



www.kbb.com

BLUE BOOK Market Report

FEBRUARY
2011

Analysis from Kelley Blue Book's Analytic Insights Team

Annual Subscription Value: \$500

Kelley Blue Book Public Relations Contacts:

Robyn Eagles | Director, Public Relations
949.268.3049 | reagues@kbb.com

Joanna Pinkham | Senior Public Relations Manager
949.268.3079 | jpinkham@kbb.com

Brenna Robinson | Public Relations Manager
949.267.4781 | berobinson@kbb.com

In This Issue:

MARKET ANALYSIS

Overseas Demand Driving Prices Up; Good Condition Vehicle Supply Remains Challenged at Auction; More

LATEST HOT USED-CAR REPORT

Gas Prices Drive Shopper Interest in Fuel-Efficient Vehicles

MARKET ANALYSIS:

Overseas Demand Driving Prices Up at Auction for Select Vehicles

- Juan Flores, director of vehicle valuation, Kelley Blue Book
- Alec Gutierrez, manager of vehicle valuation, Kelley Blue Book

According to Kelley Blue Book field analysts, many wholesalers at auction are snatching up fully loaded, black luxury SUVs specifically for customers overseas. Willing to pay above market price, these wholesalers are not concerned with the status of the vehicle's title, frame damage, or mileage.

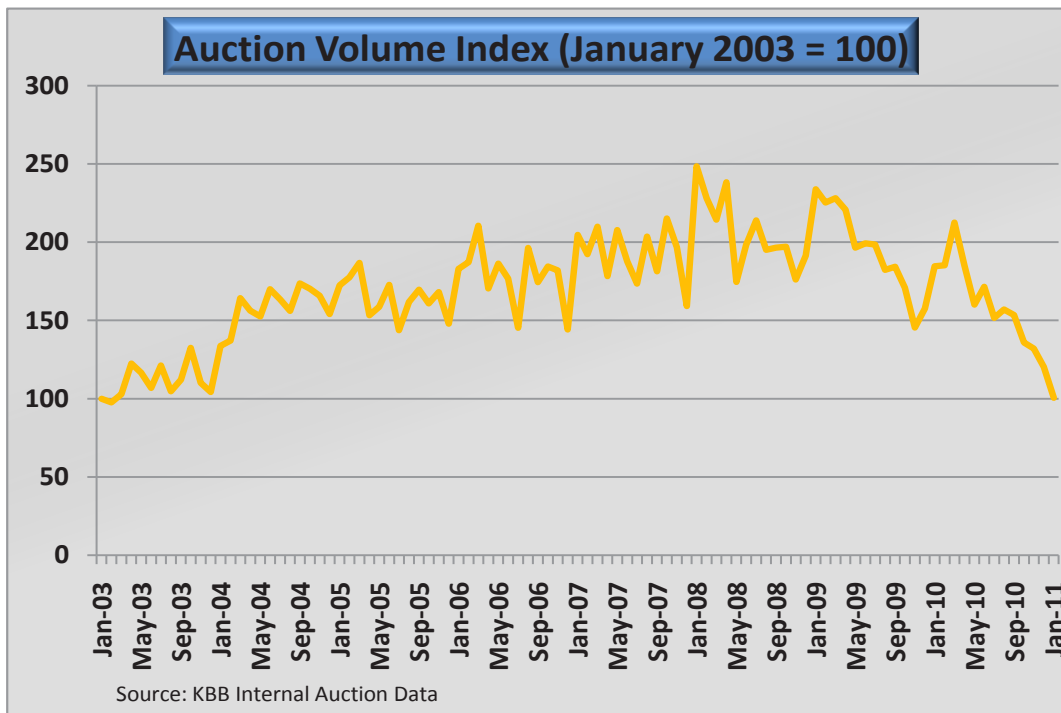
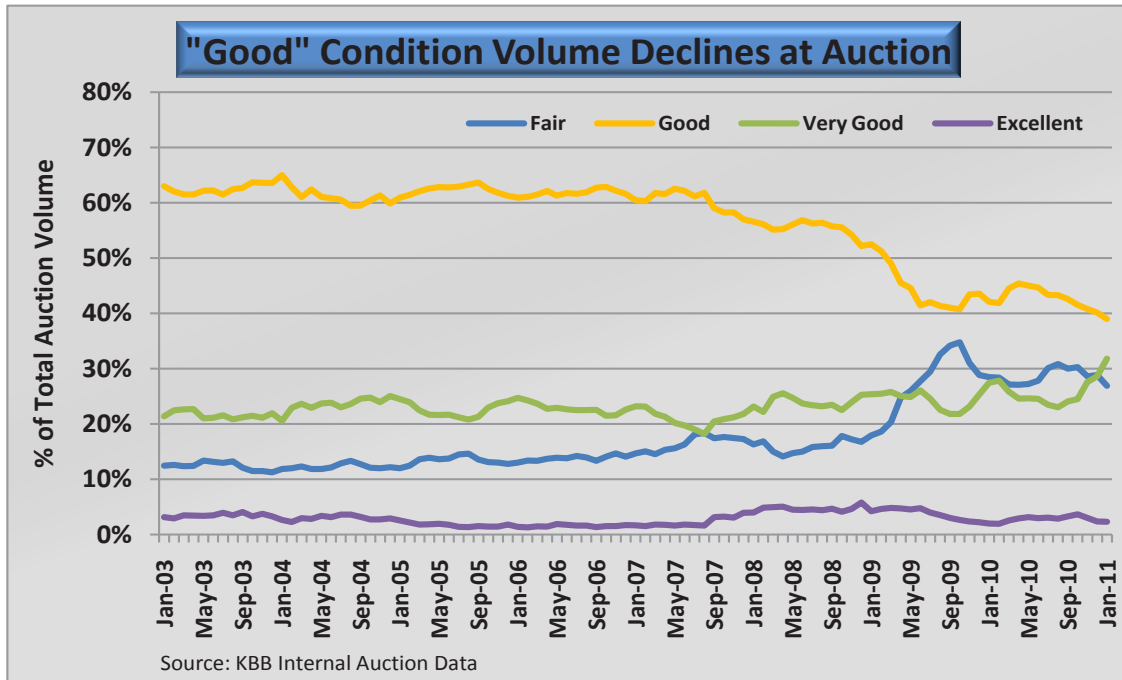
Kelley Blue Book field analysts report that a large amount of cars are going directly from auctions to the ports. The highly desired vehicles for exports include fully loaded Cadillac Escalades, Hummer vehicles, all Mercedes models, and also the Infiniti FX35 and QX56. These vehicles are reportedly being shipped to areas such as Russia, Dubai, Israel, Poland, Africa and Japan. Analysts also report seeing a large Russian contingent filling orders (pre-sold units, in most cases already paid for). Frame damage is not a factor since it isn't disclosed in many of these regions. Another reason the condition of these vehicles is irrelevant to wholesalers is that automotive data reporting companies are not well-known outside the U.S. and are not commonly used to track the car's history.

Exporters are driving the prices up and local dealers can't compete in the bidding war. Additionally, the online auction simulcast and resulting Internet sales are pinching dealers out of business because of increased competition coming in from around the world. Auction volume for these vehicles is likely relatively low, so it shouldn't have a significant impact. However, Kelley Blue Book analysts are seeing this trend mostly among auctions close to major sea ports.

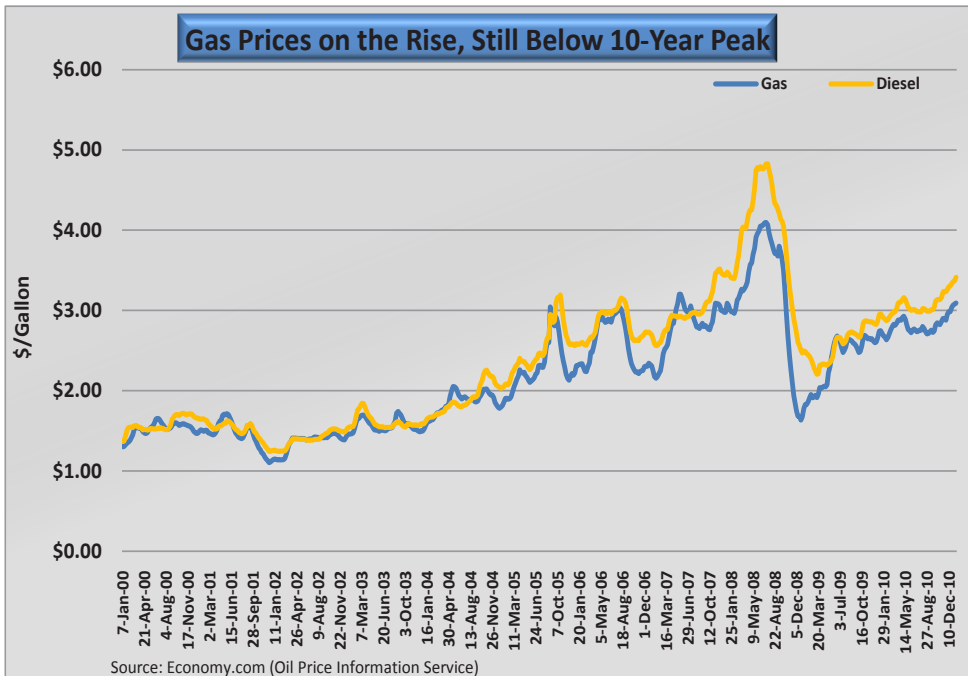
“EXPORTERS ARE
DRIVING THE PRICES UP
AND LOCAL DEALERS
CAN'T COMPETE...”
- KELLEY BLUE BOOK ANALYTIC
INSIGHTS

Good Condition Vehicle Supply Remains Challenged at Auction

As consumers hold on to their vehicles longer and OEMs cutback production in 2008, fair-to-poor conditioned vehicles are becoming more predominant in the market. In early 2003, vehicles of fair condition accounted for just more than 10 percent of overall auction volume, while the remaining 90 percent was comprised of vehicles of good condition or better. Today, vehicles of fair condition account for nearly 30 percent of overall auction volume, with the remaining 70 percent made up of vehicles of good condition or better. With overall auction volume down and good-condition, low-mileage vehicles harder to find, values may increase slightly. These supply challenges will continue to increase competition among dealers for the most desirable vehicles; ultimately, increasing prices for not only dealers, but also consumers. However, these current supply conditions could help mitigate depreciation on vehicles with less than average fuel economy as gas prices continue to climb.



Gas Prices Not High Enough to Impact Values



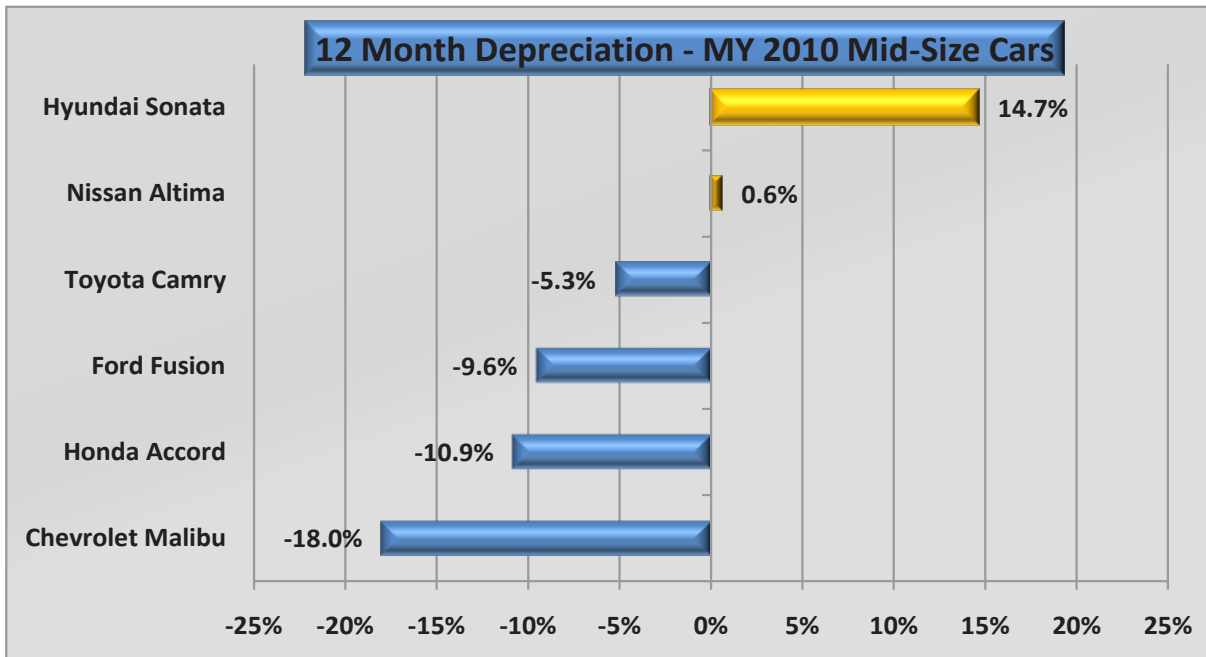
While gas prices continue to creep up, used-vehicle values have yet to respond. Gas prices have increased 12 percent since October 1, 2010, from \$2.75 to \$3.09 and fuel-sensitive segments show no sign of faltering. In fact, these large vehicle segments continue to outperform the market. Full-size trucks (1.8 percent), luxury sport utility (0.7 percent), mid-size sport utility (0.7 percent) and full-size sport utility (0.7 percent) each showed market strength. Some vehicle segments that offer great fuel economy also are doing well, including compact crossovers (1.4 percent), hybrid crossover (1.2 percent) and compact car (1.1 percent).

Even with slight increases in gas prices, consumers have yet to change their purchase

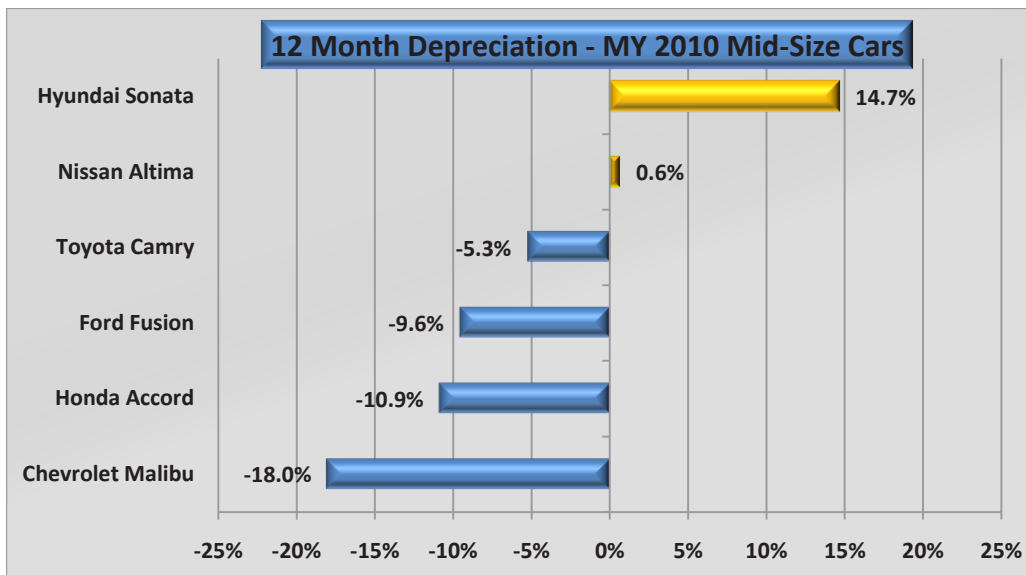
decisions. A January 2011 Kelley Blue Book Market Intelligence survey revealed that 70 percent of in-market car buyers are considering fuel-efficiency when making a purchase decision. If prices continue to rise at the current rate and surpass the \$3.50 threshold, values could begin to drop for segments offering average or less than average fuel economy, while analysts expect that values for fuel-efficient vehicles would rise, similar to what the industry experienced in 2008. Given current local and global economic uncertainty, affordability among shoppers remains a top priority, putting fuel prices back on the table as an issue when purchasing a vehicle. In the same Market Intelligence survey, almost half (43 percent) of car shoppers reported delaying the purchase of a vehicle due to economic concerns and gas prices. Moreover, 75 percent of kbb.com survey respondents said they expect gas prices to rise in the next 30 days, and data from the U.S. Energy Information Administration reveals that gas prices are projected to rise throughout 2011 and into 2012.

Market Intelligence Survey - Press Release: <http://mediaroom.kbb.com/kelley-blue-book-nearly-three-quarters-car-shoppers-say-gas-prices-influenced-vehicle-purchase-consideration-expect-gas-prices-increase>

Mid-Size Car Segment Shows Shifting Interest



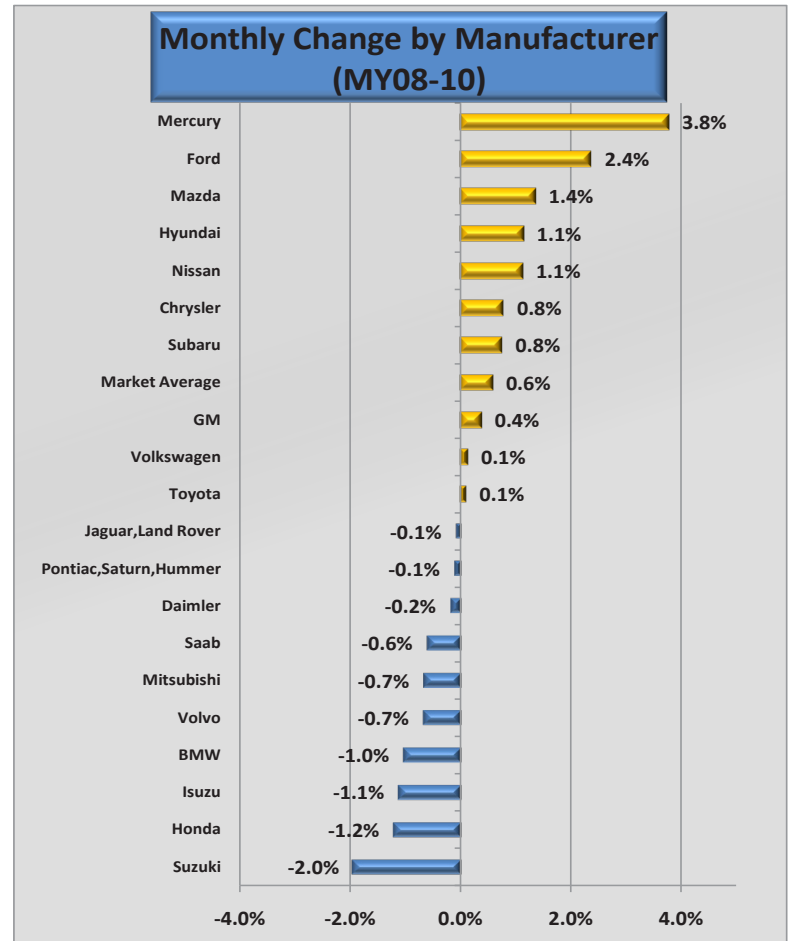
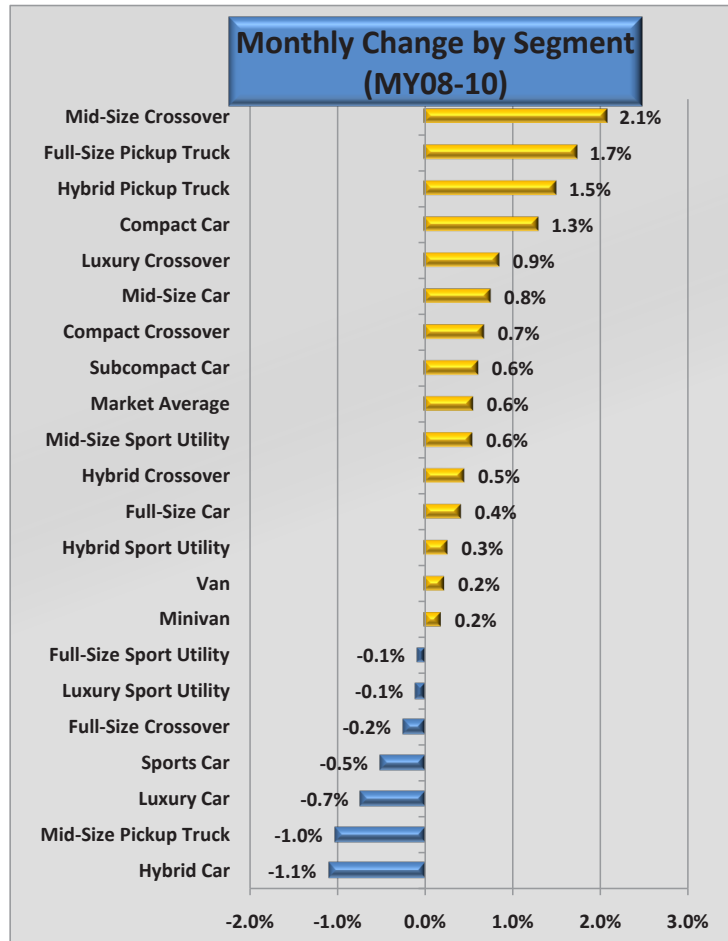
The Honda Accord remains a top choice with the highest value in its segment. Although the Accord currently maintains the highest value of all vehicles in the mid-size car segment, values are down 11 percent over the past 12 months. Improved redesigns from most manufacturers in this segment have increased the level of competition dramatically. For example, the Hyundai Sonata has shown the most improvement, rising three positions based on model-year 2010 trade-in value rank. Sonata values improved 14.7 percent during the past 12 months, perhaps due in part to a halo effect in response to the well-received model-year 2011 redesign. Conversely, after a much needed redesign in 2008, the Chevrolet Malibu has already started to show signs of aging, declining significantly over the past 12 months. Malibu depreciated more than any other vehicle in the segment, dropping 18 percent over the past 12 months. Toyota Camry remains in the middle of the pack due to its conservative design in an increasingly competitive segment. Analysts still hold strong to the belief that Toyota's recall has not affected used values of high selling Camry. Camry values are only down 5 percent over the past 12 months.



New Year, New Market Strength

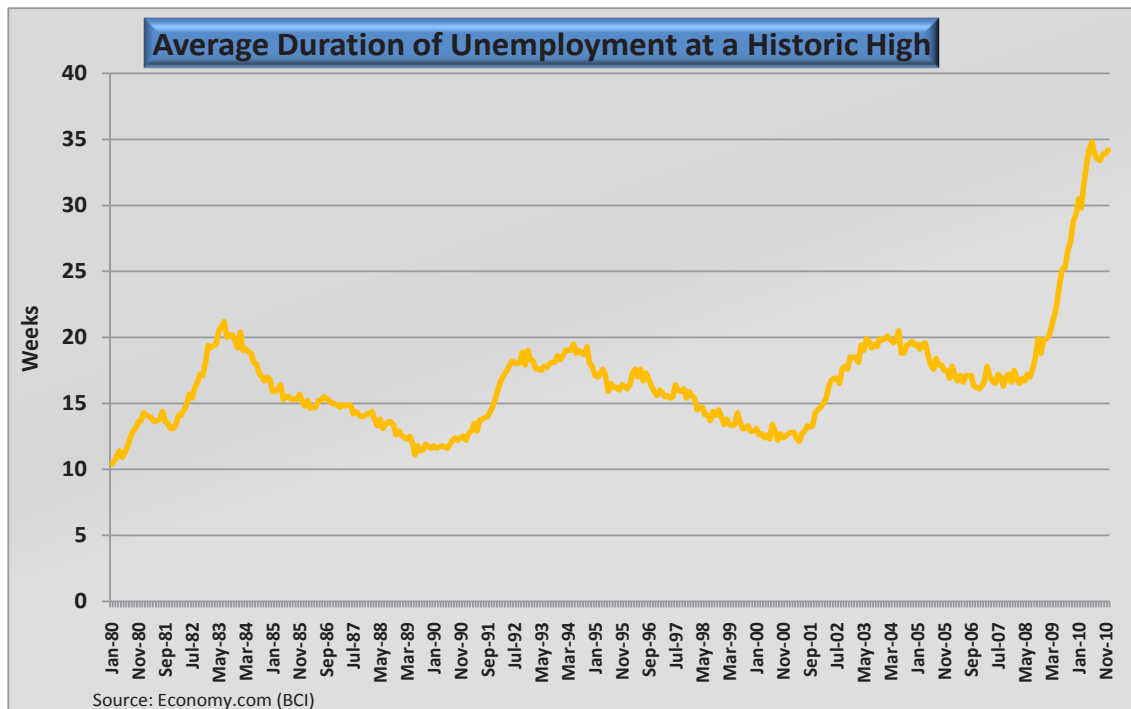
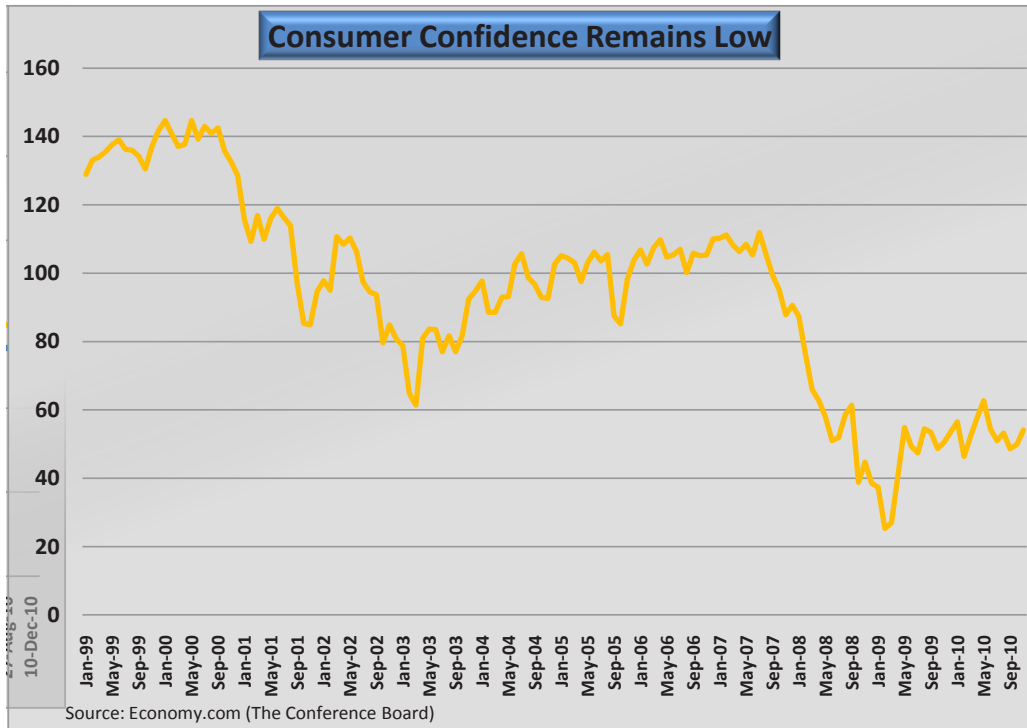
Values are up 0.6 percent overall in January. As in previous years, values have picked up as dealers return to auction and restock inventory. Values should remain relatively steady in the short term with the potential to pick up as we approach the spring selling season in March and April.

It should be noted that values could increase at a greater rate than normal and in a shorter period of time due to recent auction closures. Within the last few days, most of the central and portions of the northeast regions have seen historic snow levels, cancelling many airport and auction services. Even though inventory levels may build up at auction, the expectation is that demand will thaw out of the blizzard and increase prices accordingly.



Some Segments Continue to Drop in Strong Used-Car Market

Segments such as sports car, luxury car and hybrid car continue to drop even in a strong used-car market, dropping 0.7 percent, 0.9 percent and 0.9 percent, respectively. These segments are likely the most impractical cars given today's economy. The average duration of unemployment is currently at 35 weeks and the unemployment rate is at 9.4 percent. Given the current stagnation in employment conditions and consumer confidence, Kelley Blue Book expects values for these vehicles to remain soft.

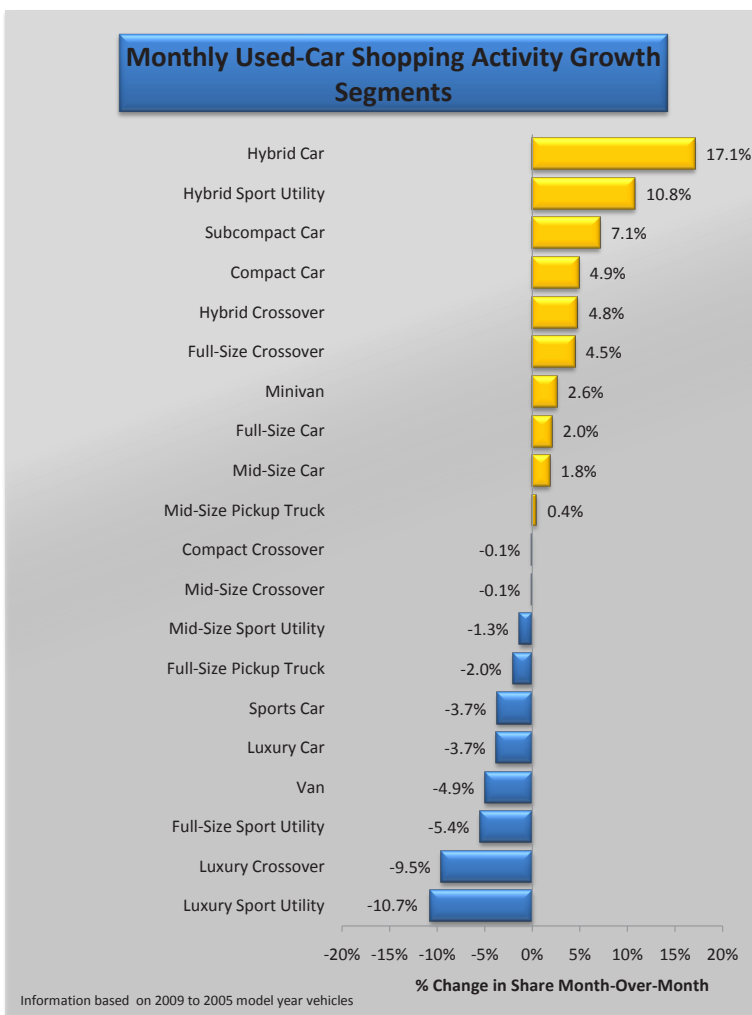
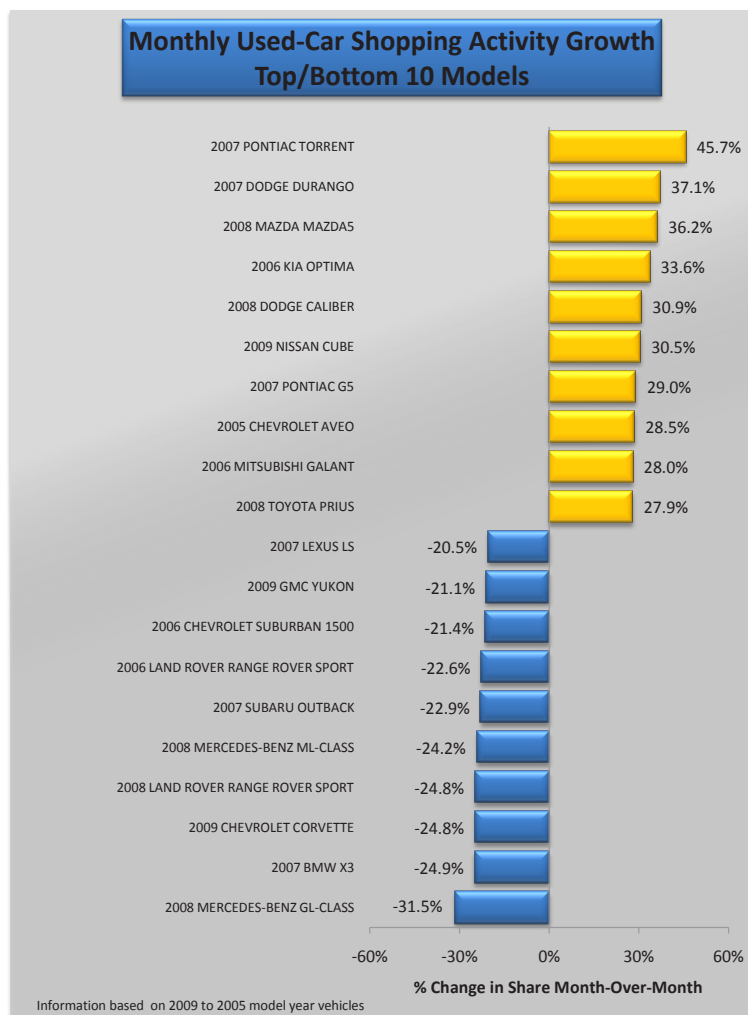


This commentary focuses on model years 2008-2010. The statements set forth in this publication are the opinions of the authors and are subject to change without notice. This publication has been prepared for informational purposes only. Kelley Blue Book assumes no responsibility for errors or omissions.

Gas Prices Drive Shopper Interest in Fuel-Efficient Vehicles

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.

January 1, 2011, marked a change in the calendar date and for the automotive industry. Shortly after the ball dropped in Times Square, consumers began to take notice of the price at the pump. With higher fuel prices, those in the used-car market began to flock toward fuel-efficient vehicles. The three segments that experienced the greatest rate of change were hybrid cars, hybrid crossovers, and sub-compacts, increasing 17.1 percent, 10.8 percent, and 7.1 percent in shopper interest, respectively. As gas prices continue to rise, Kelley Blue Book analysts expect this trend to continue. When at auction, it would be wise for dealers to begin considering fuel-efficient models as they stand to perform well if gas prices continue at their current rate of appreciation.



About Kelley Blue Book (www.kbb.com)

Founded in 1926, Kelley Blue Book, The Trusted Resource®, 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® Trade-In and 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 is a leading provider of new car prices, used car values, car reviews, new cars for sale, used cars for sale and car dealer locations. Kelley Blue Book Co., Inc., is a wholly owned subsidiary of AutoTrader.com.