



Galves Market Conditions August 2010

Dealers Competing for Good Vehicles

There seems to have been an increase in demand in many segments over the past couple of weeks. We are hearing that used vehicle retail activity has been steady - if not good - recently and that restocking sold inventory has been a challenge. Supply of good vehicles remains limited and the steady demand has increased competition for those higher quality units, always a good thing for sellers.

Domestics Strong, Imports Mixed

Domestic vehicles of all sorts are particularly good where there is limited supply such as in the northeast corridor. That is pretty much the case in all segments, from compacts to full size SUVs and pick-ups. The lone exception, as one might expect at this time of year, is the sport coupe and convertible segment. You can expect to see some significant erosion among those cars, Corvettes and Mustangs and their ilk, in the coming weeks. We expect the rest of the domestic offerings to remain quite strong at least until Labor Day.

Imports are mixed, at least in those areas where there is a reasonable supply such as the northeast and far west. Late model imports are experiencing headwinds as a result of relatively strong incentives among new vehicles, both import and domestic and increased competition from some of the very recent and very appealing domestic (and Korean) new vehicle launches. But among those imports that are in shorter supply (mid-range vehicles with a lesser fleet presence and lease penetration) the activity remains strong and prices high.

Lease Returns Plaguing Luxury Market

Luxury imports that are plentiful continue to be relative laggards in the market. The combination of plentiful lease terminations and a struggling economy continue to be a drag on that segment, especially at the higher end of it. This is the case for both cars and trucks. The exceptional vehicle will hold its own in these segments, but the more ordinary examples in terms of mileage, condition, equipment, and color will suffer. Porsche cars exemplify the opposite of the norm in this segment. They are in such short supply, especially really good ones, that they have strengthened considerably of late.

Overall the market is quite strong for this time of year and we expect it to remain that way through August.