

Hawaii Auto Outlook TM

Comprehensive Information on the Hawaii Automotive Market

Fourth Quarter, 2004

Volume 3, Number 4

Market to Remain Strong in '05; Despite Predicted Decline in Registrations

Forecasting the Hawaii new vehicle market is a balancing act. Indicators usually send mixed signals on where the market is headed. Some point to improvement, while others indicate a decline. The summary on the right presents Auto Outlook's list of key positive and negative forecast determinants for the state market in 2005.

Many auto industry pundits paint a gloomy picture for next year, but we feel there are several reasons why 2005 is likely to be a good year for the Hawaii market. As shown on the right, several economic indicators are very encouraging. The one that stands out most is that new vehi-

cle affordability continues to be very strong, indicating that a new vehicle purchase is within reach for many consumers.

On the flip side, high gas prices and uncomfortably high debt levels for many consumers are likely to put a damper on sales next year. In addition, very strong sales over the past several years is likely to lead to a mild, cyclical decline (see page two).

Summary: With three quarters in the books this year, it looks like new vehicle registrations in the state will increase 5.8% from '03. A 3.4% decrease is predicted next year.

Weighing Forecast Determinants:

Positives and Negatives for the Hawaii new vehicle market over the next 12 months



Positives (why the market could strengthen):

- ◆ Consumer affordability for new vehicles remains at near record highs
- ◆ Employment growth is accelerating
- ◆ Personal income is improving
- ◆ Economic growth is predicted to remain strong during 2005
- ◆ Impressive array of new products are scheduled to be introduced

Negatives (why the market could weaken):

- ◆ High gas prices
- ◆ Strong new vehicle sales over the past several years could lead to a cyclical decline
- ◆ High consumer debt levels

VERDICT: Small decrease possible

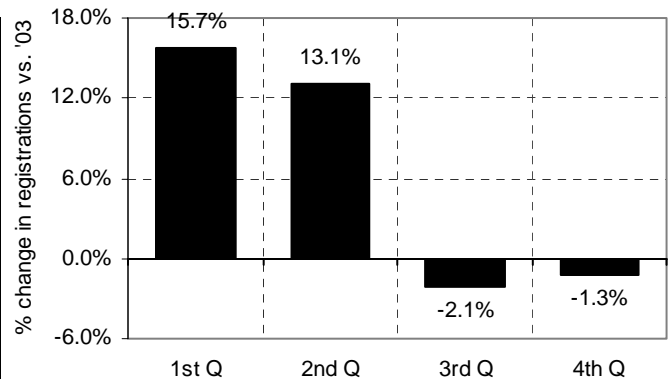
The Hawaii New Retail Light Vehicle Market — At a Glance

Summary 1. Top Ten Scoreboard

SECOND QUARTER, 2004			THIRD QUARTER, 2004			Change in mkt. share
Rank	Make	Market Share	Rank	Make	Market Share	
1	Toyota	23.8%	1	Toyota	22.3%	-1.5%
2	Nissan	11.7%	2	Nissan	12.1%	0.4%
3	Honda	11.5%	3	Honda	11.7%	0.2%
4	Ford	11.0%	4	Ford	10.6%	-0.4%
5	Chevrolet	6.0%	5	Chevrolet	6.2%	0.2%
6	Dodge	5.3%	6	Dodge	5.2%	-0.1%
7	Mazda	4.4%	7	Mazda	4.5%	0.1%
8	Lexus	2.2%	8	BMW	2.3%	0.4%
9	BMW	1.9%	9	Mercedes	2.1%	0.3%
10	Mercedes	1.8%	10	Lexus	1.9%	-0.3%

The three summaries provide an overview of the Hawaii new retail light vehicle market. The table above shows the **Top Ten** sellers in the state during the Second and Third Quarters of this year, and the change in market share for each brand. **Quarterly Results** presents the change in registrations during each quarter of this year versus 2003. The **Annual Review** table on the right shows our forecasts for 2004 and 2005, and actual figures for 2003. Detailed forecasts for all brands are on page 4. Source for historical data: The Polk Company

Summary 2. Quarterly Results



Summary 3. Annual Review and Forecast

	Forecast		% ch. '03 to '04
	2003	2004	
TOTAL	62,712	66,318	5.8%
Car	27,230	27,058	-0.6%
Light Truck	35,482	39,260	10.6%
Big Three	19,407	19,781	1.9%
Japanese	35,912	38,800	8.0%
European	5,874	5,784	-1.5%
Korean	1,519	1,953	28.6%

Special Report: Long Term Forecast

Hawaii New Vehicle Market Predicted to Remain Strong

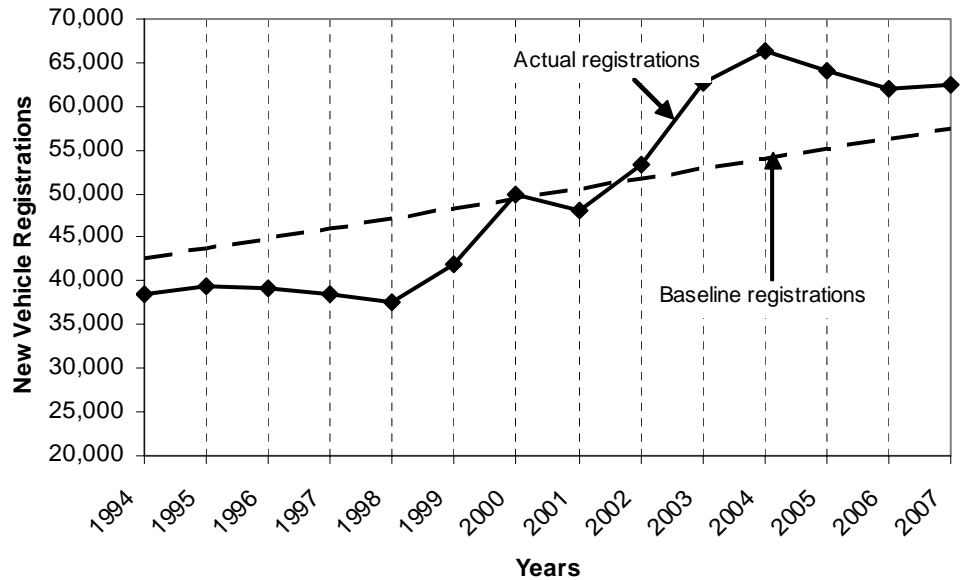
The longer term outlook for the Hawaii new retail vehicle market is very good. Based on Auto Outlook's long term forecast, new retail car and light truck registrations in Hawaii are predicted to remain above 60,000 units in each of the next three years, which based on historical standards, is well above average. We don't, however, look for the market to move sharply higher between now and 2007. In fact, a small decline is possible in 2005 and 2006.

The two graphs on this page illustrate the fundamentals that point to a continued strong market over the next three years. The top graph shows two lines: 1. **Actual** registrations from 1994 through 2003, and our forecast for 2004 through 2007. 2. **Baseline** registrations (denoted by the dotted line), representing "anticipated" registrations in the absence of economic fluctuations.

Historically, vehicle sales have followed a cyclical trend, with sales moving up and down in response to economic factors and consumer behavior. When **actual** registrations fall below **baseline**, new vehicle purchases are postponed (usually due to a slowing economy). This occurred between 1994 and 1999. When buying conditions improve, **actual** registrations move above **baseline**. This occurred last year, and should continue during the next several years. Compared to other states, the baseline trend in Hawaii is decidedly positive, which should help keep the market strong for the foreseeable future.

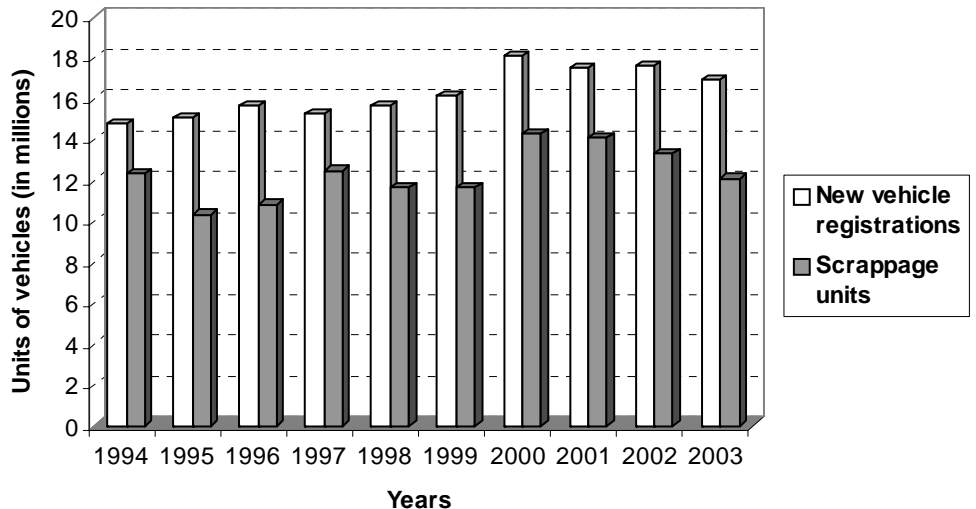
The second graph on the right shows the relationship between new vehicle registrations in the U.S. market and scrappage. Bottom line conclusion from this graph: a decrease in scrappage between 2001 and 2003, combined with a relatively strong new vehicle market, indicates that a sales boom is unlikely.

HAWAII NEW RETAIL LIGHT VEHICLE REGISTRATIONS-ACTUAL VS. BASELINE



The two lines on the graph provide a synopsis of the past and anticipated future performance of the Hawaii new retail automotive market. **Actual** registrations shows actual market results and Auto Outlook's forecast for 2004 through 2007. **Baseline** represents anticipated sales that would occur in the absence of economic fluctuations, and is a function of "core" factors, such as the number of households in the state and population over age 20. Conclusion: **actual** registrations were below **baseline** from 1994 through 1999, contributing to the relatively strong market in recent years. Source: The Polk Company.

NEW VEHICLE REGISTRATIONS AND SCRAPPAGE —U.S. MARKET



The graph above compares National new vehicle registrations and scrappage between 1994 and 2003. The relationship between these two measurements can serve as a significant predictor of new vehicle sales. When new vehicle registrations exceed scrappage, the size of the "overall vehicle fleet" is growing at an accelerated pace, which could portend a slowdown in new vehicle sales. The gap between the two was relatively large in 1999. An increase in scrappage in 2000 and a decline in new vehicle sales in 2001 helped narrow the gap somewhat. In 2002 and 2003, however, the gap widened as scrappage declined rather sharply in both years. Source: The Polk Company.

County Close-Up

All Four Markets Post Increases During First Nine Months of This Year

The table on the right provides a summary of each of Hawaii's four retail light vehicle markets. This unique localized information provides a valuable perspective on market performance, and a barometer to evaluate the performance of your dealership. The table is divided into five parts. The first, Market Summary, shows total new retail light vehicle registrations during the first nine months of 2003 and 2004, and percent change. The second and third parts show market share for light trucks and the Big Three. The final two parts show market share figures for the top five selling car and light truck brands in the state during the first nine months of 2004. The top rated market is shaded.

Observations: Registrations in each of the four island markets increased more than 6%. Big Three market share declined in all four markets. Honda car market share was 25.7% on the Big Island. Nissan light truck share was 13.6% in Honolulu. Source: The Polk Company.

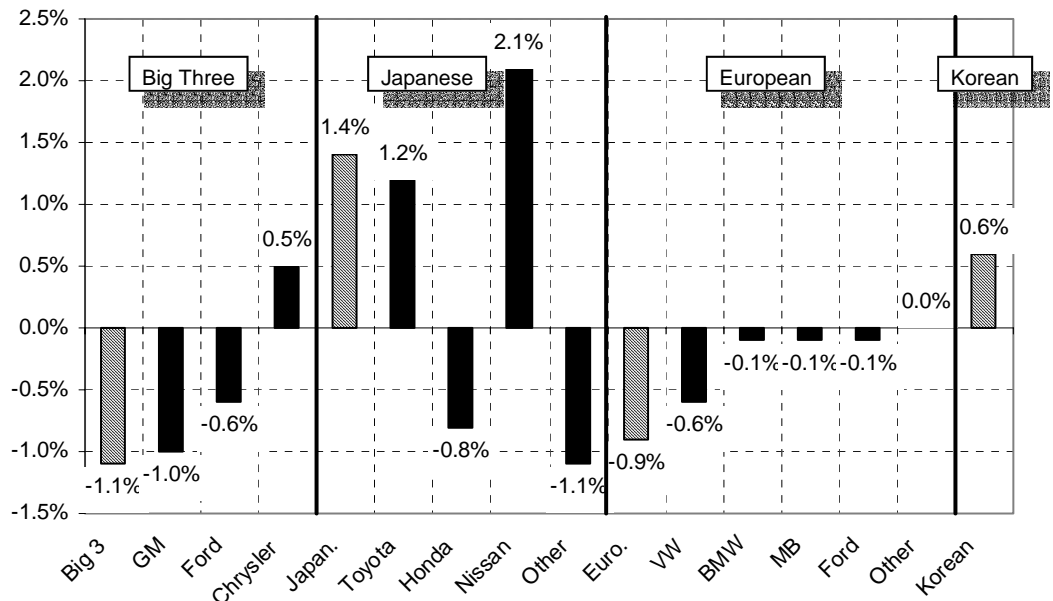
New Vehicle Markets Summary					
	Local Markets				Statewide
	Hawaii	Honolulu	Kauai	Maui	Total
Market Summary					
YTD 2003 thru Sept.	5,917	33,448	2,459	5,693	47,517
YTD 2004 thru Sept.	6,498	35,591	2,647	6,579	51,315
Percent change	9.8%	6.4%	7.6%	15.6%	8.0%
Light Truck Market Share					
YTD 2003 thru Sept.	65.2%	52.4%	67.6%	66.6%	56.5%
YTD 2004 thru Sept.	66.6%	55.6%	68.8%	67.1%	59.1%
Change	1.4%	3.2%	1.2%	0.5%	2.6%
Big Three Market Share					
YTD 2003 thru Sept.	34.3%	28.3%	35.3%	42.6%	31.1%
YTD 2004 thru Sept.	33.2%	27.7%	32.5%	38.3%	30.0%
Change	-1.1%	-0.6%	-2.8%	-4.3%	-1.1%
Market Share for Top 5 Car Brands in State (YTD 2004 thru September)					
Toyota	19.6%	22.3%	25.2%	13.8%	21.2%
Honda	25.7%	11.5%	22.7%	19.8%	14.3%
Nissan	10.5%	12.0%	7.9%	7.5%	11.2%
Mazda	12.1%	5.3%	9.7%	5.6%	6.2%
Ford	5.4%	4.4%	3.4%	9.6%	5.0%
Market Share for Top 5 Light Truck Brands in State (YTD 2004 thru September)					
Toyota	25.4%	23.7%	28.9%	22.5%	24.1%
Ford	17.3%	12.4%	13.4%	26.2%	15.2%
Nissan	9.4%	13.6%	10.8%	9.5%	12.2%
Dodge	10.7%	7.4%	11.5%	8.3%	8.2%
Chevrolet	7.8%	9.6%	9.3%	5.8%	8.8%

Market Tracker

Japanese Brands Gain 1.4 Market Share Points So Far This Year

The graph on the right tracks the changing composition of the state's market. As shown on the graph, the Big Three (consisting of "traditional domestic" brands) lost 1.1 market share points during the first nine months of this year versus the same period a year earlier. GM and Ford lost market share, but Chrysler's share was up 0.5 points. (Big Three does not include import brands owned by GM and Ford, such as Volvo and Saab.) Japanese brand market share increased 1.4 points, with Nissan (including Infiniti) increasing 2.1 points. European brand share was down 0.9 points, while Korean brand share was up 0.6 points.

Change in New Retail Light Vehicle Market Share
January thru September, 2004 vs. Year Earlier



Brands included above: Big 3: GM (Buick, Cadillac, Chevrolet, GMC, Hummer, Oldsmobile, Pontiac, and Saturn), Ford (Ford, Lincoln, and Mercury), Chrysler (Chrysler, Dodge, and Jeep). **Japanese:** Toyota (Toyota, Lexus, and Scion), Honda (Honda and Acura), Nissan (Nissan and Infiniti), Other (Isuzu, Mazda, Mitsubishi, Subaru, and Suzuki). **European:** VW (Audi, Bentley, and Volkswagen), BMW (BMW, Rolls Royce, and Mini), MB (Mercedes Benz), Ford (Aston Martin, Jaguar, Land Rover, and Volvo), Other (Ferrari, Lotus, and Maserati). **Korean:** Hyundai, Daewoo, and Kia.

Hawaii New Retail Car and Light Truck Registrations - History and Forecast									
	Registrations			Percent Change			Market Share		
	Forecast		Forecast	Forecast		Forecast	Forecast		Forecast
	2003	2004	2005	2003	2004	2005	2003	2004	2005
TOTAL	62,712	66,318	64,032	17.6%	5.8%	-3.4%	100	100	100
Acura	766	802	825	4.2%	4.7%	2.9%	1.2	1.2	1.3
Audi	349	311	361	33.2%	-10.9%	16.1%	0.6	0.5	0.6
BMW	1,234	1,377	1,267	34.9%	11.6%	-8.0%	2.0	2.1	2.0
Buick	291	230	209	-0.3%	-21.0%	-9.1%	0.5	0.3	0.3
Cadillac	246	348	366	39.8%	41.5%	5.2%	0.4	0.5	0.6
Chevrolet	3,917	3,982	3,727	22.8%	1.7%	-6.4%	6.2	6.0	5.8
Chrysler	441	528	504	-24.1%	19.7%	-4.5%	0.7	0.8	0.8
Dodge	3,276	3,637	3,393	21.0%	11.0%	-6.7%	5.2	5.5	5.3
Ford	7,302	7,185	6,929	7.7%	-1.6%	-3.6%	11.6	10.8	10.8
GMC	1,053	1,095	950	38.7%	4.0%	-13.2%	1.7	1.7	1.5
Honda	7,329	7,353	7,139	25.4%	0.3%	-2.9%	11.7	11.1	11.1
Hummer	82	104	103	412.5%	26.8%	-1.0%	0.1	0.2	0.2
Hyundai	867	983	953	17.0%	13.4%	-3.1%	1.4	1.5	1.5
Infiniti	697	701	678	94.2%	0.6%	-3.3%	1.1	1.1	1.1
Isuzu	362	374	282	-17.0%	3.3%	-24.6%	0.6	0.6	0.4
Jaguar	306	256	203	-4.7%	-16.3%	-20.7%	0.5	0.4	0.3
Jeep	726	840	881	2.0%	15.7%	4.9%	1.2	1.3	1.4
Kia	652	970	923	14.6%	48.8%	-4.8%	1.0	1.5	1.4
Land Rover	129	118	133	-1.5%	-8.5%	12.7%	0.2	0.2	0.2
Lexus	1,394	1,431	1,394	22.4%	2.7%	-2.6%	2.2	2.2	2.2
Lincoln Mercury	498	494	485	-3.7%	-0.8%	-1.8%	0.8	0.7	0.8
Mazda	3,037	3,019	2,780	10.3%	-0.6%	-7.9%	4.8	4.6	4.3
Mercedes	1,164	1,272	1,225	19.9%	9.3%	-3.7%	1.9	1.9	1.9
Mini	477	397	363	100.4%	-16.8%	-8.6%	0.8	0.6	0.6
Mitsubishi	464	398	265	-31.7%	-14.2%	-33.4%	0.7	0.6	0.4
Nissan	6,295	7,838	7,850	24.8%	24.5%	0.2%	10.0	11.8	12.3
Others	33	54	49	-26.7%	63.6%	-9.3%	0.1	0.1	0.1
Pontiac	447	415	444	10.4%	-7.2%	7.0%	0.7	0.6	0.7
Porsche	130	154	153	100.0%	18.5%	-0.6%	0.2	0.2	0.2
Saab	168	167	151	86.7%	-0.6%	-9.6%	0.3	0.3	0.2
Saturn	1,119	909	801	38.0%	-18.8%	-11.9%	1.8	1.4	1.3
Scion	0	462	790	--	--	71.0%	0.0	0.7	1.2
Subaru	812	757	809	36.0%	-6.8%	6.9%	1.3	1.1	1.3
Suzuki	638	454	453	-18.7%	-28.8%	-0.2%	1.0	0.7	0.7
Toyota	14,118	15,211	14,680	20.6%	7.7%	-3.5%	22.5	22.9	22.9
Volkswagen	1,457	1,248	1,088	-7.4%	-14.3%	-12.8%	2.3	1.9	1.7
Volvo	436	444	426	16.0%	1.8%	-4.1%	0.7	0.7	0.7

Source for historical data: The Polk Company

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Published by:
Auto Outlook, Inc.
5 Great Valley Parkway, Suite 234
Malvern, PA 19355
Phone: 800-206-0102
Email: autoecon@email.msn.com

Editor: Jeffrey A. Foltz

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Hawaii Automobile Dealers Association
1100 Alakea Street Suite 2601
Honolulu, Hawaii 96813