

Galves Market Conditions September 2010

September to be much like August

We expect that pretty much what we experienced in August we will continue to experience as we move through September. August saw a general decline in wholesale prices in most segments and a steeper decline in the European and Asian luxury market, especially at the top-end of those markets. That overall pattern is not unusual for a late summer market and we don't expect September and the early fall market to vary significantly from its normal pattern of general decline, which is usually a bit steeper than what we experience in August.

What is tricky about this market and can be misleading is that the very best of the vehicles sold in most market segments still show remarkable strength and can easily lead to the false assumption that the market is strong throughout. The fact is, it continues to be a thin market: once you get beyond the most sought after vehicles in a segment, by virtue of some combination of trim level, mileage, equipment, condition, and color, the more ordinary vehicles bring ordinary money at best and are relatively difficult to sell except at a discount.

Price Sells

The segment that continues to be strong pretty much across the board is price range vehicles. Good ones are scarce and demand is high, and so are prices. It doesn't really matter much what it is, if it is in a price range far removed from what a new vehicle in the segment costs and is in good condition with reasonable miles and condition, it is desirable and will do well. The European luxury segment, for example, is generally weak, but if you have a 2005 Mercedes S500 with 45,000 miles, a sport package, and it's black and tan, you can bet it will ring a few bells. An ordinary silver and gray one with 60,000 miles, however, is a very different story. Price range domestic vehicles continue to lead this category in areas such as the northeast where they are particularly scarce because they sell so few new.

Sport Coupes & Convertibles Declining

Of course sport coupes and convertibles are declining rapidly in this market. Anyone who wants one already has one (or maybe 2 or 3) and there will be little demand until spring. BMW 3-series convertibles, for example, have taken big hits of late and you can sense that SLs, 6-series, SC430s, Corvettes, Mustang GTs, Audi A4s, Jag XKs, Volvo C70s, etc., are not far behind.

Most luxury segments are generally weak and weakening as well. New body S550s, 750s, LS 460s, XJs: all have dropped significantly recently. The same holds true for much of the luxury SUV segment including such vehicles as Audi Q7s, Mercedes Benz GLs, and BMW X5s and X6s.

Pickups are holding their own if they are properly equipped and of good quality and somewhat distanced from new vehicle pricing for similar vehicles. The same holds true for economy vehicles, compact SUVs, and just everyday transportation cars as long as there are not large numbers of lease terminations pushing them down.

Exceptional Vehicles Scarce

We do think that the market will continue to behave along these same lines for the next 30 days at least. Exceptional vehicles will continue to be scarce and relatively strong, ordinary vehicles in most segments will be difficult to sell and continue to erode steadily and late-model vehicles will continue to decline a bit faster than normal as manufacturers begin to push the envelope trying to sell new ones.

- *Dan Galves, Galves Auto Price List*