

## **Market Conditions April 2010**

by Dan Galves, Galves Auto Price List

The used vehicle market continues to be dominated by a shortage of supply and most segments continue to be strong to very strong. Particularly strong are lower mileage vehicles and heavily optioned vehicles, either factor diminishing supply and enhancing demand. Navigation is crucial where it is expected but not standard, and extras such as sport, s-line, panorama roof, special wheel/tire packages can really push prices to the max when they make a vehicle stand out from the rest of the pack. The import luxury cars are one area that continues to lack the aggressive bidding that pushes prices up. For the most part they are holding steady in a market where many other segments are experiencing an increase in value. This is especially noticeable in those years and models where there is a large supply of lease terminations hitting the market. Lexus LS460s, for example, have dropped considerably of late after being unusually strong for a long period of time.

Good sport coupes and convertibles are very strong at present, and really good ones with lower miles, good color and equipment are on the verge of being ridiculous. Ever wonder what they do with those cars after paying so much for them? I know the obvious answer is that they retail them, but sometimes that seems almost beyond the realm of possibility given the prices.

Older vehicles of all sorts are strong as dealers look for vehicles to appeal to buyers who simply can't afford new models in the segments they want. There is definitely a lack of supply of these price range vehicles and those in good condition are very strong. Higher mileage vehicles are also more acceptable among these hard-to-find vehicle segments. Condition is the overriding factor.

Pick-ups, Vans, Suvs: all good where there is not overwhelming supply. Normal, run-of-the-mill cars, the same. With the exception of those late model vehicles where you might run into incentive turbulence we think you can expect prices to hold firm for some time.

Toyotas are another story. While most of the competition has increased in value from this time last year, comparable Toyotas have decreased in value. A one year old Camry LE is worth about 8% less than last year, a two year old about 7% less. The competition is generally up a few percent. Clearly, then, Toyotas have suffered considerably in the market as a result of their mechanical issues. Late model Toyotas have the additional burden of swimming upstream against the unusually strong incentives Toyota is offering on new vehicles. We don't expect that to change in the short term.

We don't see any reason why there would be a dramatic change on the supply side of the supply/demand equation and we therefore expect the market to remain quite strong as we move towards summer.