: Do you think the recall will affect the resale value of your Toyota vehicle(s)?