

Galves Market Conditions- June 2010

Short Supply, Good demand Continues

We can pretty much say "ditto" to the market conditions we described last month. There is still a relatively short supply of vehicles and demand remains good for high quality vehicles but just OK for lesser quality vehicles. Vehicles in really good condition are hard to find and are bringing a premium because of their scarcity.

Domestics Strong

The most popular segments for the moment seem to be pick-ups, SUVs, and lower price range vehicles, especially those of good quality. Domestic vehicles make up much of the 'price range' segment and they are relatively scarce, especially in the northeast and far west where they don't sell as many new domestic vehicles as in other parts of the country. They continue, therefore, to be quite strong.

Luxury Makes Struggle

There continues to be a surplus in the luxury car segment, especially among the European manufacturers whose lease penetration is generally high and whose vehicles are returning to market in enough volume to outstrip demand. A strengthening dollar may begin to have a negative impact on the export market and that could add to the general weakness in that segment.

In general, there is strength among the other segments, moderated where there is downward pressure from new vehicle incentives, mostly among the mid-size, bread-and-butter car segments.

We do hear from the highly active wholesale dealers that we speak with that the strength in the market continues to be relatively thin, and that once you get past the exceptional vehicles that bring exceptional money the ordinary vehicles are really bringing pretty ordinary money and are likely to be "no-sales" if the seller holds out for the kind of money that might be expected based on the strength of those exceptional vehicles.

Moderate Softening Expected

It is useful to remember that those year-to-year comparisons that seem so strong when comparing 2009 and 2010 are somewhat misleading because the spring market in 2009 was rising cautiously from an extremely depressed late 2008 market caused by the economic crisis. The 2009 market continued to heat up throughout the summer of 2009 in an unprecedented fashion. That will not happen this year. Summer is fast approaching and some market segments are steadily, if not dramatically, eroding and will probably continue to do so as we move into summer. We expect those market segments where there is adequate supply to continue to soften moderately in the next few months while those segments where there is a short supply to remain steady.