Covering Third Quarter 2011 Volume 16, Number 4

Maryland Automobile Dealers Association

Maryland Auto Outlook™

Sponsored by: Maryland Automobile Dealers Association

FORECAST

Market Outlook Remains Intact, Despite Weaker Economy

Full year increase expected to exceed 14% in 2011, 8.7% improvement predicted in 2012

A preponderance of economic indicators has taken a turn for the worse over the past several months. This had led many economists to downgrade their growth projections, with an increasing number expecting a recession. And clearly, many indicators are flashing warning signs: GDP growth has softened, 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 and daunting list, to be sure.

However, despite all of this apparent gloom, Auto Outlook's forecast for the Maryland 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 12.4%. Now, after three quarters in the books, it looks like the market will post a 14.3% 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 approach 232,000 units in 2012

The total represents an 8.7% increase from this year's projected total.

Detroit 3 grab share from imports

Market share for Detroit Three brands increased from 29.1% during the first nine months of 2010 to 31.3% this year.

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

Among top sellers, these brands had the biggest increases this year.

Hyundai Elantra has big gains

Elantra was right behind Corolla for the top spot in state's Sub Compact Car segment.

U.S. market out-performs state

State market was up 12.1% so far this year, below the 16% increase in the Nation.

Annual Trend in Maryland 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	% Chg. '10 to '11	Mkt. Share 2011
TOTAL	186,759	213,500	14.3%	0.0%
Car	100,740	115,290	14.4%	54.0%
Light Truck	86,019	98,210	14.2%	46.0%
Detroit Three	54,489	65,331	19.9%	30.6%
European	17,693	20,710	17.1%	9.7%
Japanese	96,753	105,467	9.0%	49.4%
Korean	17,824	21,992	23.4%	10.3%

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

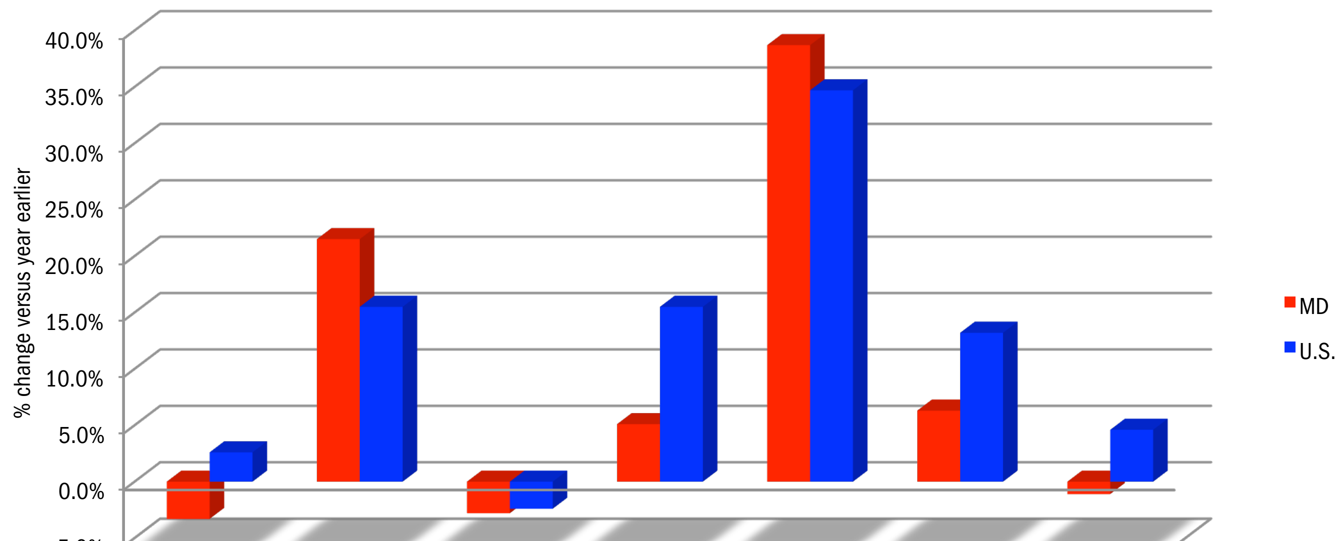
Historical data Source: AutoCount data from Experian Automotive. Note: historical data was updated by AutoCount and will differ slightly from previous releases.

MARKET TRACKER

Pace of State Market Recovery Eases

State market has small decline in Third Quarter of 2011; U.S. market up slightly

Percent Change in Quarterly New Retail Light Vehicle Registrations versus Year Earlier - State and U.S.



	Q1 '10	Q2 '10	Q3 '10	Q4 '10	Q1 '11	Q2 '11	Q3 '11
MD	-3.3%	21.5%	-2.8%	5.1%	38.7%	6.3%	-1.1%
U.S.	2.6%	15.5%	-2.4%	15.5%	34.7%	13.2%	4.6%

State new retail light vehicle registrations declined a slim 1.1% in the Third Quarter of this year versus a year earlier, compared to the 4.6% improvement in the National market.

Maryland Auto Outlook

Covering Third Quarter 2011

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Experian Automotive is the data provider for Auto Outlook.

Explanation of Data

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

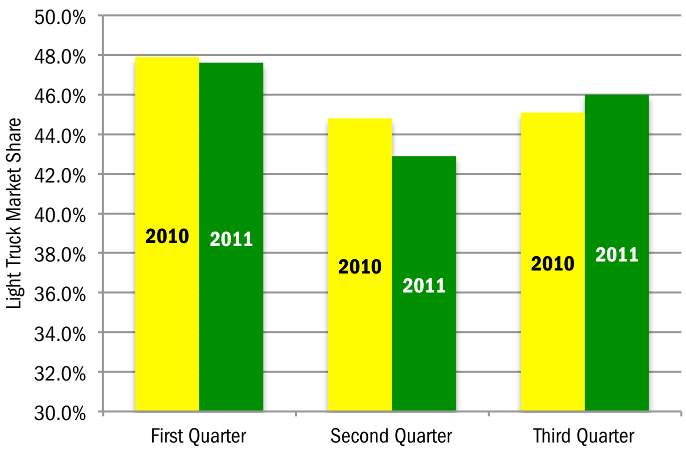
MARKET TRACKER (Continued)

Light Truck Market Share Moves Higher in Third Quarter

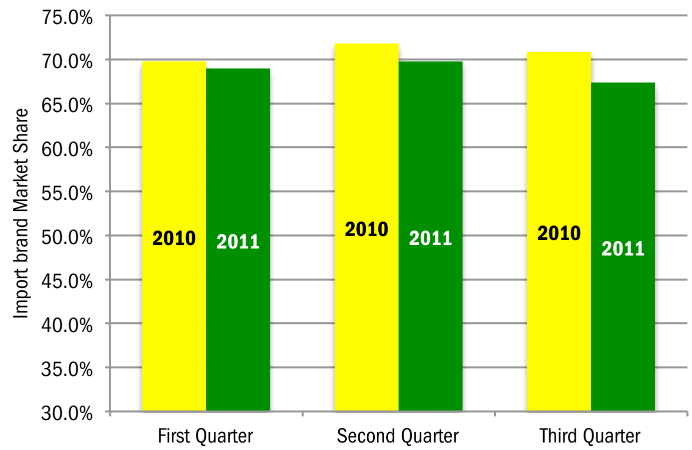
Detroit Three continue to grab share from imports

The two graphs below show light truck and import brand share of the overall Maryland market during the first three quarters of 2010 and 2011. Light truck share was higher than year earlier levels in the Third Quarter 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.

Quarterly Light Truck Market Share
First Three Quarters of 2010 and 2011



Import Brand Market Share
First Three Quarters of 2010 and 2011

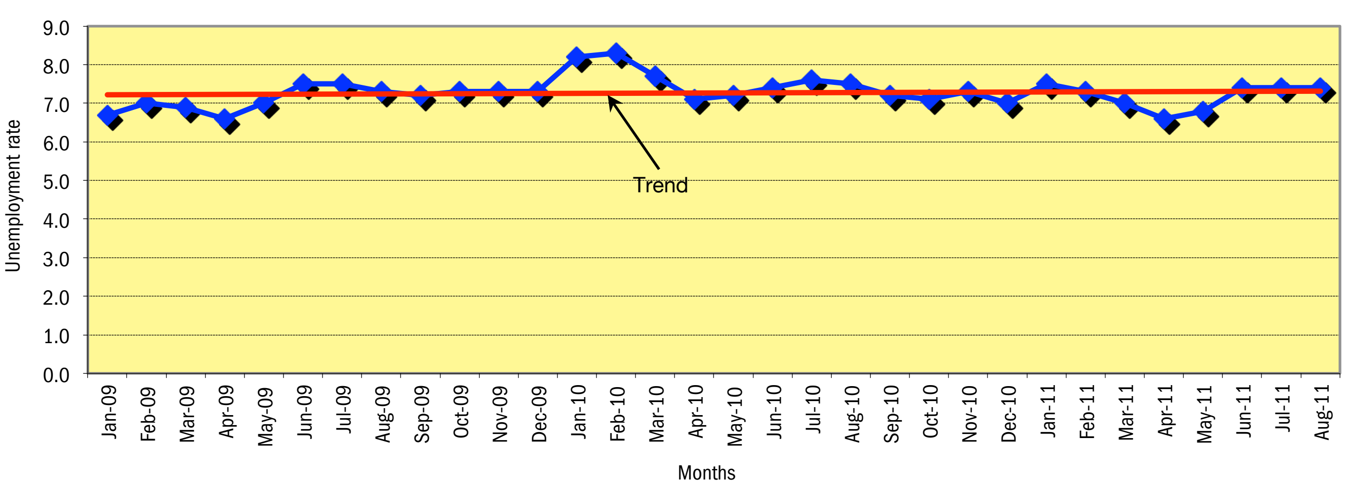


MARKET TRACKER (Continued)

State Unemployment Rate Remains Stubbornly High

State rate is still well below U.S.

Maryland Unemployment Rate



Sluggish economic growth and the painful process of de-leveraging have put an unfortunate, but unavoidable, damper on the state labor market. Best case scenario is that the unemployment rate could drift moderately lower during the next 6 to 12 months. Pent up demand for new vehicles, however, should keep the new vehicle market recovery intact.

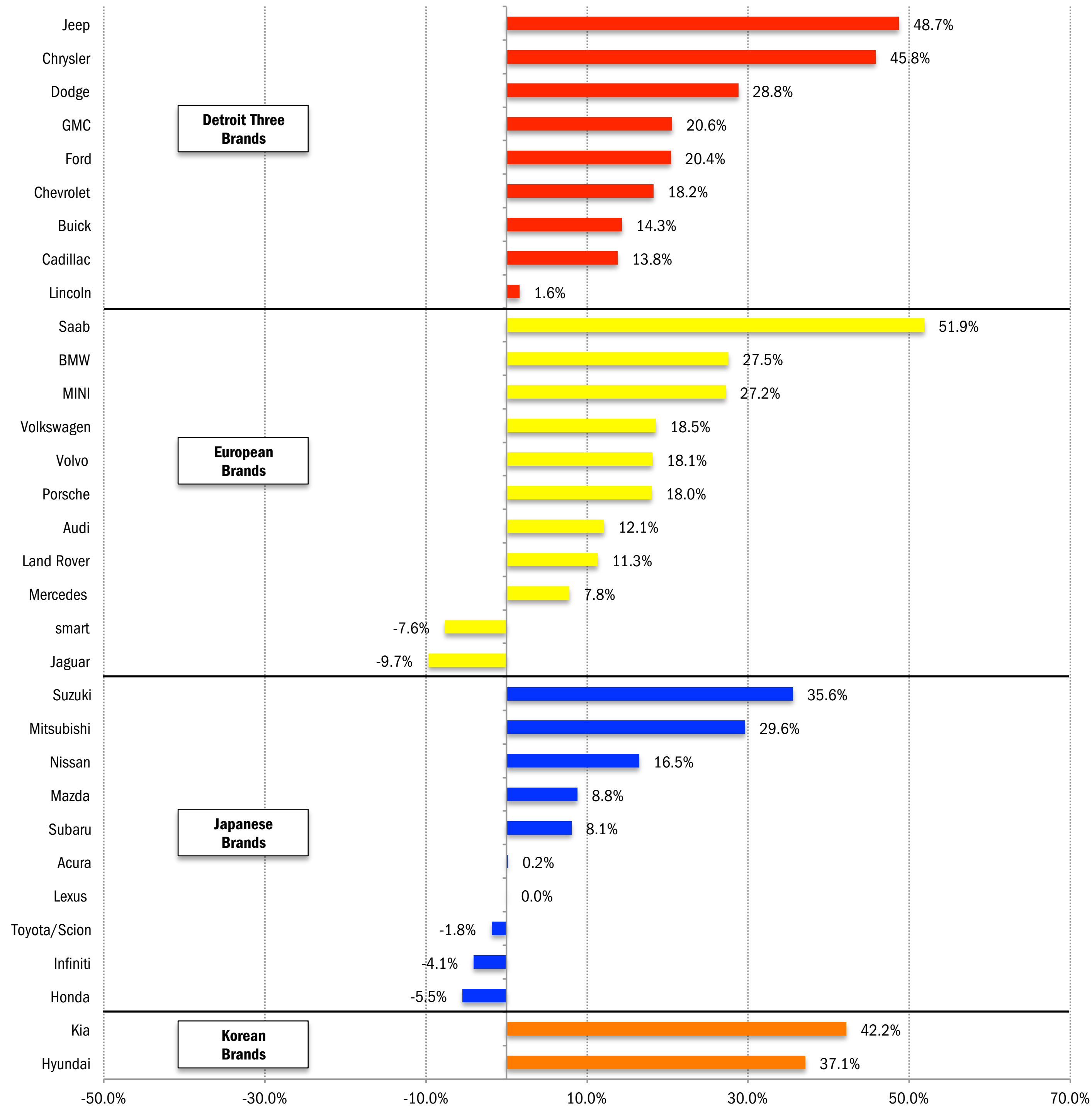
BRAND SCOREBOARD - PART ONE

Jeep, Chrysler, and Kia Post Largest Gains So Far This Year

Suzuki has largest percentage increase among Japanese brands

The graphs below provide a comparative evaluation of brand sales performance in the state market. It shows the year-to-date percent change in registrations for each brand, organized by category (i.e., Detroit Three, European, Japanese, and Korean). The March earthquake and tsunami were major factors for the relatively weak performance of Japanese brands. Source: AutoCount data from Experian Automotive.

Percent Change in Maryland New Retail Light Vehicle Registrations
YTD 2011 thru September vs. YTD 2010



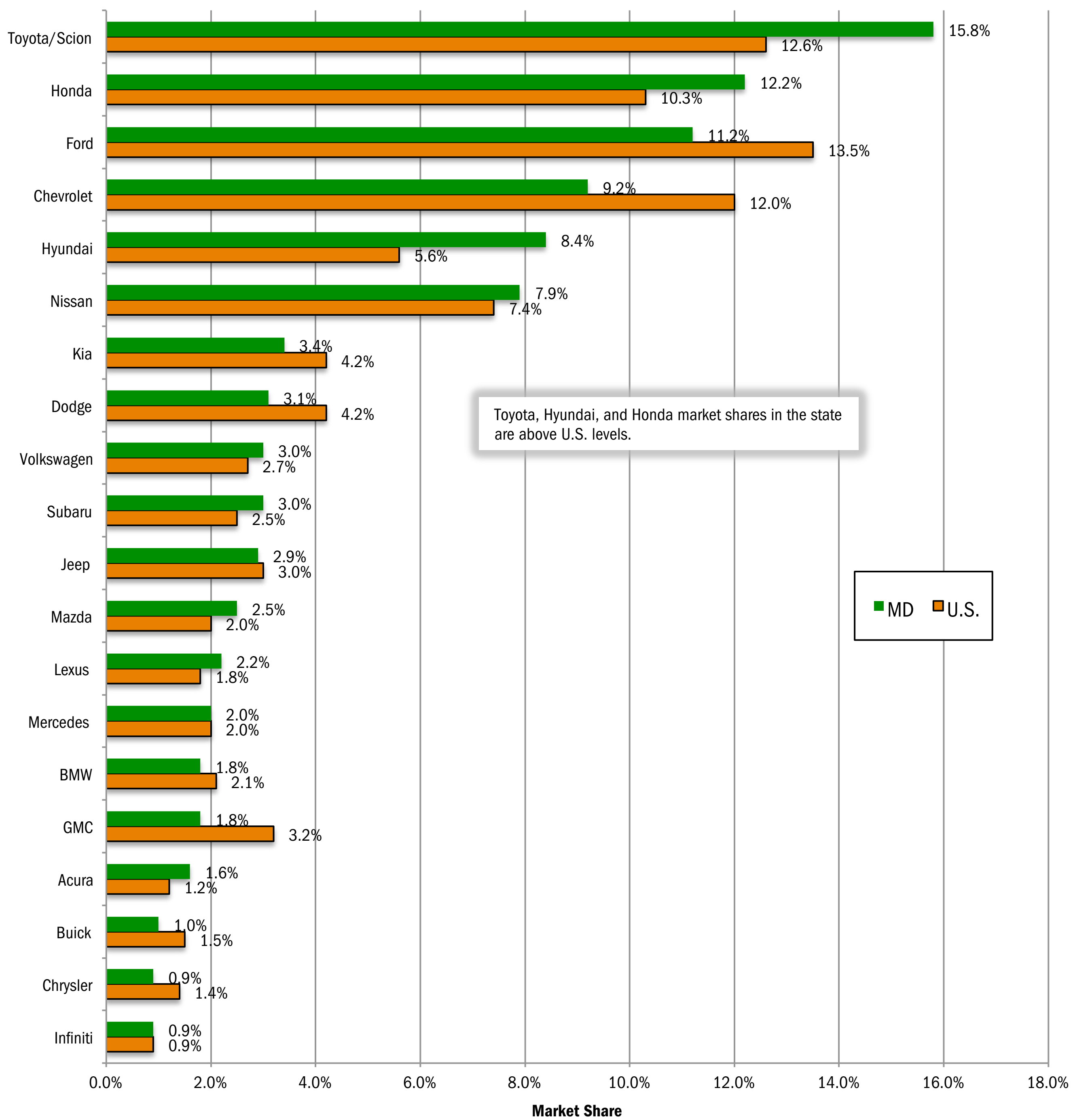
BRAND SCOREBOARD - PART TWO

Toyota Stays on Top; Maryland Market Share is Above U.S.

Hyundai's share of state market exceeds U.S. by 2.8 points

The graph below provides a comparison of Maryland and U.S. new retail market share during the first nine months of this year for the top 20 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 15.8% of the market, above its 12.6% share in the Nation. Honda market share in the state was 12.2%, 1.9 points higher than its U.S. share. Source: AutoCount data from Experian Automotive.

State and U.S. Market Share - YTD 2011 thru September



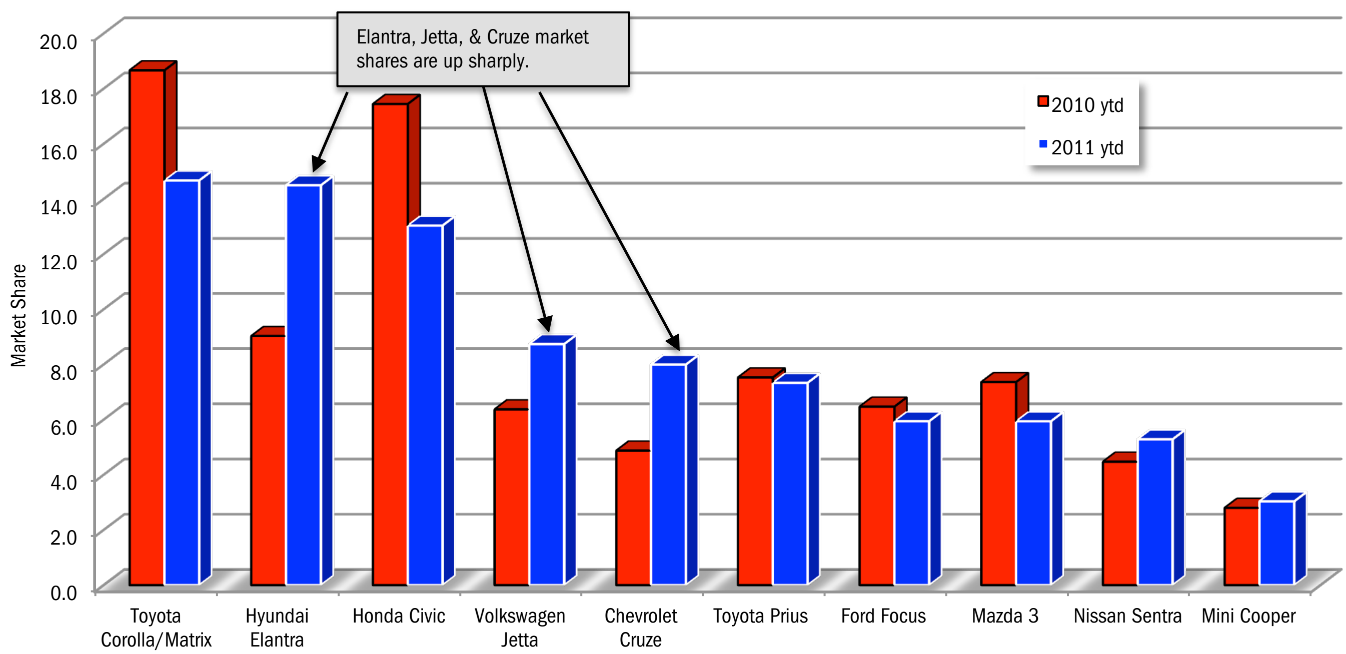
MODEL SCOREBOARD

Hyundai Elantra Gains Ground in Sub Compact Car Segment

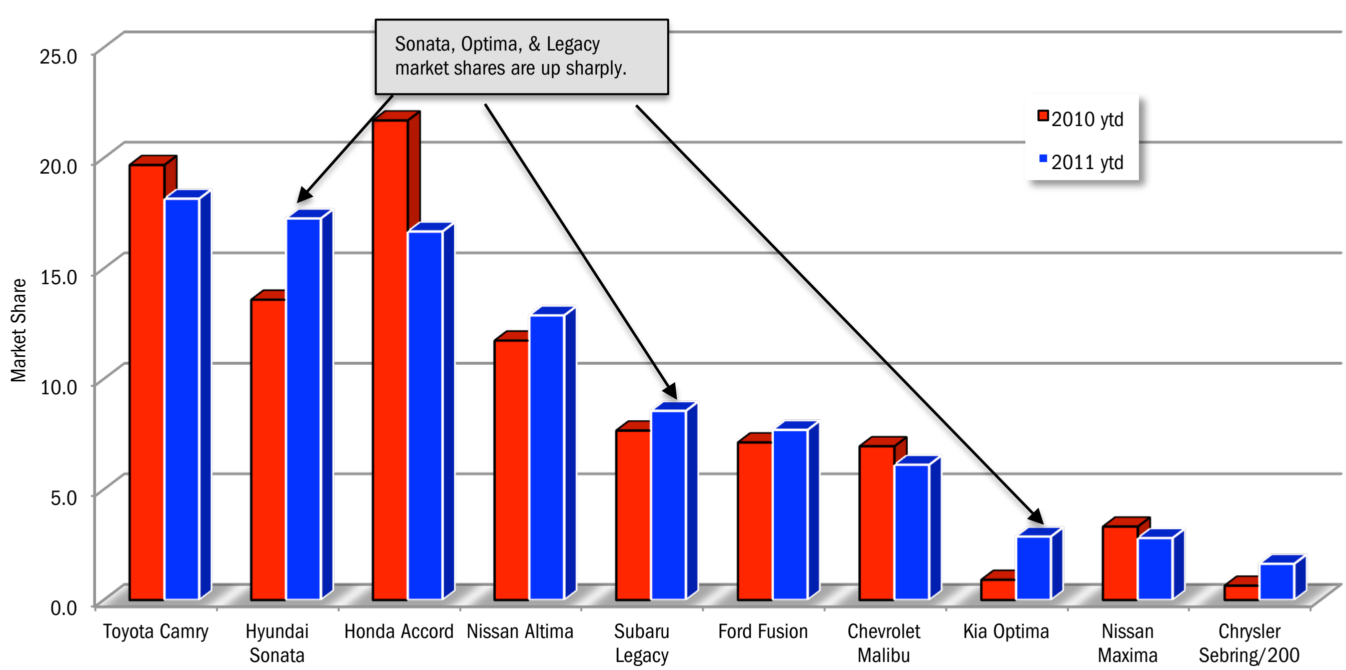
Sonata is big winner among Standard Mid Size Cars

The two graphs below show market shares in the Sub Compact and Standard Mid Size Car segments during the first nine months of 2010 and 2011. Supply disruptions brought about by the earthquake and tsunami pushed down market shares for most Japanese models, while giving a boost to many redesigned Korean and Detroit Three models. Data source: AutoCount data from Experian Automotive.

Change in Market Share for Top 10 Selling Sub Compact Cars - YTD 2011 thru September vs. YTD 2010



Change in Market Share for Top 10 Selling Standard Mid Size Cars - YTD 2011 thru September vs. YTD 2010



COUNTY SCOREBOARD

All County Markets Move Higher

Three counties were up more than 25%

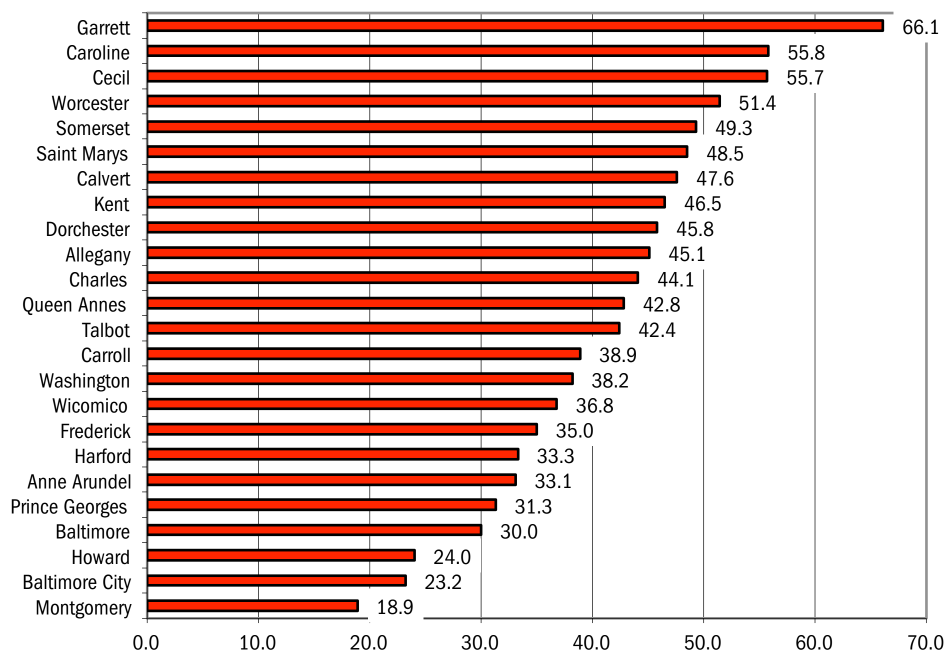
The table below and graph to the right provide a thorough summary of each of Maryland's 24 county new retail light vehicle markets. This county-level information provides a valuable perspective on local market performance, and a barometer to evaluate the sales performance of your dealership.

The table below shows new retail light vehicle registrations during the first nine months of 2010 and 2011 as well as light truck market share in each county. The graph shows Detroit Three market share.

Conclusions: Registrations increased in each of the 24 counties. Detroit Three market share was highest in Garrett County (66.1%)and lowest in Montgomery (18.9%).

Source: AutoCount data from Experian Automotive.

Detroit Three Market Share (%): YTD 2011 thru September



COUNTY MARKET REVIEW

	Registrations (YTD thru Sept.)		Percent Change	Unit Change	Light Truck Market Share (%)		
	YTD 2010	YTD 2011	YTD '10 to YTD '11	YTD '10 to YTD '11	YTD 2010	YTD 2011	Change '10 to '11
Allegany	1,430	1,575	10.1%	145	56.6	54.6	-2.0
Anne Arundel	15,440	17,215	11.5%	1,775	48.9	48.0	-0.9
Baltimore	21,722	24,048	10.7%	2,326	43.7	44.8	1.1
Baltimore City	8,932	10,133	13.4%	1,201	35.9	35.7	-0.2
Calvert	2,811	3,087	9.8%	276	51.5	49.9	-1.6
Caroline	699	948	35.6%	249	57.1	53.9	-3.2
Carroll	4,976	5,474	10.0%	498	52.7	51.6	-1.1
Cecil	2,543	3,093	21.6%	550	53.6	50.7	-2.9
Charles	3,896	4,308	10.6%	412	48.1	48.4	0.3
Dorchester	600	823	37.2%	223	58.5	48.4	-10.1
Frederick	6,670	7,912	18.6%	1,242	49.4	48.0	-1.4
Garrett	757	941	24.3%	184	70.1	71.4	1.3
Harford	8,352	9,535	14.2%	1,183	46.9	44.6	-2.3
Howard	9,131	9,910	8.5%	779	43.6	46.4	2.8
Kent	533	602	12.9%	69	54.2	55.6	1.4
Montgomery	28,235	30,839	9.2%	2,604	42.9	44.2	1.3
Prince Georges	13,866	15,752	13.6%	1,886	41.3	40.6	-0.7
Queen Annes	1,221	1,532	25.5%	311	54.4	51.7	-2.7
Saint Marys	3,087	3,366	9.0%	279	54.9	53.9	-1.0
Somerset	277	345	24.5%	68	52.7	44.3	-8.4
Talbot	1,078	1,301	20.7%	223	54.9	52.8	-2.1
Washington	3,179	3,578	12.6%	399	45.5	47.2	1.7
Wicomico	1,819	2,080	14.3%	261	52.7	49.6	-3.1
Worcester	1,529	1,766	15.5%	237	53.4	50.7	-2.7

Brand Registrations Report

Maryland 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	52,788	52,203	-1.1				142,908	160,253	12.1			
Cars	28,975	27,775	-4.1	54.9	53.2	-1.7	77,586	87,074	12.2	54.3	54.3	0.0
Light Trucks	23,813	24,428	2.6	45.1	46.8	1.7	65,322	73,179	12.0	45.7	45.7	0.0
Domestic Brands	15,367	17,148	11.6	29.1	32.8	3.7	41,537	50,147	20.7	29.1	31.3	2.2
European Brands	4,875	5,266	8.0	9.2	10.1	0.9	13,479	15,892	17.9	9.4	9.9	0.5
Japanese Brands	26,869	23,290	-13.3	50.9	44.6	-6.3	74,259	75,330	1.4	52.0	47.0	-5.0
Korean Brands	5,677	6,499	14.5	10.8	12.4	1.6	13,633	18,884	38.5	9.5	11.8	2.3
Acura	1,018	769	-24.5	1.9	1.5	-0.4	2,638	2,643	0.2	1.8	1.6	-0.2
Audi	415	443	6.7	0.8	0.8	0.0	1,282	1,437	12.1	0.9	0.9	0.0
BMW	833	897	7.7	1.6	1.7	0.1	2,276	2,903	27.5	1.6	1.8	0.2
Buick	526	521	-1.0	1.0	1.0	0.0	1,341	1,533	14.3	0.9	1.0	0.1
Cadillac	473	429	-9.3	0.9	0.8	-0.1	1,168	1,329	13.8	0.8	0.8	0.0
Chevrolet	4,466	4,862	8.9	8.5	9.3	0.8	12,416	14,680	18.2	8.7	9.2	0.5
Chrysler	376	605	60.9	0.7	1.2	0.5	1,039	1,515	45.8	0.7	0.9	0.2
Dodge (incl. Ram)	1,528	1,850	21.1	2.9	3.5	0.6	3,835	4,939	28.8	2.7	3.1	0.4
Fiat	0	139		0.0	0.3	0.3	0	173		0.0	0.1	0.1
Ford	5,510	5,925	7.5	10.4	11.3	0.9	14,876	17,910	20.4	10.4	11.2	0.8
GMC	820	922	12.4	1.6	1.8	0.2	2,387	2,878	20.6	1.7	1.8	0.1
Honda	7,506	5,402	-28.0	14.2	10.3	-3.9	20,763	19,630	-5.5	14.5	12.2	-2.3
Hyundai	4,085	4,739	16.0	7.7	9.1	1.4	9,846	13,500	37.1	6.9	8.4	1.5
Infiniti	580	449	-22.6	1.1	0.9	-0.2	1,572	1,508	-4.1	1.1	0.9	-0.2
Jaguar	74	50	-32.4	0.1	0.1	0.0	165	149	-9.7	0.1	0.1	0.0
Jeep	1,232	1,801	46.2	2.3	3.4	1.1	3,135	4,662	48.7	2.2	2.9	0.7
Kia	1,592	1,760	10.6	3.0	3.4	0.4	3,787	5,384	42.2	2.6	3.4	0.8
Land Rover	126	147	16.7	0.2	0.3	0.1	451	502	11.3	0.3	0.3	0.0
Lexus	1,193	1,092	-8.5	2.3	2.1	-0.2	3,523	3,524	0.0	2.5	2.2	-0.3
Lincoln	227	228	0.4	0.4	0.4	0.0	622	632	1.6	0.4	0.4	0.0
Mazda	1,377	1,456	5.7	2.6	2.8	0.2	3,701	4,027	8.8	2.6	2.5	-0.1
Mercedes	1,092	1,147	5.0	2.1	2.2	0.1	3,035	3,271	7.8	2.1	2.0	-0.1
MINI	318	285	-10.4	0.6	0.5	-0.1	742	944	27.2	0.5	0.6	0.1
Mitsubishi	270	352	30.4	0.5	0.7	0.2	766	993	29.6	0.5	0.6	0.1
Nissan	4,023	4,296	6.8	7.6	8.2	0.6	10,936	12,737	16.5	7.7	7.9	0.2
Porsche	100	92	-8.0	0.2	0.2	0.0	261	308	18.0	0.2	0.2	0.0
Saab	20	23	15.0	0.0	0.0	0.0	54	82	51.9	0.0	0.1	0.1
smart	35	23	-34.3	0.1	0.0	-0.1	92	85	-7.6	0.1	0.1	0.0
Subaru	1,579	1,453	-8.0	3.0	2.8	-0.2	4,401	4,757	8.1	3.1	3.0	-0.1
Suzuki	43	70	62.8	0.1	0.1	0.0	135	183	35.6	0.1	0.1	0.0
Toyota/Scion	9,280	7,951	-14.3	17.6	15.2	-2.4	25,799	25,323	-1.8	18.1	15.8	-2.3
Volkswagen	1,476	1,626	10.2	2.8	3.1	0.3	4,031	4,778	18.5	2.8	3.0	0.2
Volvo	352	360	2.3	0.7	0.7	0.0	983	1,161	18.1	0.7	0.7	0.0
Other	243	39	-84.0	0.5	0.1	-0.4	850	173	-79.6	0.6	0.1	-0.5

Source: AutoCount data from Experian Automotive

Maryland Auto Outlook

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