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Timely commentary from Jack R. Nerad, vice president, executive editorial director and executive market analyst, Kelley Blue Book's KBB.com: Not So Fast

LATEST NEWS STORIES ON KBB.COM:The latest video and written news stories by the editorial staff of Kelley Blue Book's KBB.com

NEW-VEHICLE REVIEWS ON KBB.COM:

All-new and updated video and written reviews from the editorial staff of Kelley Blue Book's KBB.com, and links to consumer reviews and ratings on KBB.com

WHAT'S NEW: KBB.com: 10 Best Deals for January

10 Best SUVs Under \$25,000 of 2014 Named by KBB.com

WHAT'S NEW CONTINUED: 2014 North American International Auto Show Reveals Evolution and Revolution of Utility, Luxury and

New Mercedes-Benz CLA Outshines Aging C-Class, According to Kelley Blue Book

Kelley Blue Book Experts Compile Notable Best Resale Value Award Wins in All-New Infographic

Kelley Blue Book Reveals Most and Least Popular Auto Brand, Segments by U.S. Region

New-Car Transaction Prices up Nearly One Percent Month-Over-Month, According to Kelley Blue

KBB.com: 10 Best Car Deals for December; more

Not So Fast

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

he North American International Auto Show is in the books, and in its wake the auto industry in North America seems to be filled with an exuberance that we haven't experienced in more than half a decade. After a sputtering, slow-motion recovery from the depths of the 2008-2009 Great Recession, it seems as if the American auto industry is ready to tell the world, "I'm baaacccckk!" The fact that 2013 ended with a sales total of 15,270,091 - more than a million units higher than 2012 – has many pundits predicting sales this year will top 16 million pretty easily. And what of 2015? Can you say 17 million new car and trucks sales here in the USA?

Certainly auto makers believe that even better times are ahead in North America. Expanded production was one of the themes of the Detroit auto show. Honda pulled the wraps of an all-new version of its Fit small car that will be built, along with a new small SUV, at a new plant in Mexico, and that is just the most recent of many new

THE DANGER IS THE INCREASED PRODUCTION CAPACITY COMING ON LINE WILL NECESSITATE ADDITIONAL INCENTIVE SPENDING THAT COULD QUICKLY BECOME RUINOUS IF SALES BFGIN TO FALTER...

- JACK R. NERAD

and expanded plants that have either come on line recently or are soon due to come on line. Even as I write this speculation, Mercedes-Benz will build a second plant in North America to service anticipated demand. There is good reason for carmakers to be positive. Sales of light vehicles topped the 15 million mark in 1994 and after a slight dip the following year remained over 15 million each year until 2008. Then, of course, sales fell off the cliff, and we have struggled to get back to 15 million-plus ever since. With an aged vehicle fleet, an expanding economy and low interest rates, why shouldn't sales spike up again past their levels of a decade ago?

Well, at the risk of sounding like the only grump at the New Year's party, who won't put on a paper hat and dance on the table, maybe we shouldn't push too hard for a sales spike. It was just seven years ago that the overheated and over-extended economy fueled by easy credit and a housing bubble crashed and burned, sending us into the deepest downturn since the Great Depression. Now we must resist the temptation to return to the Roaring 2000s that, like the Roaring 20s, were fun while they lasted, but were ultimately ended in pain and suffering. The danger is the increased production capacity coming on line will necessitate additional incentive spending that could quickly become ruinous if sales begin to falter. Already there are some storm clouds on the horizon. Retail spending in the final weeks of December was not nearly as high as some analysts expected it would be, and there are signs that the trend of appreciation in housing has slowed significantly from its rate at this time last year. If interest rates suddenly ratchet up, as could happen if quantitative easing ends, we are likely to see those incentive pressures build still further.

This could present a buying opportunity for many consumers, but for automakers and to some extent dealers it would present a very challenging scenario. In farming terms, many haven't put enough silage in their silos to see the herd through a long winter. One thing we can guarantee: this industry hasn't seen its last downturn.

LATEST NEWS STORIES ON KBB.COM:

Check out the very latest news stories by visiting <u>KBB.com</u> and clicking the the <u>KBB.com Top Picks</u> 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 December 2013.

Videos Posted to KBB.com:

2012 Lexus LFA Review 2015 Honda Fit - 2014 Detroit Auto Show

2013 Mazda Club Racer Shootout 2015 Hyundai Genesis - 2014 Detroit Auto Show

2014 Fiat 500L Review 2015 Lexus RC F - 2014 Detroit Auto Show

2014 Mazda Mazda3 Review - Kelley Blue Book 2015 Mercedes-Benz C-Class - 2014 Detroit Auto Show

2014 Porsche 911 Targa 4 - 2014 Detroit Auto Show 2015 Mercedes-Benz GLA45 AMG - 2014 Detroit Auto Show

2014 Rolls-Royce Wraith Review 2015 Subaru WRX STI - 2014 Detroit Auto Show

2015 BMW M3 and M4 - 2014 Detroit Auto Show Audi Allroad Shooting Brake Concept - 2014 Detroit Auto Show

2015 Chevrolet Corvette Stingray Z06 - 2014 Detroit Auto Show Kia GT4 Stinger Concept - 2014 Detroit Auto Show

2015 Chrysler 200 - 2014 Detroit Auto Show Nissan Sport Sedan Concept - 2014 Detroit Auto Show

2015 Ford F-150 - 2014 Detroit Auto Show Toyota FT-1 Concept - 2014 Detroit Auto Show

2015 GMC Canyon - 2014 Detroit Auto Show VW Beetle Dune Concept - 2014 Detroit Auto Show

Written Stories Posted to KBB.com:

Highlights: Comparing Car Tastes Across the Country

2014 Detroit Auto Show: The New Cars Video Review: 2012 Lexus LFA

<u>5 Most Affordable Cars Unveiled at the Detroit Auto Show</u>
<u>Video Review: 2014 Rolls-Royce Wraith</u>

5 Sleepers from the 2014 Detroit Auto Show

Vehicle Coverage: 2015 BMW M4 Coupe makes formal debut in Detroit

2014 Chevy Corvette and Silverado 1500 earn twin NACTOY wins 2015 Cadillac ATS Coupe makes Detroit debut

2014 Dodge Dart SXT Blacktop package unveiled 2015 Chevrolet Corvette Stingray Z06 debuts in Detroit

2014 Ford Focus Titanium Quick Take 2015 Chevy Corvette Stingray to offer Performance Data Recorder

2014 Mitsubishi Mirage Quick Take 2015 Chrysler 200 revealed in Detroit

2014 Porsche 911 Targa4/Targa 4S show new top tech in Detroit
2015 Ford F-150 debuts in Detroit, brings a 2.7-liter EcoBoost and Atlas styling

2014 Ram Mossy Oak Edition unveiled in Detroit cues with it

2014 Rolls-Royce Ghost V-Specification released 2015 Ford F-150 may get 2.7-liter V6 EcoBoost engine

2014 Toyota Highlander First Review: A solid competitor in a solid segment

2014 Volkswagen Jetta GLI Edition 30 unveiled 2015 Honda Fit debuts in Detroit

2015 Acura TLX Prototype, 9-speed transmission makes official debut in Detroit

2015 Audi A3 Sedan pricing to start at \$30,795

2015 Audi Q3 previewed for U.S. in Detroit

2015 Audi Q3 previewed for U.S. in Detroit

2015 BMW M3 officially unveiled in Detroit

January 2014

LATEST NEWS STORIES ON KBB.COM CONTINUED:

2015 Mercedes-Benz C-Class is bigger, bolder and more upscale Mini John Cooper Works Concept revealed

2015 Mercedes-Benz GLA45 AMG debuts in Detroit Nissan bumps price on Leaf EV

2015 Mercedes-Benz S600 makes debut in Detroit

Nissan IDx FreeFlow & IDx Nismo Concepts make U.S. debuts

2015 Subaru WRX First Review: All Grown Up Nissan Sport Sedan Concept turns heads in the Motor City

2015 Subaru WRX STI storms into Detroit Rinspeed XchangE Concept teased for Geneva

2015 Volkswagen Golf R makes U.S. debut in Detroit Scion FR-S and tC Monogram Series bows

Audi Allroad Shooting Brake Concept previews future production models

Toyota global hybrid tally now tops 6 million

Audi partnering with Google to develop in-car Android system Toyota unveils FCV concept hydrogen fuel cell vehicle

Audi Sport Quattro Laserlight Concept Car to debut at CES Toyota unveils hot FT-1 Concept at the 2014 Detroit Auto Show

Audi unveils virtual cockpit, Smart Display tablet at CES Video Review: 2013 Mazda Club Racer Shootout

Chevrolet Unveils MyLink App Integration - CES 2014 Video Review: 2014 Fiat 500L

Ford C-Max Solar Energi Concept to debut at CES

Volkswagen Beetle Dune Concept revealed in Detroit

Infiniti Q50 Eau Rouge Concept debuts in Detroit

Volkswagen confirms new mid-size SUV will come to U.S.

Kia GT4 Stinger Concept makes stunning Detroit debut

Volkswagen Passat BlueMotion Concept unveiled in Detroit

Kia KND-7 concept car unveiled at CES Volvo Concept XC Coupe makes Detroit debut

Mazda Delays Diesel Launch Volvo Unveils Revamped Infotainment Platform - CES 2014

Mazda Opens Up to App Developers - CES 2014

Industry and Consumer: New Car Transaction Prices Climbing, Still Below Last Year's Pace

An interview with Michael Stapleton, Cadillac design director

Oil Chronicles: Different oils for different duties

EPA reports 2012 U.S. average fuel economy hits record 23.6 mpg

Oil Chronicles: Oil Change Intervals

Honda, Mazda, Subaru and Volvo top 2014 IIHS TSP+ ratings

Oil Chronicles: Synthetic oils

Hyundai CEO John Krafcik stepping down January 1, David Zuchowski named

Range not the only thing limiting EVs

<u>successor</u>

Rising Days Supply Signals Deal-Making Opportunities

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 December 2013. To see any new-vehicle review from KBB.com's editorial staff, please visit KBB.com and click on the Car Reviews tab, then select the make and model.

2014 RMW i3

The i3 carves its own path among the growing niche of electric vehicles.

2014 Chevrolet Express Van

If you need to move a lot of people, a lot of cargo or some combination of the two, the 2014 Chevrolet Express Van has the right stuff.

2014 Chevrolet Suburban

Generations of families have grown up with the Suburban, which is why it remains an integral part of the American automotive story.

2014 Fiat 500

The Fiat 500 is hip, happening and a must-have for style-conscious city dwellers.

2014 Ford Heavy Duty Trucks

The 2014 Ford Super Duty line of pickups will continue to flourish anywhere big jobs need gettin' done.

NEW-VEHICLE REVIEWS ON KBB.COM CONTINUED:

2014 Honda Civic

With its reputation for reliability, safety, comfort and excellent resale, the 2014 Honda Civic remains one of the best small-car values around.

2014 Honda Fit EV

The electrified Fit abounds with versatility and value.

2014 Hyundai Accent

From its high-powered audio system to its rich 2-tone interior, the Accent scores big in the categories most important to younger buyers.

2014 Hyundai Elantra

The 2014 Hyundai Elantra continues to wow consumers and critics alike.

2014 Kia Rio

An unbeatable combination of price, features, power, fuel economy and warranty.

2014 Kia Sportage

The 2014 Sportage has evolved from a basic 4x4 SUV into a stylish, powerful, compact crossover SUV.

2014 Lexus CT 200h

If you're looking for a luxury car with a big dose of style and efficiency but a very small carbon footprint, the 2014 Lexus CT 200h tops a very short list.

2014 Mazda Mazda2

As much fun to drive as it is to look at.

2014 Mazda Mazda5

The 2014 Mazda5 offers many minivan virtues in a fun-to drive, efficient and affordable vehicle.

2014 Mini Cooper Roadster

The Mini Roadster moves through corners like it was chasing prey.

2014 Mitsubishi i-MiEV

One of the most affordable electric cars on the market.

2014 Nissan Cube

One thing is for sure, the Cube's radical styling puts it in a class all its own.

2014 Nissan Sentra

The Sentra feels very Altima-like, in both the way it drives and pampers its occupants.

2014 Scion xB

If you're looking for an inexpensive compact with loads of space, the 2014 Scion xB makes a great choice.

2014 Subaru XV Crosstrek

The XV Crosstrek is easy on your fuel budget, and it can go places most of its rivals can't.

2014 Toyota Highlander

Born to haul families and all of their cargo.

2014 Toyota Prius C

The 2014 Toyota Prius C makes owning a hybrid affordable on almost any budget.

2014 Volkswagen Beetle

The 2014 Beetle's interior pays homage to the original car without sacrificing the quality, look and feel of a 21st-century VW product.

2014 Volkswagen CC

The 2014 VW CC has premium features and luxury styling at a price below luxury cars like the Audi A4 and BMW 3 Series.

KBB.com: 10 Best Car Deals for January

Kelley Blue Book Highlights This Month's Hottest New-Car Deals; 2014 Nissan Altima Ranked No. 1

IRVINE, Calif., Jan. 21, 2014 -- New year, new you, and if there's any money left over from the holidays- maybe even a new car. Keeping shoppers up-to-date on the latest savings available, the expert editors at Kelley Blue Book www.kbb.com, the leading provider of new and used car information, have outlined the best January new-car lease, finance and cash back deals from a variety of auto manufacturers.

"Topping our January list of the 10 best deals in the market is the 2014 Nissan Altima," said Jack R. Nerad, executive editorial director and executive market analyst for Kelley Blue Book.... MORE

10 Best Suvs Under \$25,000 of 2014 Named by KBB.com

Kelley Blue Book Expert Editors Highlight Top Affordable SUVs for 2014; Honda CR-V Leads for Second Consecutive Year

IRVINE, Calif., Jan. 21, 2014 -- Whether it's utility, style, fuel economy or pure excitement you're looking for, there's something for everyone on the expert recommended list of 10 Best SUVs Under \$25,000 from Kelley Blue Book www.kbb.com, the leading provider of new and used car information. Shoppers in the market for an affordable new SUV have plenty of options to choose from in this second annual Top 10 list.

"The vehicles on our 2014 edition of the 10 Best SUVs under \$25,000 list are not only affordable, but also are sensible, stylish and feature all-new invehicle technology," said Jack R. Nerad, executive editorial director for Kelley Blue Book's KBB.com... MORE

2014 North American International Auto Show Reveals Evolution and Revolution of Utility, Luxury and Performance KBB.com's Jack Nerad Shares Cars and Concepts from Honda, Hyundai and Toyota

DETROIT, Jan. 17, 2014 -- Honda unveiled the all-new 2015 Fit at the North American International Auto Show. Set to go on sale in the U.S. this spring, the new Fit is completely redesigned from the ground up to deliver an unparalleled combination of style, interior space, fun-to-drive performance and fuel efficiency plus leading-edge safety and vehicle connectivity.

"The Honda Fit is a small car with big aspirations. Faster, more fuel-efficient and more fun, it's a subcompact with larger-than-life-capabilities," said John Mendel, executive vice president of automobile sales for American Honda Motor Co., Inc. "It's simply the best Fit to date and, we believe, a new benchmark in the small-car category."... MORE

New Mercedes-Benz CLA Outshines Aging C-Class, According to Kelley Blue Book

Upcoming C-Class Redesign Anticipated to Grab Back Sales, Market Share from CLA

IRVINE, Calif., Jan. 9, 2014 -- The latest entry-luxury sedan to join the Mercedes-Benz lineup, the 2014 CLA, is closing the gap on its outdated sister model, C-Class, with stronger average transaction prices, projected resale value and shopper interest, as well as lower incentive spend by the automaker, according to Kelley Blue Book www.kbb.com, the leading provider of new and used car information.

"Mercedes-Benz is looking to increase its reach in the entry-luxury category with the CLA, and the initial numbers suggest they've succeeded," said Karl Brauer, senior analyst for Kelley Blue Book... MORE

Kelley Blue Book Experts Compile Notable Best Resale Value Award Wins in All-New Infographic

IRVINE, Calif., Jan. 8, 2014 -- New infographic depicting models and brands with outstanding resale value from the experts at Kelley Blue Book, the leading provider of new and used car information, is now available on the 2014 Best Resale Value Awards multi-media news announcement. The infographic depicts significant first-time winners from 2014, as well as noteworthy repeat winners throughout the history of the Kelley Blue Book Best Resale Value Awards... MORE

Kelley Blue Book Reveals Most and Least Popular Auto Brands, Segments by U.S. Region

Western-Based New-Car Shoppers More Likely to Shop Tesla, Southerners Less Influenced by Brand According to KBB.com

IRVINE, Calif., Jan. 6, 2014 -- KBB.com research reveals most and least popular auto brands and segments by U.S. region, announces Kelley Blue Book www.kbb.com, the leading provider of new and used car information. Research from Kelley Blue Book Market Intelligence, based on KBB.com traffic of more than 10 million U.S. adults, reveal in-market new-car shoppers from the Western region of the U.S. are 85 percent more likely to consider Tesla than shoppers from other regions. Out of all regions, Southerners are the least influenced by brand when shopping for a car as evidenced by a relatively small 17 percent preference for Infiniti over other brands. Perhaps manufacturers have the ability to conquest market share in the South since these shoppers are not as loyal to any specific automaker. On the other hand, Midwest shoppers are 64 percent more likely to consider Chrysler and Northeast shoppers are 56 percent more likely to consider Subaru... MORE

New-Car Transaction Prices Up Nearly One Percent Month-Over-Month, According to Kelley Blue Book

Ford Prices Hold Steady with Strength in Hybrid, Electric Models; Toyota up Across All Brands Year-Over-Year

IRVINE, Calif., Jan. 3, 2014 -- New-car transaction prices increased an average of \$197month-over-month in December 2013. The estimated average transaction price for light vehicles in the United States was \$32,890, up 0.6 percent from last month and down \$159 (0.5 percent) year-over-year, according to Kelley Blue Book www.kbb.com, the leading provider of new and used car information.

"Along with solid new-car sales, average transaction prices on new vehicles continue to strengthen this year," said Alec Gutierrez, senior analyst for Kelley Blue Book... MORE

KBB.com: 10 Best Car Deals for December

Kelley Blue Book Reports Available Incentives on Best Resale Value Award-Winning Vehicles

IRVINE, Calif., Dec. 27, 2013 -- December marks the season of giving; when it comes to new cars, why not make this month the season of saving? When buying a new car, it's crucial for shoppers to consider the return they will receive down the road when they are ready to sell. A vehicle with outstanding resale value ensures owners will get back as much as possible in the long run. The expert editors from Kelley Blue Book www.kbb.com, the leading provider of new and used car information, have compiled a list of the 10 Best Car Deals for December with standout deals on models also recognized as a category winner in our 2014 Kelley Blue Book Best Resale Value Awards.

"Whether shoppers are in need of a family car or one fit for off-roading, the list we've put together this month has something for everyone who will want to take advantage of these deals on cars with standout resale values," said Jack R. Nerad, executive editorial director and executive market analyst for Kelley Blue Book... MORE

New-Car Sales to Improve Nearly 5 Percent from Last Year; Kelley Blue Book Projects 16.3 Million New Car Sales in 2014

Chrysler, Honda Expected to Post Big Gains; Full-Size Trucks, Compact Crossovers Dominate All Vehicle Segments

IRVINE, Calif., Dec. 19, 2013 -- New-vehicle sales are expected to improve 4.7 percent year-over-year in December to a total of 1.42 million units, and an estimated 16 million seasonally adjusted annual rate (SAAR), according to Kelley Blue Book www.kbb.com, the leading provider of new and used car information. December is projected to bring the 2013 total above 15.63 million units, an 8 percent improvement from 2012. In addition, a 16 million SAAR would make this month the highest December since 2006, when it was 16.6 million.

"Similar to November, sales will be heavily skewed toward the final week of the month as automakers and dealers try to beat year-end sales targets," said Alec Gutierrez, senior analyst for Kelley Blue Book... MORE

KBB.com Experts Comment On 2014 Best Resale Value Winners in All-New Audio, Video

IRVINE, Calif., Dec. 18, 2013 -- All-new audio and video from the expert editors at Kelley Blue Book, the leading provider of new and used car information, is now available on the 2014 Best Resale Value Awards multi-media news announcement. Both Jack Nerad, executive editorial director, and Micah Muzio, managing video editor, comment on the importance of resale value for consumers and recognize some of the winning models for achieving superior resale value after the first five-year ownership period... MORE

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 automotive industry. Each week the company provides the most market-reflective values in the industry on its top-rated website KBB.com, including its famous Blue Book* 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, and governmental agencies. For two years running, Kelley Blue Book's KBB.com ranked highest in its category for brand equity and was named Online Auto Shopping Brand of the Year in the 2012 and 2013 Harris Poll EquiTrend* study. Kelley Blue Book Co., Inc. is a subsidiary of AutoTrader Group, which includes AutoTrader.com, vAuto, VinSolutions and HomeNet Automotive. AutoTrader Group is a majority-owned subsidiary of Cox Enterprises.