Minnesota New Vehicle Market Continues Winning Ways

New vehicle sales in state increase 20.9%, thru May

A lot has transpired over the past few months that, on the surface, would seem to have been enough to derail the automotive market recovery. Fuel prices moved higher, the pace of economic growth eased, the unemployment rate remained above 8%, and uncertainty from the European sovereign debt crisis remained front and center. And yet, despite all of this, state new retail light vehicle registrations have improved during the first five months of this year.

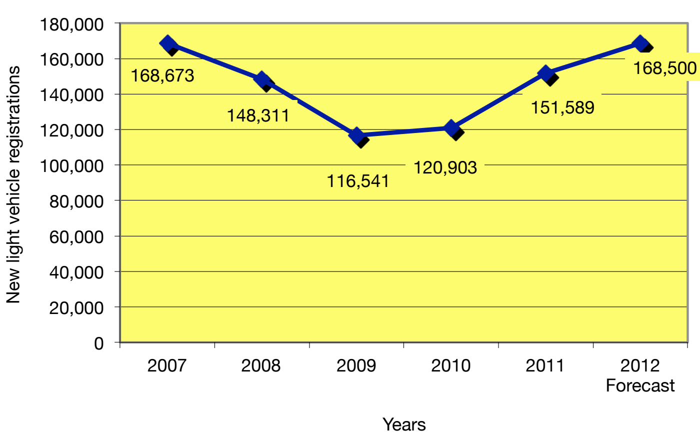
Did the increase, then, come as a surprise? Absolutely not. In fact, as we have emphasized in Auto Outlook for the past 36 months, the state market had nowhere to go but up, and a prolonged recovery in new vehicle sales was practically guaranteed. And that is exactly what has transpired. 2012 will almost certainly mark the third consecutive annual increase for the state market, and the streak should extend to four years in 2013.

How has the market managed to improve, in spite of some formidable headwinds? There are five primary reasons. First, pent up demand, and the aging of the vehicle fleet has forced many consumers to enter the new vehicle market. Second, the economy has recovered slowly since the 2008 financial crisis. Third, used car values are high, leading to good trade-in values. Fourth, 92% of the workforce that has remained employed has made significant headway in reducing debt and are in a decent position to purchase a new vehicle. And five, automotive credit markets have eased considerably, and arranging financing for all but the highest credit risks is much easier.

Four Key Market Trends

- Minnesota new retail light vehicle registrations increased 20.9% during the first five months of 2012 versus a year earlier, stronger than the 8.4% improvement in the Nation.
- Auto Outlook projects that the state new vehicle market will improve 11.2% for all of this year, with an increase likely in 2013 as well. The uptick next year would mark the fourth consecutive annual increase.
- Higher fuel prices during the first five months of this year have had minimal impact on light truck sales. Light truck market share has increased slightly and registrations were up sharply from a year earlier.
- Among the top 25 selling brands, Jeep, Mercedes, Volkswagen, Chrysler, and Kia have had the largest increases so far this year. State registrations for each of the four brands were up more than 40%.

Annual Trend in Minnesota New Vehicle Market



Market Review

	YTD '11 thru May	YTD '12 thru May	% ch. '11 to '12
TOTAL	68,996	83,394	20.9%
Car	28,998	33,991	17.2%
Light Truck	39,998	49,403	23.5%
Detroit Three	36,415	45,323	24.5%
European	4,265	6,174	44.8%
Japanese	23,042	25,091	8.9%
Korean	5,274	6,806	29.0%

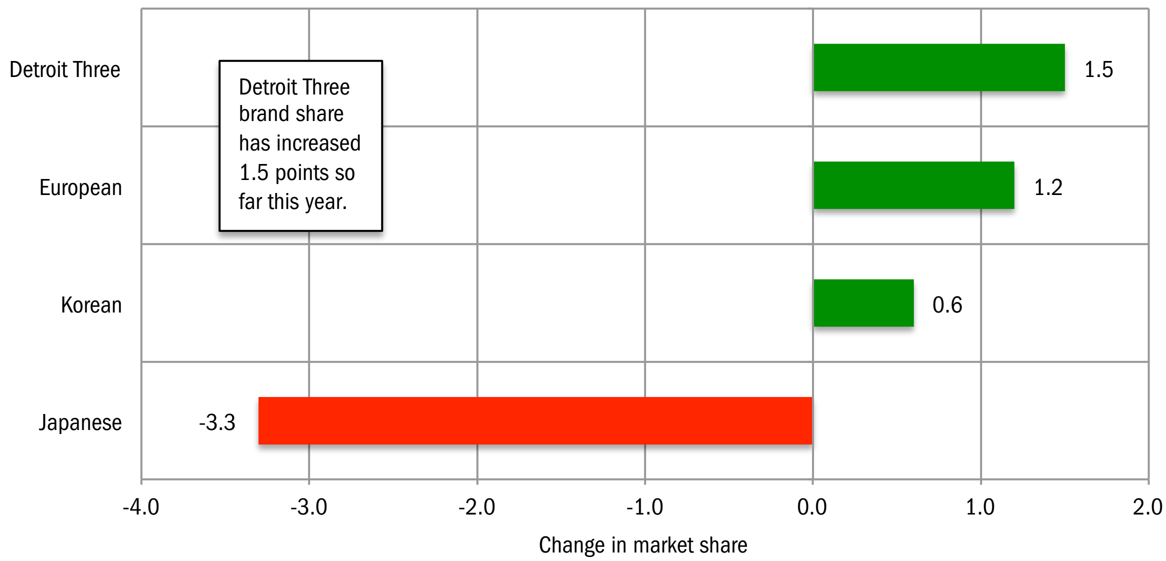
Brand Registrations Report
Minnesota New Retail Car and Light Truck Registrations

	Most recent three months (March thru May)						Year To Date thru May					
	Registrations			Market Share (%)			Registrations			Market Share (%)		
	2011	2012	% change	2011	2012	Change	YTD 2011	YTD 2012	% change	YTD 2011	YTD 2012	Change
TOTAL	42,518	57,645	35.6				68,996	83,394	20.9			
Cars	18,473	24,008	30.0	43.4	41.6	-1.8	28,998	33,991	17.2	42.0	40.8	-1.2
Light Trucks	24,045	33,637	39.9	56.6	58.4	1.8	39,998	49,403	23.5	58.0	59.2	1.2
Domestic Brands	22,409	31,478	40.5	52.7	54.6	1.9	36,415	45,323	24.5	52.8	54.3	1.5
European Brands	2,450	4,228	72.6	5.8	7.3	1.5	4,265	6,174	44.8	6.2	7.4	1.2
Japanese Brands	14,306	17,208	20.3	33.6	29.9	-3.7	23,042	25,091	8.9	33.4	30.1	-3.3
Korean Brands	3,353	4,731	41.1	7.9	8.2	0.3	5,274	6,806	29.0	7.6	8.2	0.6
Acura	284	309	8.8	0.7	0.5	-0.2	471	460	-2.3	0.7	0.6	-0.1
Audi	277	374	35.0	0.7	0.6	-0.1	487	616	26.5	0.7	0.7	0.0
BMW	471	721	53.1	1.1	1.3	0.2	889	1,013	13.9	1.3	1.2	-0.1
Buick	933	1,068	14.5	2.2	1.9	-0.3	1,547	1,542	-0.3	2.2	1.8	-0.4
Cadillac	332	397	19.6	0.8	0.7	-0.1	605	578	-4.5	0.9	0.7	-0.2
Chevrolet	8,247	10,117	22.7	19.4	17.6	-1.8	12,887	14,346	11.3	18.7	17.2	-1.5
Chrysler	850	1,481	74.2	2.0	2.6	0.6	1,449	2,099	44.9	2.1	2.5	0.4
Dodge (incl. Ram)	2,039	2,988	46.5	4.8	5.2	0.4	3,280	4,294	30.9	4.8	5.1	0.3
Fiat	0	87		0.0	0.2	0.2	0	110		0.0	0.1	0.1
Ford	7,011	10,799	54.0	16.5	18.7	2.2	11,420	15,925	39.4	16.6	19.1	2.5
GMC	1,810	2,399	32.5	4.3	4.2	-0.1	3,082	3,329	8.0	4.5	4.0	-0.5
Honda	4,063	4,110	1.2	9.6	7.1	-2.5	6,321	6,288	-0.5	9.2	7.5	-1.7
Hyundai	1,681	2,069	23.1	4.0	3.6	-0.4	2,664	3,032	13.8	3.9	3.6	-0.3
Infiniti	210	271	29.0	0.5	0.5	0.0	359	382	6.4	0.5	0.5	0.0
Jaguar	12	14	16.7	0.0	0.0	0.0	19	20	5.3	0.0	0.0	0.0
Jeep	876	1,879	114.5	2.1	3.3	1.2	1,400	2,709	93.5	2.0	3.2	1.2
Kia	1,672	2,662	59.2	3.9	4.6	0.7	2,610	3,774	44.6	3.8	4.5	0.7
Land Rover	59	135	128.8	0.1	0.2	0.1	113	185	63.7	0.2	0.2	0.0
Lexus	583	486	-16.6	1.4	0.8	-0.6	968	745	-23.0	1.4	0.9	-0.5
Lincoln	274	350	27.7	0.6	0.6	0.0	466	501	7.5	0.7	0.6	-0.1
Mazda	723	943	30.4	1.7	1.6	-0.1	1,240	1,375	10.9	1.8	1.6	-0.2
Mercedes	290	679	134.1	0.7	1.2	0.5	530	932	75.8	0.8	1.1	0.3
MINI	115	190	65.2	0.3	0.3	0.0	182	281	54.4	0.3	0.3	0.0
Mitsubishi	171	220	28.7	0.4	0.4	0.0	249	313	25.7	0.4	0.4	0.0
Nissan	2,149	2,720	26.6	5.1	4.7	-0.4	3,484	4,036	15.8	5.0	4.8	-0.2
Porsche	31	56	80.6	0.1	0.1	0.0	48	75	56.3	0.1	0.1	0.0
Saab	35	29	-17.1	0.1	0.1	0.0	61	48	-21.3	0.1	0.1	0.0
smart	14	6	-57.1	0.0	0.0	0.0	14	9	-35.7	0.0	0.0	0.0
Subaru	1,381	2,043	47.9	3.2	3.5	0.3	2,233	2,907	30.2	3.2	3.5	0.3
Suzuki	67	78	16.4	0.2	0.1	-0.1	95	129	35.8	0.1	0.2	0.1
Toyota/Scion	4,675	6,028	28.9	11.0	10.5	-0.5	7,622	8,456	10.9	11.0	10.1	-0.9
Volkswagen	975	1,688	73.1	2.3	2.9	0.6	1,634	2,523	54.4	2.4	3.0	0.6
Volvo	167	232	38.9	0.4	0.4	0.0	278	341	22.7	0.4	0.4	0.0
Other	41	17	-58.5	0.1	0.0	-0.1	289	21	-92.7	0.4	0.0	-0.4

Source: AutoCount data from Experian Automotive

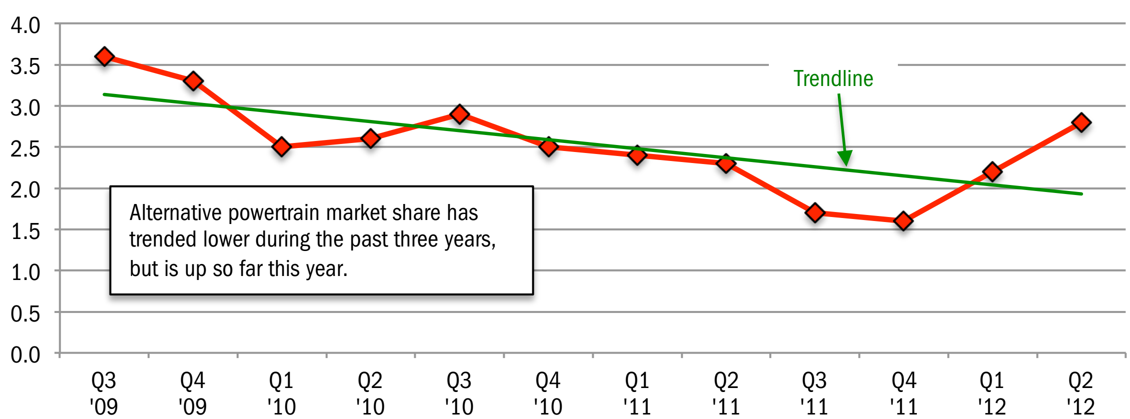
MARKET TRACKER: BRAND MARKET SHARE

Detroit Three and European Brands Are Up



MARKET TRACKER: HYBRID AND ELECTRIC VEHICLES

Hybrid & Electric Share Increases



Note: Second Quarter 2012 includes April and May figures only.

BRAND SCOREBOARD - PART ONE

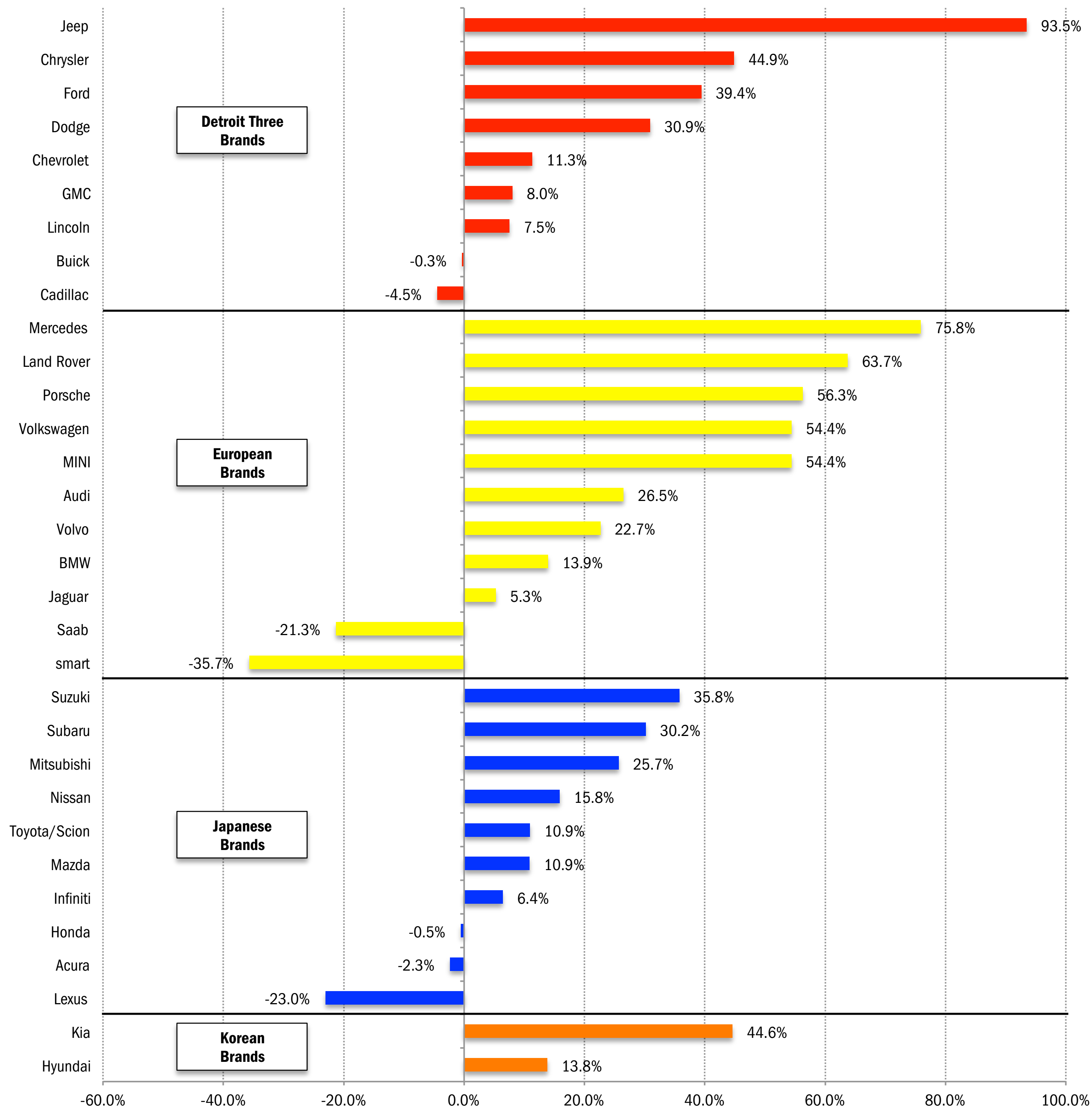
Jeep and Mercedes Post Largest Gains So Far This Year

Suzuki and Subaru have largest percentage increases 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).

Source: AutoCount data from Experian Automotive.

Percent Change in State New Retail Light Vehicle Registrations
YTD 2012 thru May vs. YTD 2011

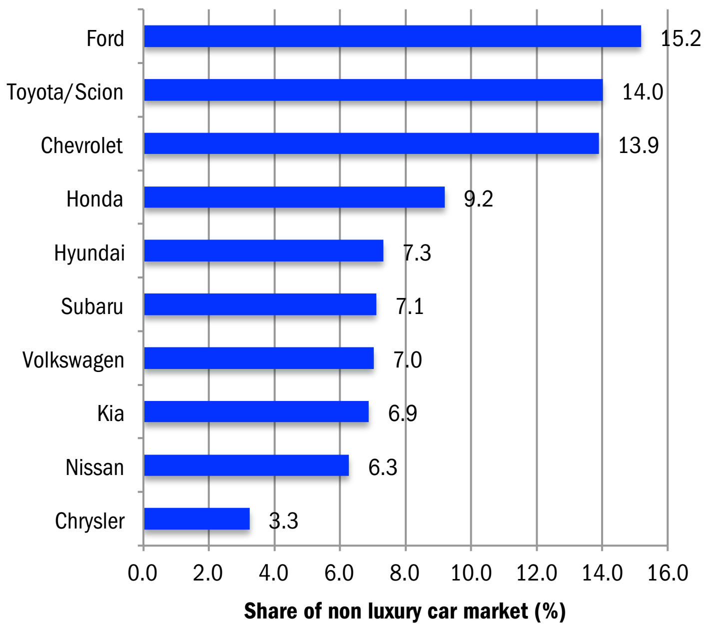


Ford is Non-Luxury Car and Light Truck Brand Leader

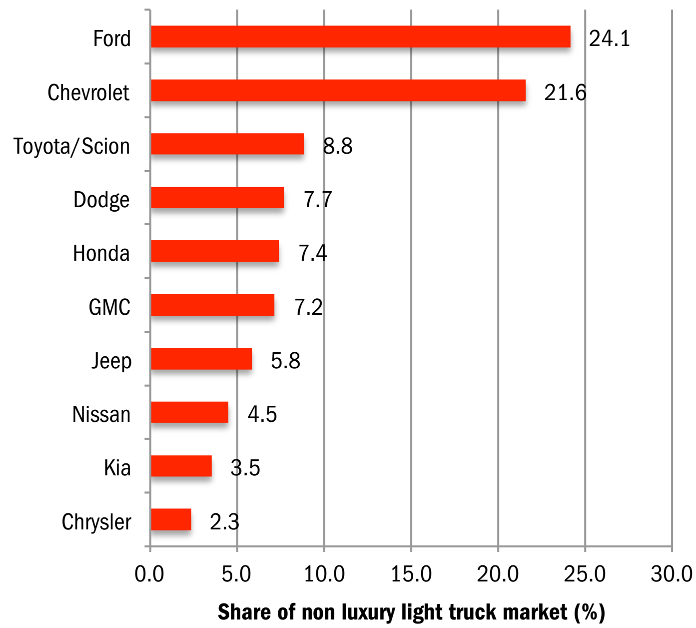
BMW is best selling luxury car brand; Mercedes is luxury light truck leader

The four graphs below show market share leaders in Minnesota during the first five months of this year for four primary segments: Non Luxury Cars, Non Luxury Trucks, Luxury Cars, and Luxury Trucks. Ford was the best-selling Non Luxury Car brand, with a 1.2 point lead over second place Toyota. Ford was the top ranked Non Luxury Light Truck brand, ahead of Chevrolet. BMW was the best-selling Luxury Car brand, while Mercedes was highest for trucks.

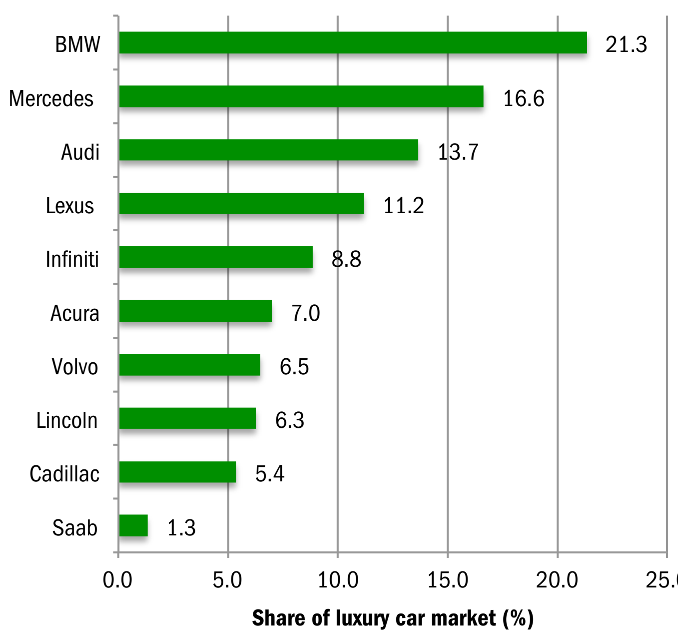
Top 10 Non Luxury Car Brands in State Market
YTD 2012 thru May



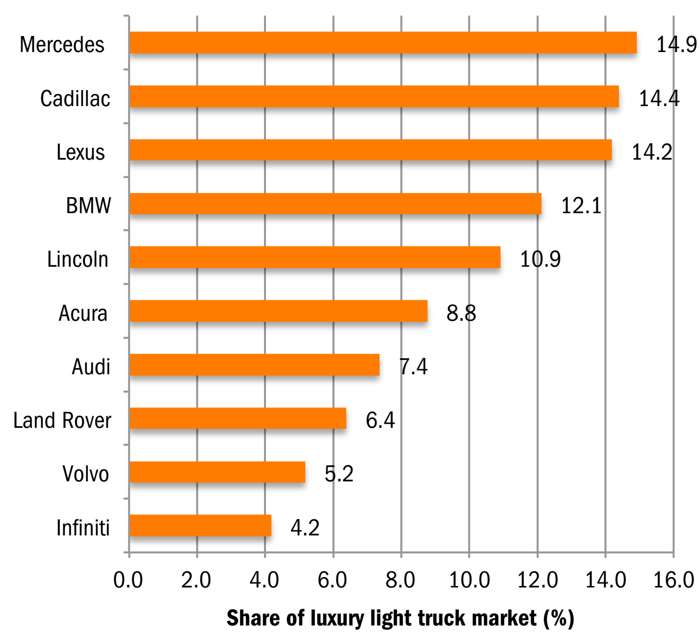
Top 10 Non Luxury Light Truck Brands in State Market
YTD 2012 thru May



Top 10 Luxury Car Brands in State Market
YTD 2012 thru May



Top 10 Luxury Light Truck Brands in State Market
YTD 2012 thru May

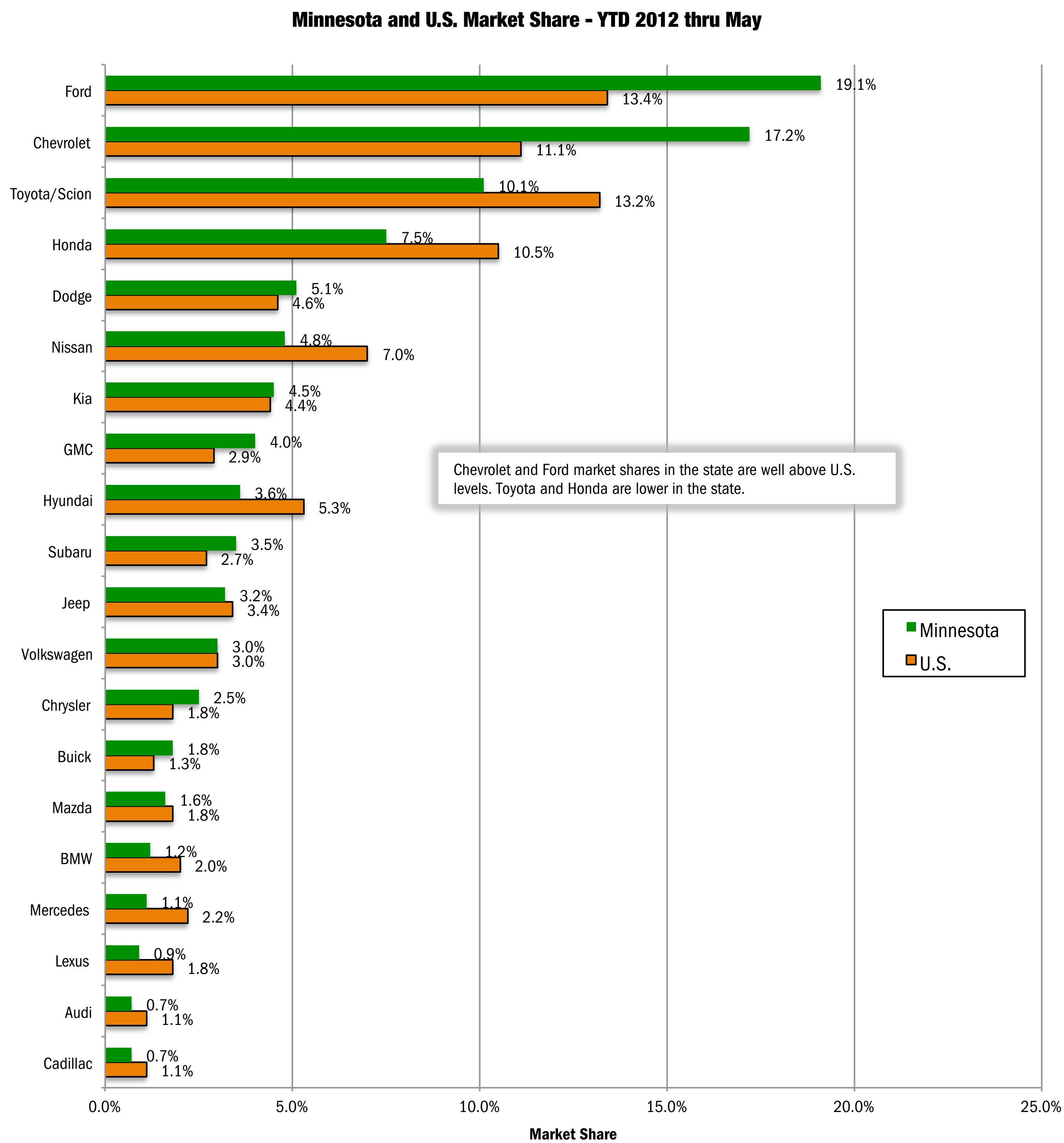


BRAND SCOREBOARD - PART THREE

Ford Market Share in State Approaches 20%

Chevrolet's share of state market exceeds U.S. by 6.1 points

The graph below provides a comparison of Minnesota and U.S. new retail market share during the first five 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. Ford was the state leader, accounting for 19.1% of the market, higher than its 13.4% share in the Nation. Source: AutoCount data from Experian Automotive.



MODEL SCOREBOARD

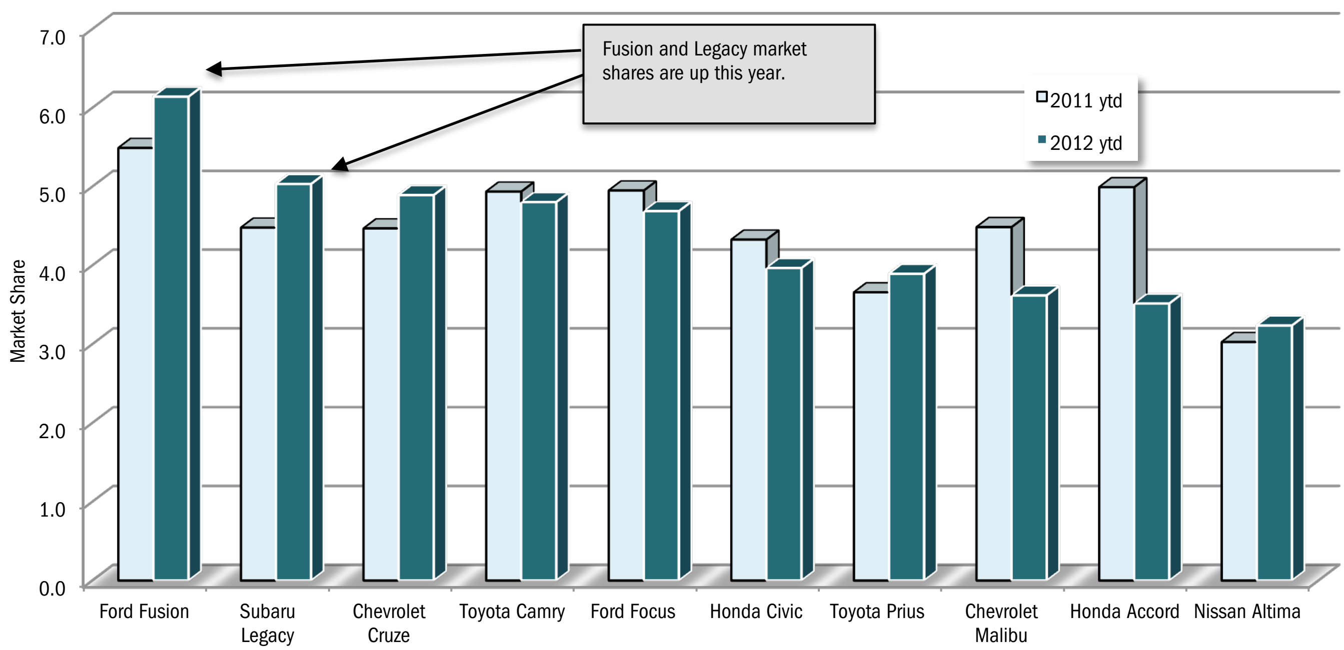
Fusion and Legacy Gain Market Share

Tight supplies and stiff new competition pushes Accord share lower

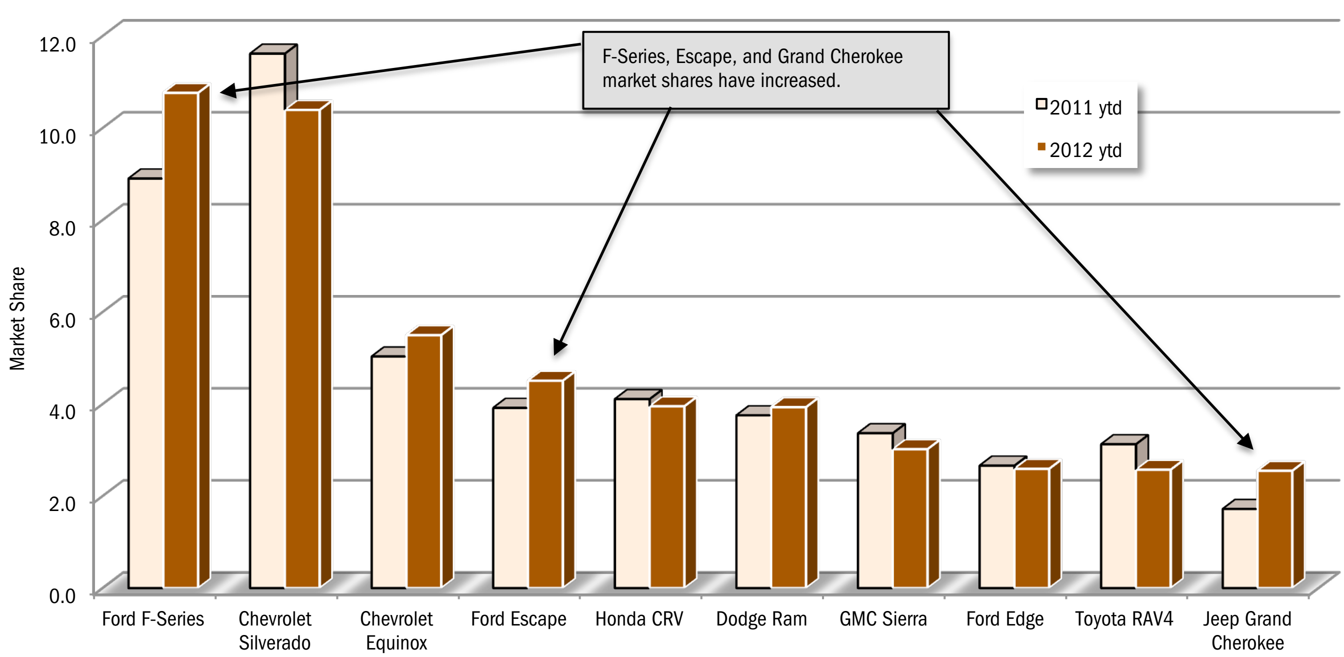
The two graphs below show market shares in the state car and light truck markets during the first five months of 2011 and 2012. Includes the top ten selling models for cars and light trucks.

Data source: AutoCount data from Experian Automotive.

Change in Market Share for Top 10 Selling Cars - YTD 2012 thru May vs. YTD 2011



Change in Market Share for Top 10 Selling Light Trucks - YTD 2012 thru May vs. YTD 2011



Increase in State Market Surpasses U.S.

Light Truck market share in state 10.4 points higher than in Nation

The accompanying table provides a comparison of results in both the Minnesota and U.S. markets. New vehicle sales in the state improved 20.9% during the first five months of 2012 versus a year earlier, while the U.S. market increased 8.4%. Car market share in Minnesota was 10.4 share points lower than in the Nation. Detroit Three market share in Minnesota was 54.3%, up from 2011, and well above the 40.6% share in the Nation.

Source: AutoCount data from Experian Automotive.

	Minnesota Market		U.S. Market	
Market Growth % change in registrations YTD 2012 thru May vs. YTD 2011	20.9%		8.4%	
Car Market Share Car share of industry retail light vehicle registrations - YTD 2012 thru May	40.8%		51.2%	
Detroit Three Brand Market Share Domestic brand share of industry retail light vehicle registrations - YTD 2012 thru May	54.3%		40.6%	
Top Selling Retail Brands *Top selling light vehicle brands and market share - YTD 2012 thru May*				
First	Ford	19.1%	Ford	13.4%
Second	Chevrolet	17.2%	Toyota/Scion	13.2%
Third	Toyota/Scion	10.1%	Chevrolet	11.1%
Fourth	Honda	7.5%	Honda	10.5%
Fifth	Dodge (incl. Ram)	5.1%	Nissan	7.0%
Sixth	Nissan	4.8%	Hyundai	5.3%
Seventh	Kia	4.5%	Dodge	4.6%
Eighth	GMC	4.0%	Kia	4.4%
Ninth	Hyundai	3.6%	Jeep	3.4%
Tenth	Subaru	3.5%	Volkswagen	3.0%

Minnesota Used Vehicle Market Declines in First Five Months of 2012

Tight supplies continue to put a damper on sales

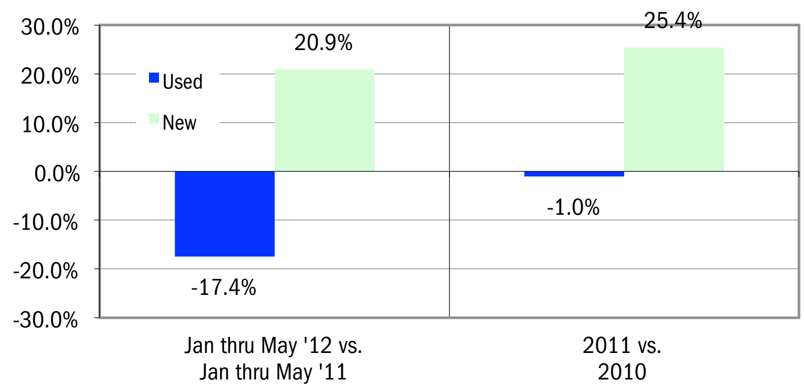
Below is a list of key trends in the Minnesota retail used vehicle market:

- Retail used registrations in the state declined 17.4% during the first five months of 2012 versus a year earlier.
- As shown on the graph below, the new vehicle market out-performed the used vehicle market (on a percentage change basis) in 2011 and the first five months of 2012.
- Depressed new vehicle sales during 2009 were responsible for the sharp decline in three year old used vehicle market share.
- Used light truck registrations declined 12% so far this year, while cars were off 22.1%.
- Chevrolet Silverado was the best-selling model in the state for three and four year old vehicles.
- Used registrations for Porsche and Kia each increased during the first five months of this year versus a year earlier. Infiniti, Mercedes, Audi, and Hyundai had small declines.

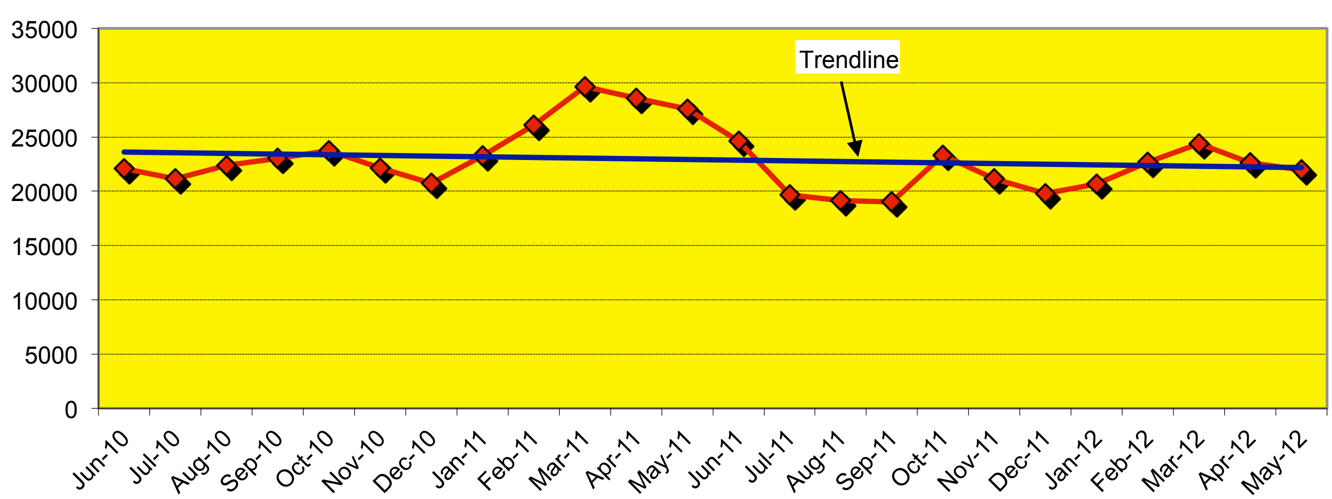
MINNESOTA RETAIL USED LIGHT VEHICLE REGISTRATIONS YTD THRU MAY

	Registrations		% Change	Market Share	
	2011	2012	'11 TO '12	2011	2012
TOTAL	125,477	103,619	-17.4%		
Cars	67,357	52,492	-22.1%	53.7%	50.7%
Light Trucks	58,120	51,127	-12.0%	46.3%	49.3%
Big Three	91,660	74,891	-18.3%	73.0%	72.3%
Japanese	24,623	20,703	-15.9%	19.6%	20.0%
European	6,581	5,680	-13.7%	5.2%	5.5%
Korean	2,613	2,345	-10.3%	2.1%	2.3%

% Change in Retail New and Used Vehicle Markets



MINNESOTA RETAIL USED VEHICLE REGISTRATIONS-THREE MONTH MOVING AVERAGE (JUNE '10 THRU MAY '12)



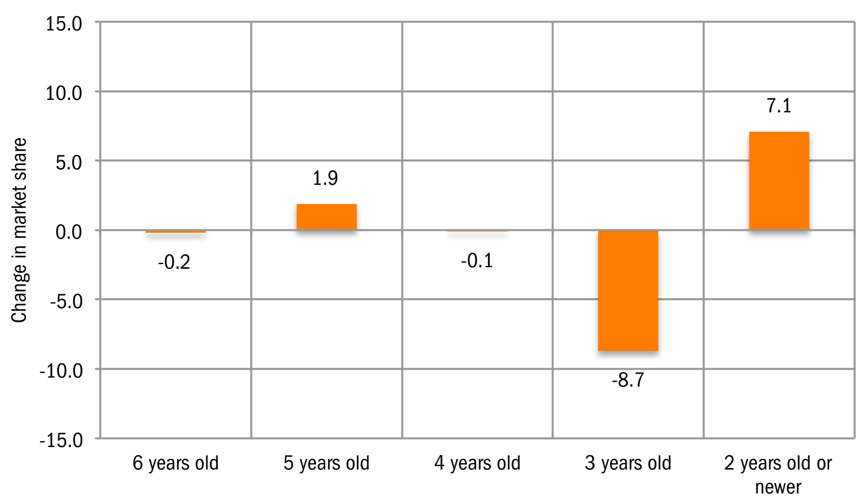
3 Year Old Market Tumbles

Two year old market share increases 7.1 points

As highlighted on the graph below, the sweet spot in the Minnesota used vehicle market is shifting, due to changes in wholesale availability of pre-owned vehicles. Depressed new vehicle sales in 2009 have made three year old used vehicles a scarce commodity, with market share declining 8.7 points. Two year old market share increased 7.1 points during the first five months of this year versus a year earlier.

Change in Market Share by Vehicle Age (vehicles six years old or newer)

YTD 2012 thru May vs. YTD 2011

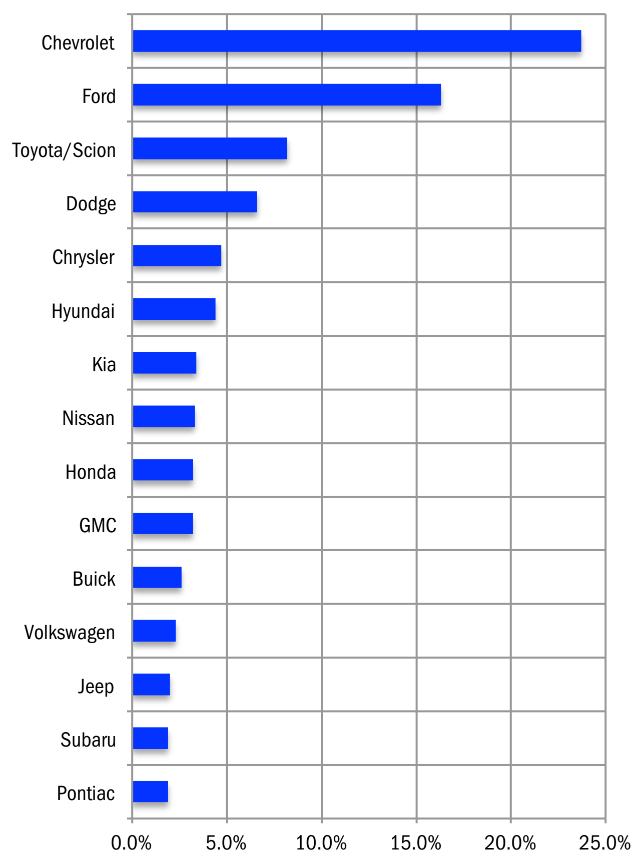


Chevrolet and Ford are Leaders in State Used Vehicle Market

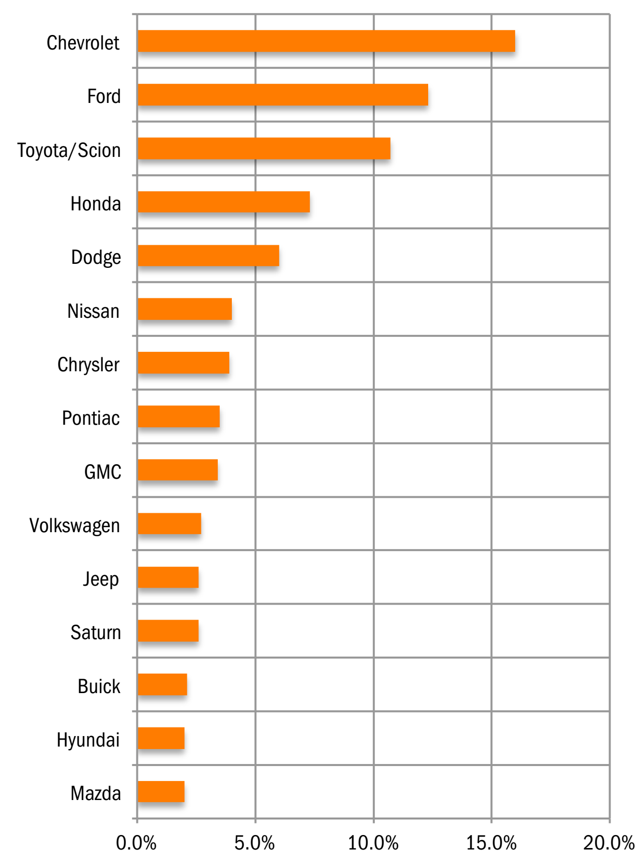
Honda share is higher for three and four year old vehicles

The two graphs below show brand market share leaders for vehicles two years old or newer, and for 3 and 4 year old vehicles. Chevrolet, Ford, and Toyota/Scion were ranked first, second, and third in both age categories. Honda had a 7.3% share for three and four year old vehicles, compared to 3.2% for vehicles two years old or newer.

Brand Market Share - Vehicle 2 years old or newer
YTD 2012 thru May



Brand Market Share - 3 and 4 Year Old Vehicles
YTD 2012 thru May



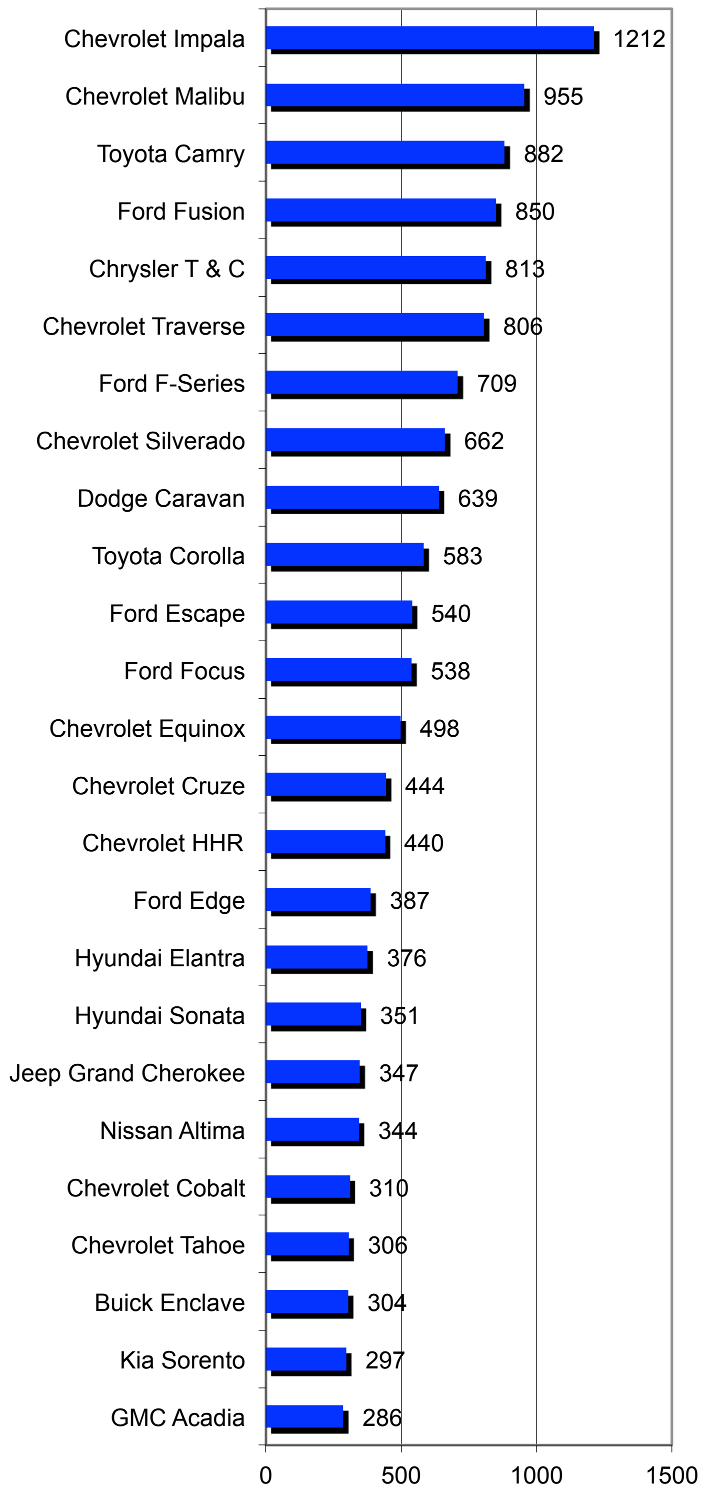
TOP SELLING MODELS

Silverado is Top Seller in Minnesota Used Vehicle Market

Impala was leader among two year old vehicles

The graphs below show top selling models in two age categories: vehicles two years old or newer, and three and four year old vehicles. Source: AutoCount data from Experian Automotive.

Top 25 Selling Models (Two years old or newer)
Used retail registrations, YTD 2012 thru May



Top 25 Selling Models (3 and 4 Year Old Vehicles)
Used retail registrations, YTD 2012 thru May