

Galves Market Conditions March 2010

Spring Market Emerging

As we enter month three of 2010 we seem to finally be seeing a generalized strength in the market that most of us expected to occur four or five weeks ago. The first two months of the year have been characterized by what I call a "thin market". Like a crème brulee, most vehicle segments have had a strong crust at the very top of the market - those vehicles that are exceptional due to some combination of mileage, condition, equipment, and color and bring all the money - while the rest of their more ordinary counterparts fell beneath that thin upper layer and returned values that were mushy at best. For whatever reasons, perhaps related to weather, new vehicle incentives, Toyota confusion, general economic malaise, there has not been enough demand to boost all but the finest vehicles in each segment. What pockets of strength there have been have occurred mostly among older, price range vehicles of all sorts.

That appears to have changed over the last couple of weeks and it appears that we are beginning to see evidence of a spring market at last. Percentage of sales, dismal for the previous two months except among the highest level corporate sellers, are generally up. In most segments there is an overall lack of volume and in particular a scarcity of high-quality vehicles. Dealers looking to come home with ten such vehicles often leave disappointed with only two or three. Competition for those vehicles is feverish and the prices reflect it.

Some Segments Improving

Sport coupes and convertibles are, of course, strengthening as one would expect at this time of year. Older vans draw a crowd as well. Domestic cars are always scarce, especially on both coasts, and continue to do well. Domestic luxury vehicles (Lincoln MKS, Cadillac CTS) appear to be particularly sensitive to equipment levels, favoring the better equipped examples. Good quality domestic and import trucks of all types are solid.

Late model "bread-and-butter" imports are generally not experiencing the same sort of revival as much of the rest of the market. Relatively strong incentives are the probable cause.

The one group about which we seem to repeatedly express caution is luxury import cars. Certain models are coming off lease in higher volumes than the market is able to absorb comfortably and prices can be particularly volatile. These high end vehicles are also subject to wide variances in pricing mostly related to mileage, color, and equipment. Navigation is chief among equipment factors, and where it is missing but expected, its absence can result in a larger than normal penalty.

Toyota Weathers Storm

Toyota vehicles in general have not taken as big a hit as one might have expected. Their trucks in particular have handled the crisis well and with the exception of the RAV4 which has softened along with that segment in general (supply issues) remain quite saleable.

Contact:

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