

Kelley Blue Book's kbb.com® Releases 2008 Residual Value Analysis

Volkswagen Moves into No. 1 Spot; Design, Economy Playing Lead Roles

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Kelley Blue Book (<http://www.kbb.com/>), the leading provider of new and used vehicle information, today announces the 2008 model-year vehicles that are expected to retain the greatest proportion of their original retail prices after five years of ownership. Kelley Blue Book's residual values are a reflection of current vehicle data, market conditions for each vehicle, competition in each segment, expectations of the future economy and the combined experience of Kelley Blue Book's team of market and pricing analysts.

Using information gained from Kelley Blue Book's extensive analysis of new- and used-vehicle values, the company cites one vehicle brand as best for projected overall resale value, names resale value leaders in 11 major vehicle segments and honors the top 10 models with the best projected resale value. All awards are based on the analysis of 2008 model-year vehicles, identifying those that are expected to retain the greatest percentage of their original price over a five-year ownership period.

2008 BEST RESALE VALUE: BRAND
Volkswagen

2008 BEST RESALE VALUE: BY VEHICLE CATEGORY
SEDAN: Honda Civic LUXURY: BMW 6 Series
COUPE: Infiniti G37 PICKUP: Toyota Tundra
CONVERTIBLE: MINI Cooper SPORT UTILITY: Acura MDX
WAGON: Scion xB VAN / MINIVAN: Honda Odyssey
HATCHBACK: Scion tC HYBRID: Honda Civic Hybrid
HIGH PERFORMANCE: Chevrolet Corvette Z06

2008 BEST RESALE VALUE: TOP 10 MODELS
Chevrolet Corvette Scion xB
Honda Civic Toyota Corolla
Infiniti G37 Volkswagen Eos
MINI Cooper Volkswagen Jetta
Scion tC Volkswagen Rabbit

(All values based on the November/December 2007 Kelley Blue Book® Official Residual Value Guide. Top 10 models appear in alphabetical order).

2008 Automotive Outlook

The U.S. market in 2007 was tough not just for the domestic manufacturers but also for import manufacturers due to the weakening of the U.S. dollar. Sales were down year-over-year for most manufacturers, and Kelley Blue Book expects overall vehicle sales to be down in 2008 versus 2007. With a possible economic slowdown, analysts are seeing a decline in sales and demand for new vehicles, and an increase in demand for used vehicles.

"With a declining real-estate market and home-loan industry in turmoil, compounded by the fact the American dollar is making its weakest showing in three decades, the new-vehicle industry can expect another difficult, hotly-competitive year," said Jack R. Nerad, executive editorial

director and executive market analyst for Kelley Blue Book's kbb.com. "With all the attention being paid to the real-estate market and oil prices, there has not been enough focus on how important the auto industry is in our country. Though the stock market remains bullish, there are signs of a downturn in growth, or even a recession, in the world's largest economy in 2008."

Next to buying a home, buying a car is one of the largest financial decisions a person can make. With consumers facing tough financial decisions over the next year, in-market new-car buyers can find some relief by taking a closer look at vehicles that will maintain a greater amount of their value over a five-year ownership period.

Top Makes

This year's 2008 overall Best Brand award goes to Volkswagen. Just one year ago, Volkswagen came in second behind the manufacturer tie between Honda and Acura. This year, Volkswagen took the top spot with Acura and Honda falling in the overall brand rankings to third and fourth respectively. Coming in second for 2008 is Kelley Blue Book's Best Resale Value Brand winner from 2006, BMW.

Top 10 Brands:		Bottom 10 Brands:	
Best Resale Value 2008		Worst Resale Value 2008	
VW	48.1	Suzuki	27.6
BMW	45.6	Kia	30.4
Acura	45.4	GMC	32.5
Honda	45.2	Mercury	32.5
Porsche	44.9	Dodge	32.5
Subaru	44.4	Chrysler	32.5
Lexus	43.2	Lincoln	33.3
Infiniti	43.1	Jeep	33.3
Audi	42.6	Ford	33.8
Toyota	41.4	Jaguar	34.1

Average Residual Value across the vehicle brand based on the November/December 2007 Kelley Blue Book Official Residual Value Guide

Throughout the last half-decade, Volkswagen has continued to make its way up in the rankings with the majority of its vehicles holding an average of 48 percent or more of their original Manufacturers' Suggested Retail Price (MSRP). In fact, all of the models in the brand, except for the Touareg, experienced improved residual values over the previous year. Volkswagen earned its top position through the strength of the Eos, Jetta and Rabbit. All three of the aforementioned 2008 models average 60-month residuals greater than 50 percent. Neither the Jetta nor Rabbit were redesigned for 2008, yet both made significant gains in residual improvement. A combination of value pricing, European styling and fuel efficiency make these models increasingly popular used-car choices. The Touareg, the only Volkswagen vehicle to lose ground year-over-year, is a premium-priced SUV with one of the oldest designs in the brand's lineup.

"Volkswagen's content, design, pricing and German engineering are a winning combination when it comes to resale value," said Nerad. "While many used vehicles become a 'commodity' after they are a few years old, Volkswagens retain their brand values, enhancing their desirability as used vehicles."

Criteria for the award required the brand to have a minimum of four nameplates in its portfolio, a factor that eliminated high-ranking brand performers like MINI and Scion, which both carry five-year residual percentages of more than 50 percent across their small vehicle line-ups.

Domestics vs. Import Brands

The domestic manufacturers have had their struggles in the last few

years, and the downturn in the U.S. economy has not helped the situation. In the face of smaller market shares at retail in the past decade, the domestic manufacturers buoyed production and sales by putting a significant percentage of their vehicles into rental fleets. However, this has been changing over the past few years as the domestic manufacturers continue to try to move away from large fleet sales in part to aid the resale value of their vehicles. Overall, domestic brands have increased their overall residual values by nearly one percent.

General Motors: GM saw an average gain in residual value of 1.0 percent of MSRP from the 2007 models to 2008. This increase is primarily the result of the changes to its model lineup, including improvement to its product line and the discontinuation of weak models. The redesigned 2008 Malibu shot up by nearly 7.0 percent, helping the company's overall residual increase. Also assisting GM's increased residual performance is the discontinuation of the Buick Rainier, Buick Rendezvous and Buick Terraza. However, GM's average residual value continues to be weighted down by poor-performing models like the GMC Yukon, Pontiac Torrent and Chevrolet Trailblazer.

Ford: The family of Ford brands experienced a collective average gain in residual value of 1.2 percent for the 2008 model year. Leading the advance for Ford is the introduction of the Ford Taurus X and the company's mid-size SUV, the Ford Edge, which increased by an average of 3.3 and 3.0 percent of MSRP, respectively. Offsetting some of the gains were significant drops in Range Rover, Lincoln Mark LT and Mercury Mariner Hybrid.

Chrysler: The collection of Chrysler, Jeep and Dodge vehicles changed little in aggregate from 2007, decreasing by 0.4 percent. Chrysler's slight decrease can be attributed to falling residuals on the Dodge Dakota, Jeep Commander, Jeep Compass and Chrysler PT Cruiser. While there are no new 2008 model-year products to provide the springboard for gains, a deeper decline is offset by increases in the Dodge Charger and Dodge Caravan.

While the imports represent the majority of the Best Resale Value models, the domestic brands are faring better than they have in the past. Three General Motors brands are tops among domestic brands for 2008: Saturn, Cadillac and Pontiac. In spite of the gains, however, domestic models do not offer the resale value of the top imports.

"The domestics continue to face some hurdles when it comes to achieving retail sales targets and thus are still somewhat reliant on fleet sales, which have a chilling effect on resale value," said Nerad. "The positive news for the domestics is that they understand the issue and are working to address it by 'right-sizing' their production capacity."

In comparison to the domestics' so-so residual value performance, vehicles from Japanese and Korean manufacturers saw aggregated residual values rise by an average of 1.4 percent of MSRP. When averaged by brand, only the Suzuki lineup decreased year-over-year. Some of the noteworthy improvements by brand include Scion, Nissan, Kia and Subaru. Scion's residuals grew by 4.0 percent, largely based on the rise in residual value of the tC. Improvements for Nissan came from the Altima Sedan, Versa and Sentra, resulting in an average increase of 3.6 percent. Kia's residual value rose by an average of 3.2 percent based on the improvements in the Rio and Optima, despite a decline in the Sportage. Subaru's average residual value increased by 2.3 percent through gains in the Legacy, WRX and Outback.

European brands, like the Asian imports, all show gains in residual value from the 2007 model year, except for the MINI brand, which had no change. The average gain for all the European imports was 1.5 percent

of MSRP when compared to values from a year ago. Leading the change were improvements in the Porsche brand, which increased 2.3 percent, Audi (2.0 percent), and Volkswagen (2.0 percent). Porsche saw improvements from the Cayman and the Boxster, and benefited from the new addition of the 2008 911 GT3, which had a 51-percent 60-month residual value. Audi benefited from gains in the S6, Q7 and A3, somewhat offset by a drop in the A8.

The positive news for the domestics is that they are making some progress to rationalize their manufacturing capacity and workforces, though often at great cost in workers laid off and plants idled. As those factors are brought into balance and domestics offer more compelling vehicle designs, one expression will be improved resale value, which will most likely be accompanied by more profitable unit sales.

Vehicles with Low Resale Value

Many of the vehicles with the lowest residual values are vehicles with long lifecycles, high production levels and those models with heavy representation in the fleet market. A number of this year's vehicles with the lowest retained value include a host of minivans.

The 2008 vehicles with the lowest resale value include the Chevrolet Uplander, Chrysler Sebring, Dodge Caravan, Ford Crown Victoria, Ford Freestar, Isuzu Ascender, Kia Sedona, Lincoln Town Car and Mercury Monterey.

"The vehicles that dwell at the low end of the resale value scale often are victims of tepid and decreasing demand, even as production levels continue at relatively high levels," said Nerad. "These vehicles often end up being heavily discounted at the dealership or sold into fleets. That, in turn, sends their value as used vehicles plummeting, since there was only weak demand for them as new vehicles."

High-Performance / Low-Volume Vehicles

Kelley Blue Book's Best Resale Value Awards have traditionally excluded expensive, high-performance, low-volume vehicles, because of the program's emphasis on serving the average American car buyer. But as the American market has gone more upscale in the past few years, Kelley Blue Book decided this year to add a High-Performance Category to recognize these unique vehicles, many of which do an exceptional job of maintaining value. This year, the 2008 Chevrolet Corvette Z06 took the top prize for having the highest projected residual value in the High-Performance category at 52 percent. Other vehicles that would have made the list of top value retainers had there not been price and volume limitations include the BMW M6, Mercedes-Benz's military-styled G-Class SUV and the Land Rover Range Rover V8 Supercharged. Additional high-performance vehicles that are expected to retain a substantial amount of their original value include the Subaru Impreza WRX STi and the Audi S4 Quattro.

"High-performance, low-volume vehicles very often translate into high resale value," said Nerad. "By nature, many specialty vehicles that are produced in low numbers and/or have high performance capabilities will retain their value better than typical vehicles because their special qualities remain desirable to a segment of the used-car-buying public."

Hybrid Vehicles

Among the models losing ground in resale value year-over-year are several hybrids, including the Lexus GS450h, Lexus RX 400h and Toyota Camry Hybrid. Over the last few years as gas prices rose and consumers looked to more fuel-efficient transportation, hybrid vehicles captured the spotlight and became the darling of the carpool lane. In many instances, manufacturers created hybrid versions of well-known

gasoline-powered vehicles, yet some offered only modest gains in fuel economy and miles-per-gallon versus their conventionally powered sister models. This has resulted in a softening of the values of models in this category. While fuel efficient vehicles are still in high demand, over time, hybrid versions of existing gasoline models will not maintain their value as well as they have in the recent past.

"There continues to be strong interest in new and used hybrid vehicles," Nerad said. "But as more hybrid models come into the marketplace and more hybrids are available as used vehicles, we expect the market to soften some."

It's About Design

When it comes to vehicle attributes that will be a harbinger of good resale value, exterior design is a key indicator. Good design that captures consumer attention will give a model a strong leg-up on competition when it comes to retaining value down the road.

Vehicle design cycles vary in the industry. Some are as short as four years, while luxury vehicles and trucks often have design cycles that are seven years or more. In general, design cycles are about five years. Interestingly, the cycles can have both positive and negative effects on resale value. Because of long cycles, pickup trucks and some luxury sedans will still "look nearly new" even at four, five and six years of age, and that will help boost their residual value performance. At the same time, if the design is not stellar in the first place, and the model stays in production for many years, its residual value will plummet.

Similarly, shorter design cycles can keep fresh, new versions of individual models flowing to the marketplace, sparking new-vehicle sales. At the same time, these shorter cycles can injure resale value because a vehicle with a short design cycle will look older faster.

"All manufacturers must balance the design cycle length between the demands of customers and the realities of a mass-production industry," said Nerad. "There is no single right answer to this question, but certainly design, especially exterior design, is a key factor in overall resale value performance. Good-looking cars stay hot; others fall by the wayside."

In the midst of the standard design cycles, most manufacturers introduce what they call "facelifts," which are modifications to the vehicle that are less than a complete redesign. Often facelifts include adding content to the interior of the vehicle and exterior enhancements and alterations like new wheels, grilles and front and rear fascias.

"Generally, facelifts do not help residual values," said Nerad. "A facelift may give the manufacturer something to talk about and spark renewed sales, but on average, these changes do little to affect its overall value down the road."

About Kelley Blue Book® Residual Values

Based on projections by Kelley Blue Book's expert staff of market analysts encapsulated in the Kelley Blue Book Official Residual Value Guide, the prestigious Kelley Blue Book Best Resale Value Awards honor vehicles expected to maintain the greatest proportion of their retail prices after five years of ownership. Low-volume vehicles and vehicles with a Manufacturer's Suggested Retail Price of more than \$60,000 are excluded from awards consideration except in the High Performance and Luxury categories.

While the company's Official Residual Value Guide has been published since 1981, Kelley Blue Book established its annual Best Resale Value Awards in 2003. Kelley Blue Book reports projections based on current

vehicle data, sales data, market conditions for each vehicle, competition within vehicle segments, expectations of the future economy and the combined experience of Kelley Blue Book's team of market and pricing analysts. Kelley Blue Book's residual values are used by banks, financial institutions, governmental agencies and the automotive leasing industry.

For more information about Kelley Blue Book's Best Resale Value Awards, please visit <http://www.kbb.com/BRVA>.

About Kelley Blue Book (<http://www.kbb.com/sitemap>)

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, 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. Kbb.com is rated the No. 1 automotive information site by Nielsen//NetRatings and the most visited auto site by J.D. Power and Associates eight years in a row. No other medium reaches more in-market vehicle shoppers than kbb.com; nearly one in every three American car buyers performs their research on kbb.com.

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