

BOOK VALUE
(What does it mean?)
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Most people look at values in the various printed or on-line guide books (NADA, Kelly, Black Book), but don't really know how the book is used or what the numbers signify. These books were developed for professionals who are constantly watching the market as opposed to consumers who buy cars or trucks once every 3 to 4 years.

These books are published monthly. However prices actually fluctuate weekly as wholesale auction results indicate. A number of factors influence values. A large number of one model on the market significantly lowers that model's price for as long as the supply stays high. However, book values normally drop a fairly consistent amount from month to month regardless of supply and therefore do not actually reflect true purchase prices.

Dealer buyers use these books when they are at wholesale auctions to determine the approximate difference, from week to week, between actual sale prices and book values.

It's tempting to think that in the current recession economy we can buy cars for much less than the book values on all models. But this really is not true.

Case in Point: Recently, certain vehicles, like low mile Acura TL's for example, are selling to dealers at auctions well over wholesale values. Consumer prices on these vehicles must go up too. This is truly supply and demand related.

An extremely low number of new vehicles are being sold in the USA right now. New car production therefore gets cut back keeping new car prices where they were. Since consumers are not trading in their old cars for new ones, low mile trade-in's are in short supply. A used Acura TL at today's elevated used price is still in high demand though, because it's still much less than a new one.

Over the last year, all the books have adjusted their values downward to reflect the worsening economy. In the Acura TL example above, this is verified by last year's March NADA retail book. It showed that a two year old 2006 TL had over a \$3000 higher retail value than the same 2007 TL does in this year's March NADA book (\$28,250 vs. \$24,850)

However, the actual purchase price (compared to the book value) has not appreciably changed except upward, as shown in the Acura TL example above. So don't expect to buy vehicles at any significant decreases below present book value. It's just not realistic. In fact, if you're trying to buy a good quality used car below \$10,000 expect to pay over retail book – in some cases well over retail book. This is mostly due to the even larger demand in this low price range.

QUESTION - What do you do if you can't or don't want to take the time to delve into these nuances of the market, when it's time to buy your next car?

ANSWER - Hire someone you can trust to work for you (not someone's inventory). Find someone who understands the current market and who can locate and buy the car you want from the best source. Search for and get a recommendation to a "good" independent vehicle broker who truly has your best interests at heart.