

Galves Market Conditions September 2009

More "Unprecedented" Growth

Last month we used the word "unprecedented" to describe the market at that time. It is now mid-September and the market continues to rock in most segments. Totally unprecedented on my watch and I am yet to find anyone who remembers a time when the market has retained such strength over the summer and into the fall. I'm not sure when "unprecedented" becomes a precedent, but I'm quite sure we haven't reached that point yet.

89% of Trucks Up in Value!

Particularly strong, as they have been for months now, are full-size SUVs and pickups. There is no question that their relative strength is partly a response to the severe beatings they took last winter, but they continue to be in high demand and relatively short supply. It's not unusual for trucks to be up 50% or more since January in spite of the fact that they are 9 months older and priced with about 9,000 more miles. In fact, 89% of all vehicles listed in our "Light Duty Trucks Edition" have higher values now than they did back in January. Can we use the word "unprecedented" one more time? Here are just a few examples showing how Galves trade-in values have increased:

	<i>January</i> 2009	<i>September</i> 2009	Increase
2005 Ford Excursion XLT 4WD	9,750	16,150	+66%
2005 Envoy SLE 4WD	7,000	10,750	+54%
2006 Dodge 1500 Mega Cab SLT 2WD	9,600	14,950	+56%
2006 Nissan Pathfinder SE 4WD	10,500	15,150	+44%
2005 Toyota Sienna XLE	10,600	14,100	+33%
2007 Volvo XC90 6 Cyl AWD	15,200	20,000	+32%
2006 Honda Ridgeline RTL	13,400	17,550	+31%

Trades Scarce

As we said last month, we continue to believe that the supply/demand relationship in most segments continues to favor stability in the market and we don't see any reason to believe that will change dramatically in the near future. Post C4C new vehicle sales are back to a more normal, if depressed compared to previous years, volume. Where we were selling around 16 million new vehicles a year, we are now selling at about a 9-10 million vehicles/year rate. Consequently trades are scarce. New vehicle inventories are generally very low and dealers are keeping trades they would normally have wholesaled in the past, adding to the lack of used vehicles available in the marketplace. More dealers are seeing used

vehicles as central to their success creating additional demand in the marketplace. For all these reasons and more, the used vehicle market should remain strong in most segments.

Luxury Vehicles & Some Imports Still Lagging a Bit

The European and Asian luxury market, cars in particular, continues to be the one segment that is least affected by all the positive market trends and has lagged behind the rest of the market in general. And the higher in the luxury segment one gets the more that is the case. Nevertheless, though relative laggards, the luxury segment has not eroded as precipitously as it normally does at this time of year.

Your everyday, "bread and butter" import cars are the other segment that is a bit behind the curve relative to the rest of the market, but once again is not reacting as dramatically as one would expect at this time of year.

Overall Market Still Strong

All-in-all the market continues to be quite strong generally and we don't see any reason for that to change. There will probably be some downward pressure from the forces that normally depress the market at this time of year and we expect to see some relative softening in all but the strongest segments, but we don't believe that will be anything like what we have come to expect from the winter months in a more typical year.

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