

DRAMATIC UNPRECEDENTED VOLATILITY IN USED AUTOMOBILE VALUES

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A year ago, the price of gas was \$4.00/gallon and the market for SUVs and pickups tanked. A late model full-size SUV decreased in value by as much as \$7,000.00 in a single month. Sales of small fuel-efficient cars soared.

Last winter, the market for used cars and trucks came to a standstill across all segments as the credit markets dried up, the stock market continued its slide, and home prices cratered. The small fuel-efficient cars selling so briskly in the late summer and fall were now stacked on dealers lots with few buyers. People were locking down spending as the media helped fuel hysteria and end of the world type predictions were all over the Internet.

This spring saw the market for new and used cars start to somewhat thaw. However, with troubled automakers bleeding red ink, dealers liquidating inventory and off lease and rental cars going to auction with no hold backs, the market for new cars continued to decline significantly while savvy car shoppers found terrific deals in late model used cars.

Here we are in mid-July \$2.19/gallon and used car and truck values are rebounding unlike anything this staff has ever seen. We are actually adding hundreds, sometimes thousands, of dollars back on the price of used vehicles. "This market is nuts," says Craig Hover, Light truck and new vehicle content manager. "For almost a year we couldn't drop prices fast enough and now we can't add money back fast enough".

One element contributing to this unusual market is the curtailment of production by the manufacturers, thereby dropping inventories and reducing the need to sell at fire sale prices. There may now be a shortage of good, clean late model cars and trucks as demand increases. This market will stabilize once the monthly payment for a late model used car starts approaching the cost of new. Stay tuned.