

Trend spotting

The good news, if you can call it that, is wholesale used car prices are stabilizing. For several months dealers who bought vehicles at the auctions had the unsettling experience of seeing those units decline in value before the dealers could put them through reconditioning and get them on the front line. According to Tom Kontos of ADESA Analytical Services, wholesale used vehicle prices were essentially flat in September compared to August and down a bit more than August on a year-over-year basis. But considering the dramatic volatility seen in financial markets, this performance almost seems robust. Despite its recession-resistance, however, the used vehicle market is definitely feeling the impact of double-digit year-over-year declines in retail sales resulting from both a lack of traffic and diminished credit availability.

A bit of good news is that average prices for SUVs and pickups rose again, supporting Tom's belief that prices in these segments hit bottom in May and June when gas hit \$4.00. The nearly new units that did sell in September fetched higher prices due in part to lack of overall supply of off-rental units.

Buy/sell. The unsettled automotive retail market plus pressure from the factories has brought more franchises into the buy/sell market. Dealers who want to buy or sell before year end should remember that the buyer's franchise application paperwork should be completed and submitted to the manufacturer by Thanksgiving. Otherwise, the closing could be delayed into 2009 and who knows what the rules will be then. It may be true that each of the carmakers has a different deadline to qualify for a 2008 approval, but the time needed to review an application means that the deal has to be very firm and the regional offices have to have the paperwork before the end of November.

BENCHMARKS: Dealership buy/sells – It's not as bad as you may think... at least not yet!

By Nancy Phillips

There is so much going on in the world of dealership sales and acquisitions today that today's news may be history by tomorrow.

As of this writing, the same top imports – Honda and Toyota – continue to deliver the highest amount of goodwill, though slightly lower than even just a few months ago.

While the price of both of the two premier high-lines – Mercedes Benz and BMW – continues to be strong, there are more dealerships on the market for longer periods and, when they inevitably do sell, it is for less than they would have last year.

As a result of industry turmoil, the values of two imports in particular – Volkswagen and Subaru – have increased and are now bringing higher amounts of goodwill than they have historically.

The desirability of domestic franchises was, as of today, in this order: General Motors, Ford,

Chrysler. Values for all are diminished in descending order. The exception to lower values for domestics is an increase in value for dealerships that require re-alignment, consolidation or termination. Correcting the alignment of dealerships and decreasing their total numbers is the primary focus of the manufacturers as well as other dealers and there is money changing hands to make these long overdue market reformations happen.

The transactions featured below document the continued strength of import dealerships with values ranging from 3 percent to 8.5 percent of intangible business value as a percent of total revenues and the corresponding weakness of domestics which are tracking under 3 percent under today's beleaguered market conditions.

continued on page 7

**This is YOUR newsletter.
Connect with us!**

DealersEdge
P.O. Box 606
Barnegat Light, NJ 08006
Hotline & Fax: 609-879-4456 or
Toll Free 800-321-5312

E-mail: mbowers@dealersedge.com
**Dealer/General Manager
online forum:**
www.dealersedge.com
click on Forums

continued from page 2

Dealership Transactions February 2008 through September 2008

Franchise	Buyer Type	Trade Area	Action	Business Value PNVR	Business Value
Toyota	Large Dealer Group	1,000,000 +	No change	\$3,135	8.4%
Volkswagen	Small Dealer Group	Under 250,000	Relocated	\$2,746	5.4%
Volkswagen	Small Dealer Group	250,000 – 500,000	Relocated	\$2,152	5.3%
Chevrolet-Cadillac	Small Dealer Group/Manufact.	250,000 – 500,000	Realignment	\$2,591	4.3%
Subaru	Small Dealer Group	Under 250,000	No change	\$1,254	3.7%
Subaru	Small Dealer Group	Under 250,000	Relocated	\$673	3.1%
Chrysler	Manufacturer	Under 250,000	Terminated	\$1,111	2.8%
Chevrolet	Small Dealer Group	Under 250,000	No Change	\$870	1.5%

Benchmarks Chart Information Description:

Business Value (BV) – *As a percent of total revenues* – Means the percent of intangible business value exclusive of the actual value for all other business assets.

Business Value PNVR – *Per new vehicle retailed* – Means the dollar amount of intangible business value (exclusive of all other business assets) per new vehicle retailed. ❖

***Relative to the Chevrolet Cadillac transaction:*

Other factors – Realignment of market area with manufacturer participation added to value.

Buying a Bill Heard store out of bankruptcy isn't easy

Atlanta car dealer Emanuel Jones says he is close to putting together a deal to purchase the closed Bill Heard store in Columbus.

But it is far from a done deal.

Mr. Jones, who is also a Georgia State Senator, said he has been negotiating with the bankruptcy trustee, Bill Heard Enterprises, and the bank that holds a mortgage on the dealership real estate. He expects that his bid will be accepted, but that's only a preliminary step.

Mr. Jones then has to secure approval from General

Motors and the Bankruptcy judge.

Another area dealer, Carl Gregory, also has a bid on the table and says he will continue his efforts to buy the dealership.

Meanwhile, Classic Automotive Group of Grapevine, Texas, has more luck. The Texas group is buying

continued on page 8