

## Galves Market Conditions – March 2013



### Spring is here

Most of you know we've been hesitant to declare a "spring market" thus far this year. It's getting late and our sense is that if we are not there yet we are probably as close as we are going to get. By-and-large it is a very strong market in all but a very few segments and we expect that to be the case for some time. So that being the case, we are officially labeling it a "spring market".

Particularly strong are price range vehicles, roughly speaking \$12,000 and under. There is a great deal of pent-up demand among consumers who have delayed purchasing new or used replacement vehicles due to a stagnant economy. Couple that with plummeting new vehicle sales through 2008 and 2009 (roughly speaking a decline of 6 million units per year over that span) and a resulting scarcity of available trades from those years, demand far outweighs supply. Good vehicles from those years – in all segments - do extremely well. Lesser vehicles still do well.

We still see a degree of softness among the European and Asian luxury segment, particularly with the higher priced models. We don't see that changing unless there is a significant reduction in volume, and we don't anticipate that. So we think that is an area that bares watching and may yet experience further erosion before stabilizing.

### Late-Models Rally

There had been some generalized weakness among very late-model vehicles pretty much across the board, but most of that has diminished of late. New vehicle sales have been relatively strong and new vehicle inventory has consequently decreased. Late model used units have rallied substantially largely because of that and a growing public perception that those vehicles are good values.

The fact is, they are good values. What used to be perceived as buying "someone else's troubles" has rightly become taking advantage of someone else's willingness to take the big depreciation hit that occurs in the first year or two of a vehicles life. Smart consumers are increasingly getting that message.

So, weather aside for the moment, spring is here. Activity is very strong, inventory is relatively low, buyers are beginning to chase fringe vehicles. That is always a sign of spring emerging, daffodils breaking through.

### **Spring Strength**

Domestics cars are strong, Asian mid-size cars are strong, pick-ups are strong, full size to compact SUVs are strong, sport coupes and convertibles are strong, econo-cars are strong, mini-vans are strong. White and tan of just about anything is extremely strong.

It's all good. Let's enjoy it.