Covering Third Quarter 2011 **Volume 10, Number 4**

Hawaii Auto Outlook™

Sponsored by: Hawaii Automobile Dealers Association

MARKET REVIEW

Hawaii Market Slow to Emerge from Prolonged Slump

New vehicle registrations decline 15% in Third Quarter; small decline predicted for entire year

According to vehicle title statistics compiled by the Hawaii DMV and released by Auto-Count, new retail light vehicle registrations in the state declined 15% in the Third Quarter of this year versus a year earlier. As shown on the graph below, Auto Outlook is now projecting that the state's market will decline slightly for all of this year, with the annual total falling below 34,000 units.

After exceeding 70,000 units in 2004 and 2005, the market tumbled to 33,639 units in 2009, and has been stuck in that range for the past three years. During the same time period, the National market has begun the process of emerging from the sales slump. U.S. retail new vehicle sales were up 7% in 2010 and are on pace to increase by more than 10% this year. Sales are still at historically low levels, but are trending higher. The Hawaii market, on the other hand, is basically treading water.

What's the explanation for the relatively sluggish performance of the Hawaii new vehicle market? To begin with, the state's tourism-dependent economy was dealt a severe blow by the 2009 recession. As a result, new vehicle sales remained weak for an extended period. Toward the end of 2010 and early this year, however, the market appeared to have turned the corner, as new vehicle sales increased over year-earlier levels.

Then, the Japanese earthquake and tsunami in March set the market back on its heels. Japanese brands accounted for more than 65% of the Hawaii market last year, compared to about 42% in the Nation. As a result, product shortages due to the earthquake, which lasted into early Fall, hit the Hawaii market especially hard.

So, where does the market go from here? Auto Outlook believes that new vehicle sales have nowhere to go but up. As we have emphasized since the market downturn in 2009, postponed vehicles purchases will provide a significant sales boost. And this is especially true in Hawaii, where sales have been stuck at extremely low levels for three years. State new vehicle registrations will remain relatively weak in 2012, due to sluggish economic growth, but should easily increase from this year. (See sidebar on right for specifics.)

Market Trends

New retail market predicted to approach 37,000 units in 2012

The total represents a 10% increase from this year's projected total.

Detroit 3 grab share from imports

Market share for Detroit Three brands increased from 17.5% during the first nine months of 2010 to 19.4% this year.

Mitsubishi, Kia, Hyundai, and Jeep post big percentage gains

New registrations increased more than 28% for each of the four brands so far this year.

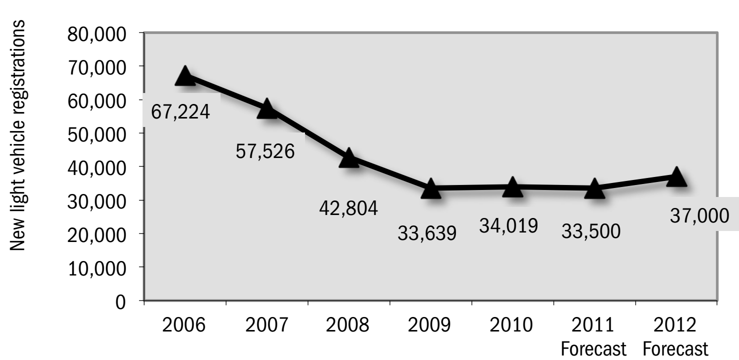
Entry Car share up sharply

Segment market share increased a sizeable 6.1 share points during the past five years.

U.S. market out-performs State

State market was down 4.8% so far this year, while the Nation was up 16%.

Annual Trend in Hawaii New Vehicle Market



The graph above shows annual new retail light vehicle registrations in the state from 2007 thru 2010, and Auto Outlook's projection for all of 2011 and 2012.

Market Summary

	2010	Forecast 2011	% ch. '10 to '11	Mkt. Share 2011
TOTAL	34,019	33,500	-1.5%	
Car	16,898	16,884	-0.1%	50.4%
Light Truck	17,121	16,616	-2.9%	49.6%
Detroit Three	5,977	6,131	2.6%	18.3%
European	3,923	3,786	-3.5%	11.3%
Japanese	22,162	21,139	-4.6%	63.1%
Korean	1,957	2,444	24.9%	7.3%

Detroit Three consists of vehicles sold by GM, Ford and Chrysler.

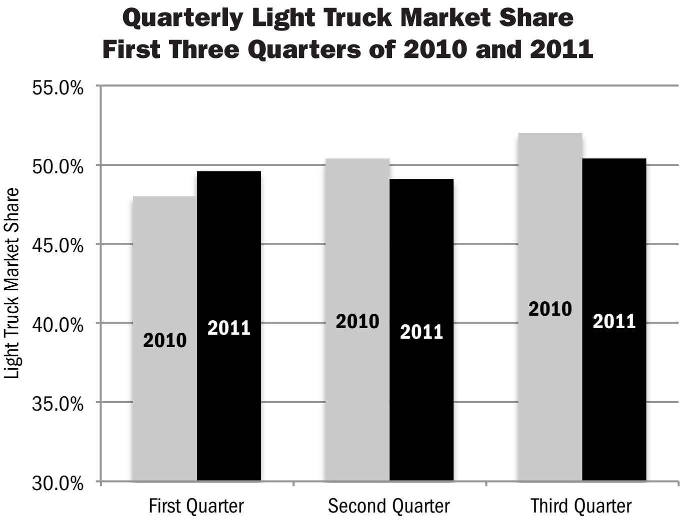
Historical data Source: AutoCount data from Experian Automotive.

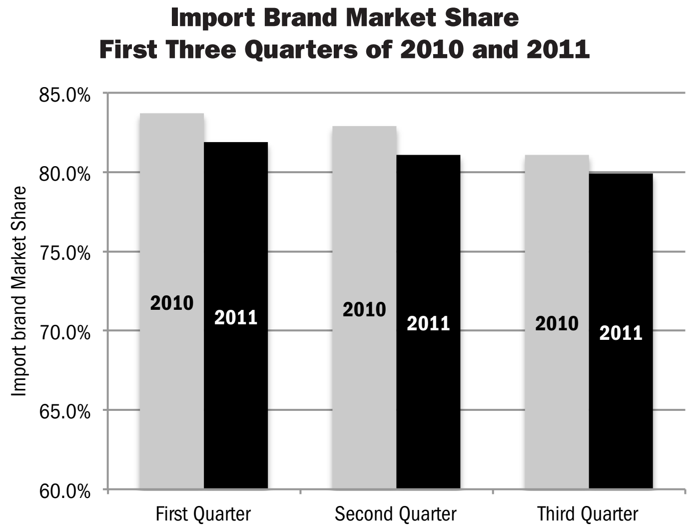
MARKET TRACKER

Light Truck Market Share Declines in 2011

Detroit Three continue to grab share from imports

The two graphs below show light truck and import brand share of the overall Hawaii market during the first three quarters of 2010 and 2011. Light truck share was lower than year earlier levels in Second and Third quarters of this year. Strong new product introductions by the Detroit Three and the Japanese earthquake and tsunami contributed to the decline in import brand share during 2011.





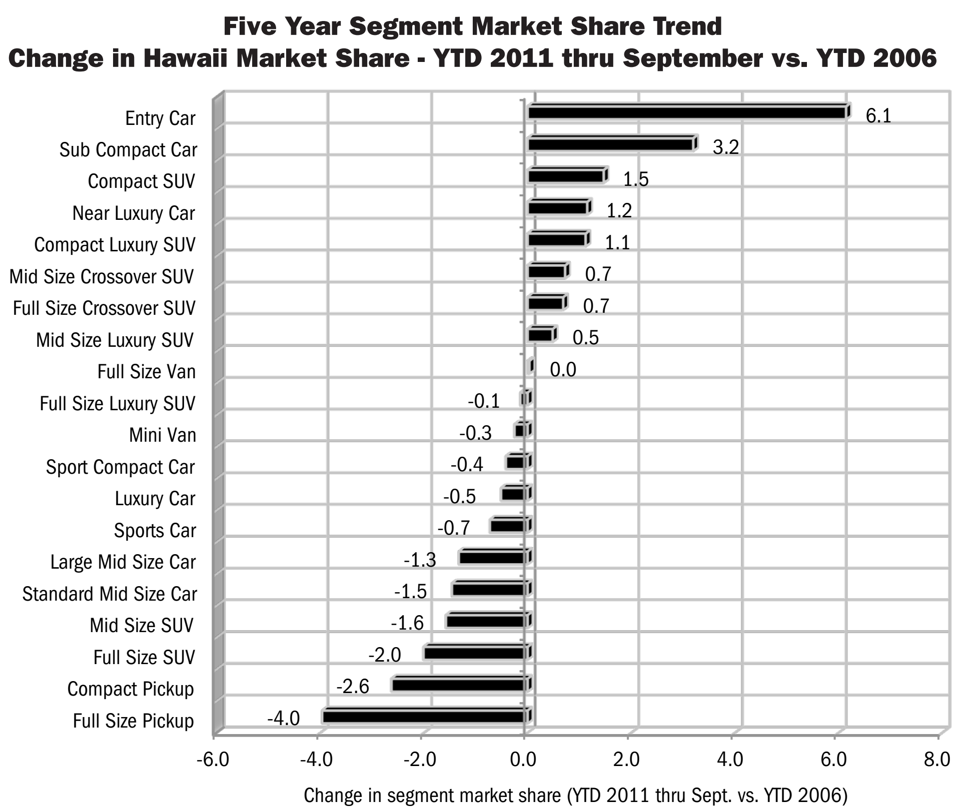
SEGMENT WATCH

Entry Car Segment Posts Big Gains Over Past Five Years

Large increase illustrates consumers' increasing desire for fuel efficiency

From a product development standpoint, the most significant change confronting manufacturers during the past few years has been improving fuel economy. And as government mandated regulations become more stringent, fuel efficiency will become even more important.

A critical element for manufacturers and dealers, however, is whether consumer demand is in synch with the movement to smaller, more fuel efficient vehicles. The graph to the right provides evidence that consumers will indeed embrace the movement. Three segments posting the biggest increases in market share during the past five years were Entry Car, Sub Compact Car, and Compact SUV. Granted, this occurred during an era of higher fuel prices, but the notion that Americans will resist any movement away from full sized trucks and SUVs does not appear to be true.



HAWAII MARKET VERSUS U.S.

State Market Falls 4.8%

U.S. retail market was up 16% so far this year

	Hawaii		U.S. Market	
Market Growth % change in registrations YTD '11 thru Sept. vs. YTD '10	-4.8%		16.0%	
Car market share-YTD '11 thru Sept.	50.3%		50.1%	
Detroit Three market share YTD '11 thru Sept.	19.4%		41.0%	
Top Selling Retail Brands-YTD '11				
First	Toyota/Scion	25.1%	Ford	13.5%
Second	Honda	13.2%	Toyota/Scion	12.6%
Third	Nissan	10.9%	Chevrolet	12.0%
Fourth	Ford	8.0%	Honda	10.3%
Fifth	Hyundai	4.4%	Nissan	7.4%
Sixth	Chevrolet	4.4%	Hyundai	5.6%
Seventh	Mazda	3.8%	Dodge	4.2%
Eighth	Kia	3.5%	Kia	4.2%
Ninth	Lexus	3.2%	GMC	3.2%
Tenth	BMW	3.0%	Jeep	3.0%

Experian Automotive is the data provider for Auto Outlook.

Explanation of Data

Data presented in Auto Outlook measures new vehicle registrations in Hawaii. Monthly recording of registrations occurs when the title is processed.

COUNTY SCOREBOARD

Maui Market Improves So Far This Year

Oahu new vehicle registrations slipped 6.3%

The table on the right provides a summary of each of Hawaii's four retail light vehicle markets. The table is divided into four sections. Market Summary shows total new retail light vehicle registrations during the first nine months of 2010 and 2011 and the percent change. The second and third sections show Light Truck and Detroit Three market share. The fourth section shows market share figures for the top 10 selling light vehicle brands in the state. The top rated county in each category is shaded. The Maui market had the only increase, up 5.9%. Detroit Three market share was highest in Kauai (25.6%) and lowest in Oahu (18.8%).

Source: AutoCount data from Experian Automotive.

New Vehicle Markets Summary					
	Local Markets				Statewide
	Hawaii	Kauai	Maui	Oahu	Total
Market Summary					
YTD 2010 thru Sept.	2,518	997	2,241	20,124	25,880
YTD 2011 thru Sept.	2,447	968	2,374	18,858	24,647
Percent change	-2.8%	-2.9%	5.9%	-6.3%	-4.8%
Light Truck Market Share					
YTD 2010 thru Sept.	57.6%	64.3%	56.1%	47.9%	50.2%
YTD 2011 thru Sept.	56.2%	65.5%	56.4%	47.2%	49.7%
Change (share points)	-1.4	1.2	0.3	-0.7	-0.5
Detroit Three Market Share					
YTD 2010 thru Sept.	15.6%	25.6%	19.1%	17.2%	17.5%
YTD 2011 thru Sept.	20.6%	25.6%	20.3%	18.8%	19.0%
Change (share points)	5.0	0.0	1.2	1.6	1.5
Market Share for Top 10 Selling Brands in State - YTD 2011 thru Sept.					
Toyota/Scion	28.6%	31.3%	25.0%	24.3%	25.1%
Honda	16.5%	15.3%	14.4%	12.5%	13.2%
Nissan	14.3%	11.5%	15.2%	9.9%	10.9%
Ford	9.2%	11.7%	12.0%	7.2%	8.0%
Hyundai	4.8%	7.6%	5.1%	4.1%	4.4%
Chevrolet	4.0%	6.4%	4.3%	4.3%	4.4%
Mazda	3.4%	3.4%	2.4%	4.0%	3.8%
Kia	2.7%	0.2%	4.6%	3.6%	3.5%
Lexus	0.9%	1.1%	2.7%	3.7%	3.2%
BMW	2.0%	0.3%	2.0%	3.4%	3.0%

Brand Registrations Report

Hawaii New Retail Car and Light Truck Registrations

	Third Quarter						Year To Date thru September					
	Registrations			Market Share (%)			Registrations			Market Share (%)		
	3Q 2010	3Q 2011	% change	3Q 2010	3Q 2011	Change	YTD 2010	YTD 2011	% change	YTD 2010	YTD 2011	Change
TOTAL	9,318	7,909	-15.1				25,880	24,647	-4.8			
Cars	4,470	3,923	-12.2	48.0	49.6	1.6	12,888	12,405	-3.7	49.8	50.3	0.5
Light Trucks	4,848	3,986	-17.8	52.0	50.4	-1.6	12,992	12,242	-5.8	50.2	49.7	-0.5
Domestic Brands	1,758	1,691	-3.8	18.9	21.4	2.5	4,527	4,787	5.7	17.5	19.4	1.9
European Brands	1,080	1,017	-5.8	11.6	12.9	1.3	2,945	2,866	-2.7	11.4	11.6	0.2
Japanese Brands	5,911	4,549	-23.0	63.4	57.5	-5.9	16,953	15,059	-11.2	65.5	61.1	-4.4
Korean Brands	569	652	14.6	6.1	8.2	2.1	1,455	1,935	33.0	5.6	7.9	2.3
Acura	143	102	-28.7	1.5	1.3	-0.2	458	349	-23.8	1.8	1.4	-0.4
Audi	80	72	-10.0	0.9	0.9	0.0	198	221	11.6	0.8	0.9	0.1
BMW	273	295	8.1	2.9	3.7	0.8	779	733	-5.9	3.0	3.0	0.0
Buick	26	22	-15.4	0.3	0.3	0.0	60	67	11.7	0.2	0.3	0.1
Cadillac	48	31	-35.4	0.5	0.4	-0.1	137	118	-13.9	0.5	0.5	0.0
Chevrolet	346	376	8.7	3.7	4.8	1.1	953	1,075	12.8	3.7	4.4	0.7
Chrysler	32	50	56.3	0.3	0.6	0.3	105	118	12.4	0.4	0.5	0.1
Dodge (incl. Ram)	260	201	-22.7	2.8	2.5	-0.3	617	631	2.3	2.4	2.6	0.2
Fiat	0	23		0.0	0.3	0.3	0	47		0.0	0.2	0.2
Ford	751	714	-4.9	8.1	9.0	0.9	1,905	1,983	4.1	7.4	8.0	0.6
GMC	118	102	-13.6	1.3	1.3	0.0	305	295	-3.3	1.2	1.2	0.0
Honda	1,319	745	-43.5	14.2	9.4	-4.8	3,668	3,255	-11.3	14.2	13.2	-1.0
Hyundai	318	371	16.7	3.4	4.7	1.3	839	1,078	28.5	3.2	4.4	1.2
Infiniti	89	50	-43.8	1.0	0.6	-0.4	265	204	-23.0	1.0	0.8	-0.2
Jaguar	17	14	-17.6	0.2	0.2	0.0	49	43	-12.2	0.2	0.2	0.0
Jeep	149	184	23.5	1.6	2.3	0.7	354	455	28.5	1.4	1.8	0.4
Kia	251	281	12.0	2.7	3.6	0.9	616	857	39.1	2.4	3.5	1.1
Land Rover	21	22	4.8	0.2	0.3	0.1	61	55	-9.8	0.2	0.2	0.0
Lexus	313	224	-28.4	3.4	2.8	-0.6	929	795	-14.4	3.6	3.2	-0.4
Lincoln	18	11	-38.9	0.2	0.1	-0.1	47	43	-8.5	0.2	0.2	0.0
Mazda	364	334	-8.2	3.9	4.2	0.3	943	927	-1.7	3.6	3.8	0.2
Mercedes	254	215	-15.4	2.7	2.7	0.0	761	608	-20.1	2.9	2.5	-0.4
MINI	123	85	-30.9	1.3	1.1	-0.2	355	329	-7.3	1.4	1.3	-0.1
Mitsubishi	34	69	102.9	0.4	0.9	0.5	104	145	39.4	0.4	0.6	0.2
Nissan	928	901	-2.9	10.0	11.4	1.4	2,843	2,687	-5.5	11.0	10.9	-0.1
Porsche	30	42	40.0	0.3	0.5	0.2	80	100	25.0	0.3	0.4	0.1
Saab	15	2	-86.7	0.2	0.0	-0.2	20	9	-55.0	0.1	0.0	-0.1
smart	46	10	-78.3	0.5	0.1	-0.4	54	35	-35.2	0.2	0.1	-0.1
Subaru	145	102	-29.7	1.6	1.3	-0.3	393	332	-15.5	1.5	1.3	-0.2
Suzuki	51	58	13.7	0.5	0.7	0.2	145	185	27.6	0.6	0.8	0.2
Toyota/Scion	2,525	1,964	-22.2	27.1	24.8	-2.3	7,205	6,180	-14.2	27.8	25.1	-2.7
Volkswagen	157	180	14.6	1.7	2.3	0.6	432	513	18.8	1.7	2.1	0.4
Volvo	52	48	-7.7	0.6	0.6	0.0	130	144	10.8	0.5	0.6	0.1
Other	22	9	-59.1	0.2	0.1	-0.1	70	31	-55.7	0.3	0.1	-0.2

Source: AutoCount data from Experian Automotive

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