

## Unusual Pricing Fluctuations for Unusual Times

The pricing editors of the Automobile Red Book would like to update readers on the current state of the market, offer some insight into what we're seeing currently, and give a prediction to what we expect to see in the future.

Early in 2009, auto and light truck prices plummeted due to the weak economy, unavailability of bank loans, and an overall skepticism of the auto industry. Prices were at some of the lowest levels in history, relative to the market. Eventually, some of these problems subsided, and used prices began to gradually rise as a result.

Within the past couple of months, prices began to increase at an even greater pace. Much of this was spurred on by the Government's Cash for Clunkers program, because it appears that in addition to an increased appetite for new cars, customers were also spending money on used cars.

Meanwhile, rental companies and other fleet customers continue to keep their vehicles longer than ever before, and the number of late model used vehicles running through the auctions seems to decrease every day. Additionally, many new car dealers, specifically General Motors and Chrysler stores, lost their franchises during this time due to the terms of the "Government Bailout" event, and their big, full-service facilities were converted exclusively into used car outlets. These two events have resulted in a strain on the used vehicle market in general, and again, values went higher.

Even older used vehicles have shown some value increases, something almost unheard of even last year. First, since there are fewer late model cars and trucks, dealers and customers are relying more heavily on five-to-ten year old vehicles. Also, the Cash for Clunkers program literally obliterated many of these vehicles, and now that the program is over, the demand is spread to a smaller pool of cars and trucks.

Obviously, prices won't increase forever. And in fact, some auction prices are showing signs of stability already.

Still, after the economic stress we experienced in 2009, mated to the troubles of some manufacturers, many people that would have purchased new vehicles in the past are now looking to the used market. This should keep late-model used vehicles strong in the near future, and older used vehicles should also be stronger than we've been used to in years past.

Red Book expects a strong showing for used cars and light trucks right up through January, barring any unforeseen changes in the market. As 2010 progresses, if the economy improves significantly, if people forget about the troubles of 2009, if car loans are easier to obtain, new vehicles could come back en vogue, and used car and truck prices may begin to normalize and steadily decrease.

If the events of 2009 taught us anything, it is that predicting where the market will go can be difficult. No one expected to see the unprecedented changes we saw this year. That's why the Red Book constantly changes with the times, bringing you the most current, up-to-date information throughout the year.

### Dramatic unprecedented volatility in used automobile values

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.



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Attention: All County Assessor's

As many of you have realized in this first week of January 2010, as taxpayers are coming in to make their 2010 Personal Property Assessment, values on a large number of vehicles have gone up. I know you have had inquiries from taxpayers as to why; we have also experienced a large number of calls not only from you, but also from taxpayers.

We obtain the values from Price Digest, a market research company that has been in the business since 1911 and this week contacted the company and requested information to help everyone understand why we were seeing these increases. The following two articles "Unusual Pricing Fluctuations for Unusual Times" and "Dramatic Unprecedented Volatility in Used Automobile Values" explain what has caused the increase.

Please take time to read the articles and also feel free to provide copies to any taxpayers who make inquiry as to increases they might see in their vehicles.

Remember property taxes are ad valorem taxes which means "at market value" which are the values supplied to you through ACD by Price Digest.

Do not hesitate to call if we can be of assistance or if we can answer any questions.

Respectfully,

A handwritten signature in cursive script, appearing to read "Debbie Asbury".

Debbie Asbury  
Director of Assessment Coordination Department