



Galves Market Conditions Report June 2009

An “Atypical Summer” Forecasted for Used Car Market

Typically this is the time of year when the market begins to erode steadily throughout the summer. Of course this is clearly NOT a typical year and we don't expect to experience a normal June–July–August with respect to the used vehicle market. The market continues to be dominated by a short supply of vehicles due to weak new vehicle sales and a lack, therefore, of trade–ins as well as a relative scarcity of program vehicles and lease terminations as manufacturers have largely cut back fleet sales and in many cases discouraged leasing. A short supply is not atypical for the summer months and is usually met with a simultaneous lack of demand among dealers as consumers busy themselves with diversions other than buying vehicles during the summer.

Demand Should Remain Strong

A few circumstances suggest that this summer may be quite different from what we are used to. We have experienced a year–to–year drop in sales, new and used, for several months and that tends to create a pent up demand for vehicles among consumers as time goes on. On top of that is the sad news of the bankruptcy proceedings of Chrysler and GM and the demise of many dealers and a need to liquidate significant amounts of excess inventory. Consumers can sense that there are some great deals to be had on new vehicles and that puts many of them in a buying mode and gives them at the very least an excuse to look. Additionally – and perhaps most importantly – many dealers who are losing franchises see used vehicles as their salvation and will be looking to increase their inventories and their overall involvement in used vehicles. And those dealers who have been experiencing weak new vehicle sales, and there are lots of them, have been increasingly supplementing their bottom lines with used vehicle sales. For all these reasons we expect demand for used vehicles to be unusually strong throughout the summer and for most vehicle segments to remain stable at the very least for the duration.

Most Segments Stable

The fact is, we are already seeing a good amount of stability with most vehicle segments and many segments are actually strengthening. The two segments that do bear close watching are late-model vehicles of all sorts that may be affected by unusually aggressive rebates and incentives on their new counterparts and the European luxury market that continues to have a large supply of vehicles re-entering the market mostly as lease terminations. Though that segment's erosion has decreased, it is continuing to decline steadily if relatively slowly.

Domestics & Trucks Quite Strong

With those exceptions as well as a few convertibles and sport coupes, the market is quite strong. Pick-ups continue to strengthen. Domestic cars remain scarce and desirable. Economy and mid-range cars and trucks are solid. Most SUVs are holding up well also. Exceptional vehicles of all sorts continue to bring exceptional prices as they are particularly scarce and sought after. That is a trend that has been evident for some time and we expect to continue at length.

Contact:

Dan Gales, Editor
Galves Auto Price List, Inc
877.654.2583
www.galves.com