Covering Third Quarter 2011 Volume 5, Number 4

Washington Auto Outlook™

Comprehensive information on the Washington new vehicle market

FORECAST

Market Outlook Remains Intact, Despite Economic Concerns

Full year increase expected to exceed 15% in 2011, 10% improvement predicted in 2012

Many economic indicators have taken a turn for the worse since the beginning of this year. This had led many economists to downgrade their growth projections, with some expecting a recession. And clearly, many indicators are flashing warning signs: GDP growth softened in the Second Quarter, the national unemployment rate has remained above 9%, real estate and housing are stuck in the basement, the Federal Government debt rating was downgraded, and the risk of banking contagion resulting from the European debt crisis has heightened. It's a long list, to be sure.

However, despite somewhat bleaker economic conditions, Auto Outlook's forecast for the Washington new vehicle market hasn't varied much from the beginning of this year. Early in 2011, we pegged the new vehicle sales increase for this year at 10.9%. Now, after three quarters in the books, it looks like the market will post a 15% improvement.

Why hasn't the weakening economy resulted in a downgrade to our forecast? Simply put, a sluggish economy, with a weak labor market and subdued consumer spending were already baked into our projections. The easy-credit environment of most of the last decade, combined with the significant expansion of household debt have necessitated the ensuing, and ongoing de-leveraging process. It's a long term process that requires households to cut spending and increase savings, which restricts economic growth, and hinders job creation. With monetary policy tapped out, and fiscal stimulus limited due to high government debt, the economy is likely to be stuck in the slow lane for an extended period.

Considering all of this, why have sales increased this year, and how can they possibly move higher again in 2012? The answer is pent up demand. As we have emphasized since the market downturn in 2009, postponed vehicle purchases will provide a significant sales boost. And below average sales in 2010 and 2011 have added to the pent up demand stockpile.

Bottom line: State new vehicle registrations will remain relatively weak in 2012, but should increase for the third consecutive year. (See sidebar on right for specifics.)

Market Trends

New retail market predicted to exceed 182,000 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 29.5% during the first nine months of 2010 to 32.4% this year.

Mitsubishi, Jeep, and Chrysler post big percentage gains

New registrations increased more than 50% for each of the three brands so far this year.

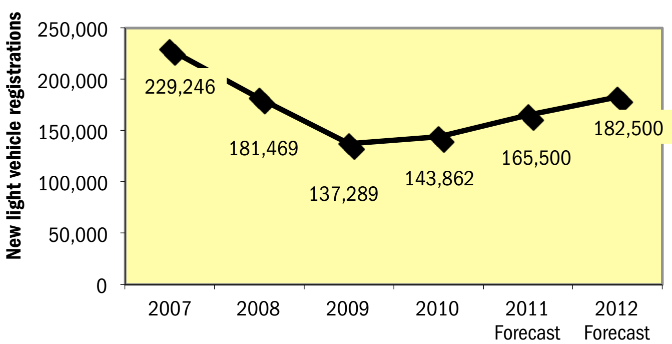
Compact SUV share up sharply

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

State market in synch with U.S.

State market was up 15.2% so far this year, in line with the 16% increase in the Nation.

Annual Trend in Washington State 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	143,862	165,500	15.0%	
Car	72,693	84,570	16.3%	51.1%
Light Truck	71,169	80,930	13.7%	48.9%
Detroit Three	42,785	51,305	19.9%	31.0%
European	15,737	17,709	12.5%	10.7%
Japanese	72,607	79,440	9.4%	48.0%
Korean	12,733	17,046	33.9%	10.3%

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

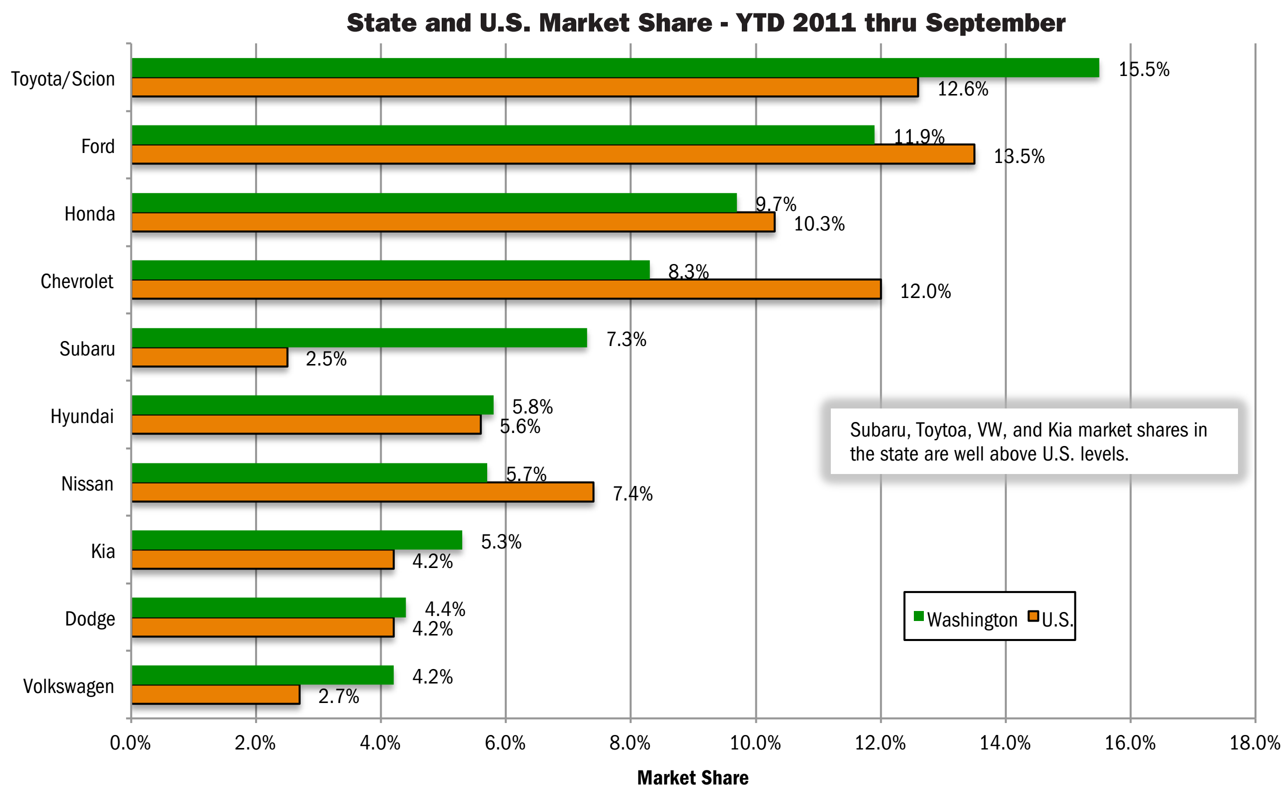
Historical data Source: AutoCount data from Experian Automotive. Note: historical data was updated by AutoCount and will differ slightly from previous releases.

BRAND SCOREBOARD

Toyota Stays on Top; State Share is Above U.S.

Subaru's share of state market exceeds U.S. by 4.8 points

The graph below provides a comparison of Washington and U.S. new retail market share during the first nine months of this year for the top 10 selling brands in the state. Brands are positioned on the graph from top to bottom based on state market share. Toyota/Scion was the state leader, accounting for 15.5% of the market, above its 12.6% share in the Nation. Subaru market share in the state was 7.3%, 4.8 points higher than its U.S. share. Source: AutoCount data from Experian Automotive.



WASHINGTON STATE MARKET VERSUS U.S.

State Market Up 15.2% in '11

U.S. market up 16% in first nine months of this year

	Washington		U.S. Market	
Market Growth **% change in registrations** **YTD 2011 thru Sept. vs. YTD 2010**	15.2%		16.0%	
Car market share-YTD '11 thru Sept.	51.5%		50.1%	
Domestic brand market share **YTD 2011 thru Sept.**	32.4%		41.0%	
Top Selling Retail Brands-YTD '11				
First	Toyota/Scion	15.5%	Ford	13.5%
Second	Ford	11.9%	Toyota/Scion	12.6%
Third	Honda	9.7%	Chevrolet	12.0%
Fourth	Chevrolet	8.3%	Honda	10.3%
Fifth	Subaru	7.3%	Nissan	7.4%
Sixth	Hyundai	5.8%	Hyundai	5.6%
Seventh	Nissan	5.7%	Dodge	4.2%
Eighth	Kia	5.3%	Kia	4.2%
Ninth	Dodge	4.4%	GMC	3.2%
Tenth	Volkswagen	4.2%	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 Washington State. Monthly recording of registrations occurs when the vehicle title is processed.

SEGMENT WATCH

Compact SUV Segment Posts Big Gains Over Past Five Years

Large increase illustrates consumers' desire for fuel efficiency AND SUV practicality

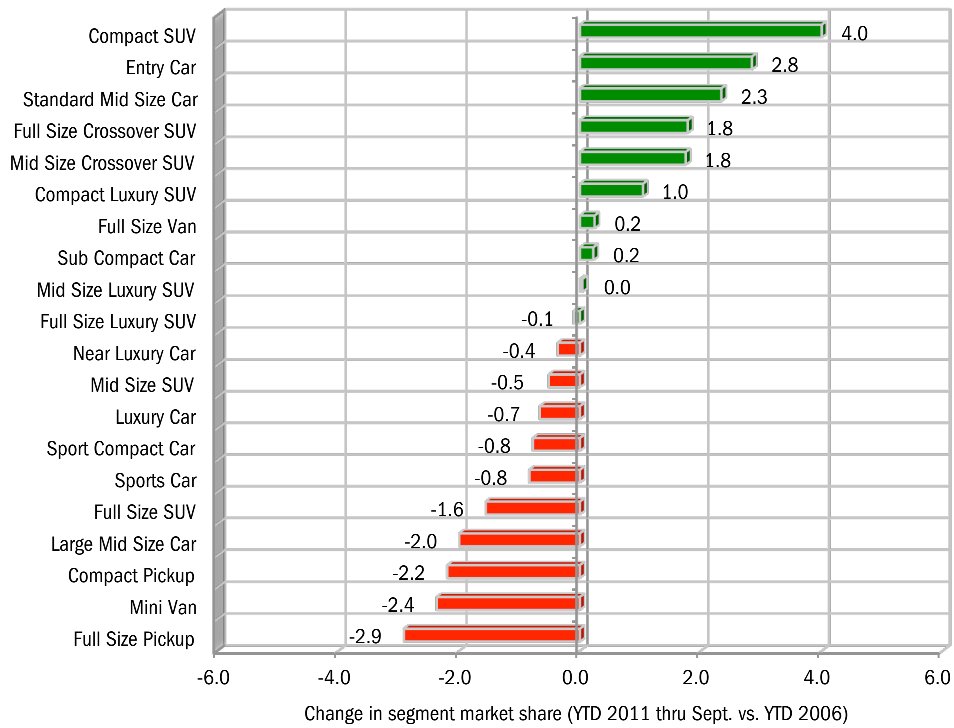
From a product development standpoint, the most significant change confronting manufacturers during the past few years has been improving fuel economy. And as government mandated regulations become more stringent, fuel efficiency will become even more important.

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. Two segments posting the biggest increases in market share during the past five years were Compact SUV and Entry Car. 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.

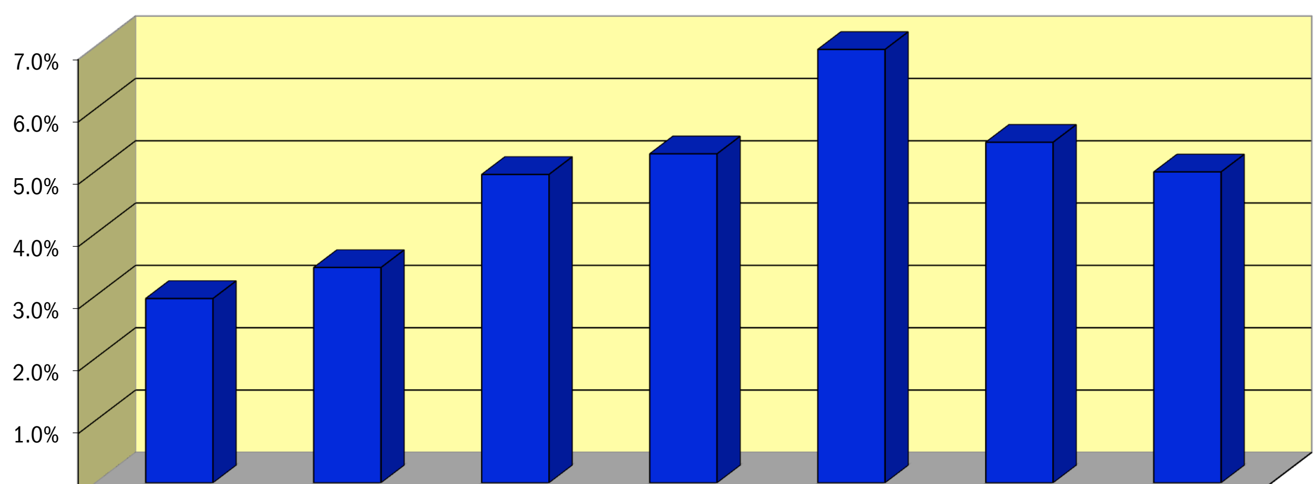
The big gain for Compact SUVs illustrates an important caveat, however. Consumers do not want to sacrifice the usability of an SUV. They want better fuel efficiency, but still crave the product attributes of an SUV.

As shown on the graph below, hybrid/electric vehicle market share in the state has fallen in each of the past two years.

Five Year Segment Market Share Trend
Change in Washington Market Share - YTD 2011 thru September vs. YTD



Hybrid/Electric Vehicle Market Share in Washington - YTD thru September, 2005 to 2011



	YTD '05	YTD '06	YTD '07	YTD '08	YTD '09	YTD '10	YTD '11
Mkt. Share	3.0%	3.5%	4.9%	5.3%	7.0%	5.5%	5.0%

Brand Registrations Report
Washington 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	40,591	40,254	-0.8				107,909	124,279	15.2			
Cars	20,879	20,159	-3.4	51.4	50.1	-1.3	55,591	64,062	15.2	51.5	51.5	0.0
Light Trucks	19,712	20,095	1.9	48.6	49.9	1.3	52,318	60,217	15.1	48.5	48.5	0.0
Domestic Brands	12,558	13,347	6.3	30.9	33.2	2.3	31,797	40,319	26.8	29.5	32.4	2.9
European Brands	4,428	4,680	5.7	10.9	11.6	0.7	11,638	13,694	17.7	10.8	11.0	0.2
Japanese Brands	19,727	17,323	-12.2	48.6	43.0	-5.6	54,805	56,459	3.0	50.8	45.4	-5.4
Korean Brands	3,878	4,902	26.4	9.6	12.2	2.6	9,668	13,804	42.8	9.0	11.1	2.1
Acura	542	419	-22.7	1.3	1.0	-0.3	1,417	1,374	-3.0	1.3	1.1	-0.2
Audi	615	686	11.5	1.5	1.7	0.2	1,647	1,943	18.0	1.5	1.6	0.1
BMW	604	662	9.6	1.5	1.6	0.1	1,587	1,792	12.9	1.5	1.4	-0.1
Buick	274	258	-5.8	0.7	0.6	-0.1	712	852	19.7	0.7	0.7	0.0
Cadillac	279	247	-11.5	0.7	0.6	-0.1	755	875	15.9	0.7	0.7	0.0
Chevrolet	3,080	3,442	11.8	7.6	8.6	1.0	8,103	10,372	28.0	7.5	8.3	0.8
Chrysler	279	405	45.2	0.7	1.0	0.3	688	1,105	60.6	0.6	0.9	0.3
Dodge (incl. Ram)	1,803	1,823	1.1	4.4	4.5	0.1	4,304	5,421	26.0	4.0	4.4	0.4
Fiat	0	122		0.0	0.3	0.3	0	136		0.0	0.1	0.1
Ford	4,916	4,810	-2.2	12.1	11.9	-0.2	12,296	14,842	20.7	11.4	11.9	0.5
GMC	721	811	12.5	1.8	2.0	0.2	1,949	2,471	26.8	1.8	2.0	0.2
Honda	4,379	3,343	-23.7	10.8	8.3	-2.5	12,211	12,054	-1.3	11.3	9.7	-1.6
Hyundai	2,038	2,614	28.3	5.0	6.5	1.5	5,139	7,198	40.1	4.8	5.8	1.0
Infiniti	264	216	-18.2	0.7	0.5	-0.2	705	751	6.5	0.7	0.6	-0.1
Jaguar	32	29	-9.4	0.1	0.1	0.0	80	83	3.8	0.1	0.1	0.0
Jeep	1,029	1,472	43.1	2.5	3.7	1.2	2,358	4,033	71.0	2.2	3.2	1.0
Kia	1,840	2,288	24.3	4.5	5.7	1.2	4,529	6,606	45.9	4.2	5.3	1.1
Land Rover	100	97	-3.0	0.2	0.2	0.0	277	329	18.8	0.3	0.3	0.0
Lexus	883	814	-7.8	2.2	2.0	-0.2	2,449	2,438	-0.4	2.3	2.0	-0.3
Lincoln	77	75	-2.6	0.2	0.2	0.0	255	316	23.9	0.2	0.3	0.1
Mazda	1,209	1,279	5.8	3.0	3.2	0.2	3,231	3,450	6.8	3.0	2.8	-0.2
Mercedes	571	646	13.1	1.4	1.6	0.2	1,484	1,792	20.8	1.4	1.4	0.0
MINI	352	294	-16.5	0.9	0.7	-0.2	968	1,078	11.4	0.9	0.9	0.0
Mitsubishi	164	195	18.9	0.4	0.5	0.1	396	682	72.2	0.4	0.5	0.1
Nissan	1,832	2,513	37.2	4.5	6.2	1.7	4,786	7,069	47.7	4.4	5.7	1.3
Porsche	78	94	20.5	0.2	0.2	0.0	200	271	35.5	0.2	0.2	0.0
Saab	5	6	20.0	0.0	0.0	0.0	10	43	330.0	0.0	0.0	0.0
smart	36	20	-44.4	0.1	0.0	-0.1	120	66	-45.0	0.1	0.1	0.0
Subaru	2,934	2,709	-7.7	7.2	6.7	-0.5	8,541	9,085	6.4	7.9	7.3	-0.6
Suzuki	88	79	-10.2	0.2	0.2	0.0	270	276	2.2	0.3	0.2	-0.1
Toyota/Scion	7,432	5,756	-22.6	18.3	14.3	-4.0	20,789	19,279	-7.3	19.3	15.5	-3.8
Volkswagen	1,734	1,689	-2.6	4.3	4.2	-0.1	4,482	5,212	16.3	4.2	4.2	0.0
Volvo	252	291	15.5	0.6	0.7	0.1	633	828	30.8	0.6	0.7	0.1
Other	149	50	-66.4	0.4	0.1	-0.3	538	157	-70.8	0.5	0.1	-0.4

Source: AutoCount data from Experian Automotive

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