

Galves Market Conditions December 2009

Low Supply, Low Demand Should Continue

There has been all kinds of speculation regarding the probable market conditions for the holiday season this year. I think we finally have our answer. In spite of what would normally be looked at as a meager supply of vehicles available, we expect the extreme lack of demand that is currently pushing the market downward to continue at least until mid-January. We would not be surprised if at that point in time the market rebounded significantly in response to pent up post-holiday demand and a continuing lack of product.

Full Size SUV's Keep Falling

But for now, most segments of the market have eroded and we think will continue to do so until mid-January. Hardest hit have been the full size domestic SUVs that rebounded so strongly throughout most of 2009 after their market collapse of 2008. Except for the truly exceptional ones, there is little to attract buyers and create demand other than a low price, and that, as we all know, is not a good position for sellers. The auction sales percentages for the past month have been dismal, especially in the dealer consignment lanes, and for those who follow the auction market and don't factor in the considerable percentage of no-sales, auction results can become highly misleading. It is why most valuation guides and auction reports usually get left behind in this kind of market. They will eventually catch up, but not until the market stabilizes for a while.

Convertibles, Luxury Vehicles & Everyday Drivers Down

Convertibles that had held up much better than normal for much of the year have come back to earth with a vengeance. BMW Z4s and 3-series convertibles, Volvo C70s, Audi A4s, Corvettes, Honda S2000s, Mustangs, Camaros, Firebirds, Jaguar XKs, Mazda Miatas. I could go on, but you get the idea, all convertibles have suffered considerably, higher volume models more than others.

Luxury vehicles, pretty much across the board but led by the higher volume European luxury car segment, have fallen considerably and are experiencing an unusual number of no-sales, even among the fleet sellers and manufacturers. Curiously, the luxury SUV and crossover market has declined, but not to the same extent as the car segment. There doesn't seem to be as much of a supply/demand discrepancy in those segments and though they are falling, they

are not declining as rapidly as the cars. But even such recent stellar performers as the Lexus RX and GX series have become more difficult to sell.

Normal, everyday consumer staples - the Accords, Camrys, Malibus, and their ilk - are also experiencing some significant erosion, particularly late models.

We have also noticed unusually strong declines in most segments among those vehicles that are coming off lease in large volumes, currently 2007 models for most manufacturers. Though 2009 and 2008 models are declining, there appears to be a significantly stronger downward push affecting the 2007s in particular.

Price range vehicles are doing relatively well considering the severity of the general market decline, but they are not entirely immune to some less aggressive softening as well.

It is clearly a time for caution and will probably remain so for the remainder of the year. And it bears keeping in mind that for many vehicles, no matter what the books say, most buyers will be looking to buy for less.

Contact:

Dan Galves, Editor
Galves Auto Price List
dgalves@galves.com