

FORECAST

County New Vehicle Registrations Predicted to Approach 180K in '18



Key factors providing a boost to new vehicle sales

Economic growth is solid. The economy has been growing at a respectable, albeit less than robust, pace for several years. Most economists expect this trend to continue in 2018. Positives are lower taxes and rising employment. Negatives are increasing interest rates and potential harmful fallout resulting from restrictive trade policies. These negatives should not be enough to derail the economy, however.

Consumer confidence is high. The improving economy, rising incomes, and ascending net worth have led many consumers to feel upbeat about current and future economic conditions. The volatile stock market and higher borrowing costs are potential concerns for 2018, but baseline consumer sentiment should remain positive.

New vehicles have a lot to offer. From zero emission electric vehicles to every conceivable iteration of SUVs and trucks, manufacturers are serving up an impressive array of new vehicles. And these new models are packed with driver assistance and infotainment technologies that make the average 10 year old vehicle on the road seem obsolete.



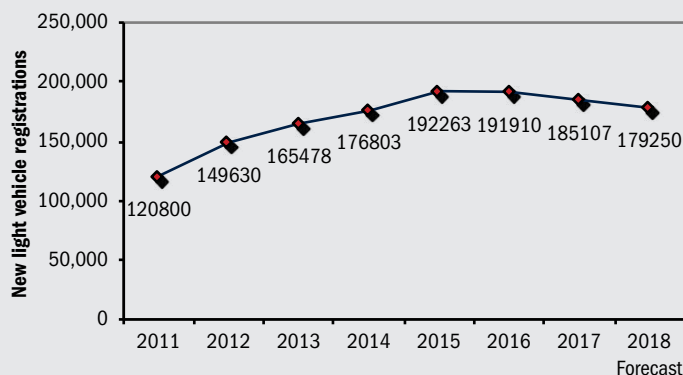
Key factors holding back new vehicle sales

Consumer affordability is weakening. Low interest rates, steady (if not spectacular) household income growth and high incentives combined to keep new vehicle affordability strong for many years. But this scenario is changing. Higher loan rates are boosting monthly finance and lease payments, which will keep some new vehicle shoppers on the sidelines.

Used vehicle values are softening. Improving supplies of used cars and trucks and increasing off-lease volumes are likely to put a mild damper on new vehicle sales in two ways. First, trade in values will soften, increasing net transaction prices. And second, lower used vehicle prices will entice some consumers to purchase used vehicles instead of new.

Pent up demand is waning. The county new vehicle market posted big gains between 2009 and 2015, but there is a ceiling on how high sales can go. As shown on the graph to the left, the market has plateaued during the past two years and is likely to drift lower in 2018.

Annual Trend in County Market



The graph above shows annual new retail light vehicle registrations in the county from 2011 thru 2017 and Auto Outlook's projection for 2018.

Market Summary

	YTD '16 thru Mar.	YTD '17 thru Mar.	YTD '18 thru Mar.	% ch. '17 to '18
TOTAL	47,323	46,861	44,714	-4.6%
Car	25,950	24,002	20,899	-12.9%
Light Truck	21,373	22,859	23,815	4.2%
Detroit Three	10,558	10,333	9,984	-3.4%
European	8,887	9,297	9,368	0.8%
Japanese	23,460	23,118	22,348	-3.3%
Korean	4,418	4,113	3,014	-26.7%

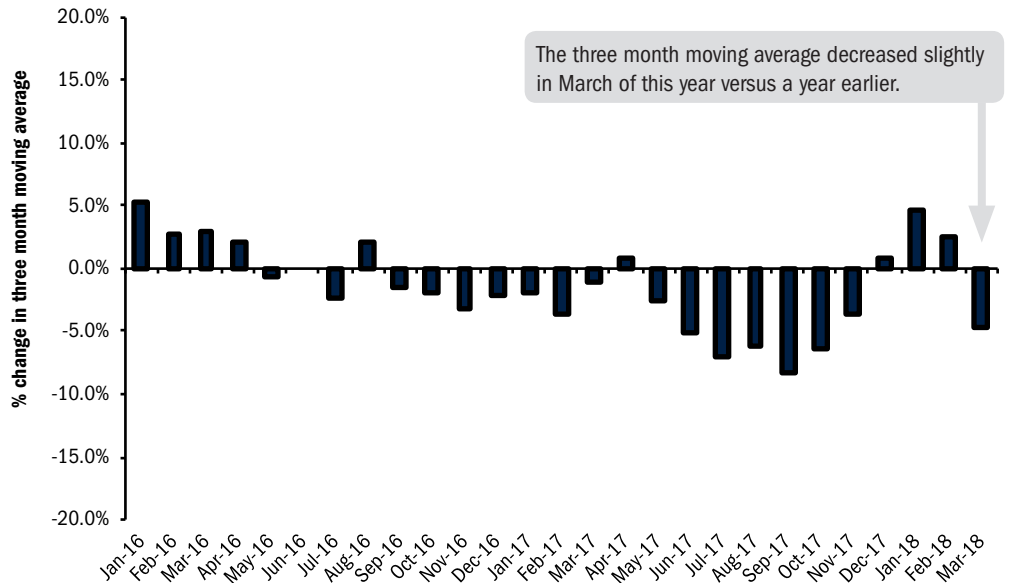
Detroit Three consists of vehicles sold by GM, Ford, and Chrysler. Data Source: AutoCount data from Experian.

MARKET TRACKER: MONTHLY MOVING AVERAGE

Market Eases in Early 2018; Sales Remain Strong

The graph to the right provides a clear picture of the general trending direction of the Orange County new retail light vehicle market. The graph shows the year-over-year percent change in the three month moving average of new retail light vehicle registrations. The three month moving average provides a clearer picture of the trending direction than individual monthly registrations, which can fluctuate due to such factors as the timing of manufacturer incentive programs, weather, and vehicle title processing delays by governmental agencies.

Percent Change in Orange County New Retail Light Vehicle Registrations Three Month Moving Average versus Year Earlier

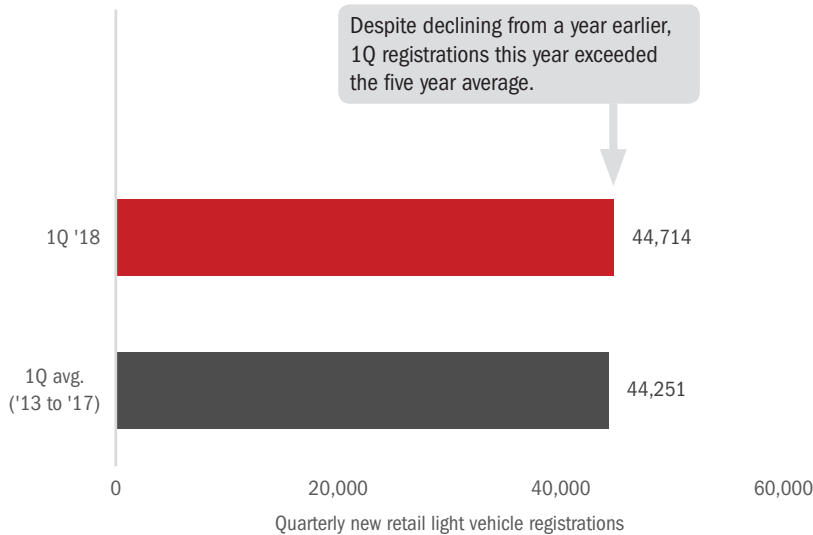


MARKET TRACKER: QUARTERLY PERSPECTIVE

1Q '18 Total Exceeds 44,000 Units

QUARTERLY PERSPECTIVE

1Q 2018 Registrations Versus Average for Previous Five Years



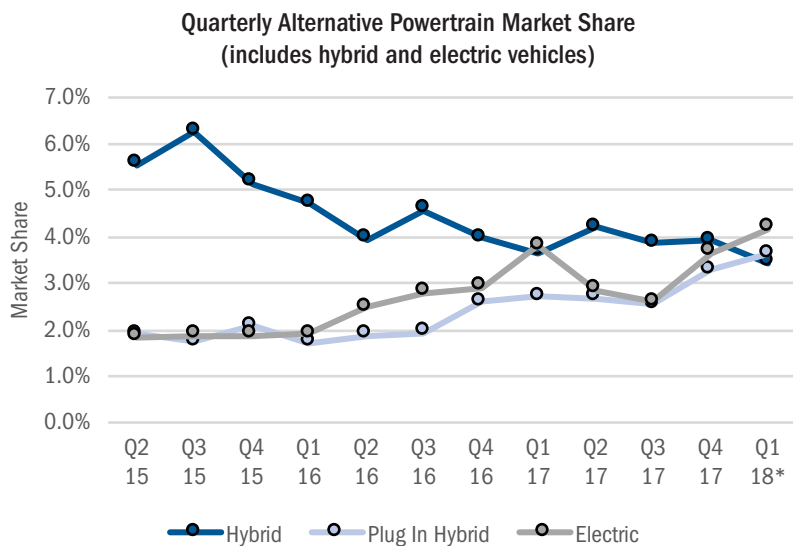
Details on Data

Data presented measures new vehicles registered to purchasers (or lessees) residing in Orange County. Monthly recording of registrations occurs when vehicle title is processed.

Data Source: AutoCount Data from Experian.

MARKET TRACKER: HYBRID AND ELECTRIC VEHICLES

Prius Is Top Seller in Hybrid/Electric Market



Hybrid/electric vehicle market share in Q1 '18:

Orange County: 11.2%

U.S. : 3.5%

The graph above shows hybrid powertrain and electric vehicle quarterly market share in the county. *First Quarter 2018 includes January and February. Source: IHS Markit.

MARKET TRACKER - SEGMENTS

Compact SUV Segment is Top Seller in County Market

Orange County Segment Market Share Review				
Segment	Market Share YTD '17 thru March	Market Share YTD '18 thru March	Change in share YTD '17 to '18	Best selling model in segment
Compact SUV	13.7	16.4	2.7	Toyota RAV4
Sub Compact Car	18.6	15.5	-3.1	Honda Civic
Standard Mid Size Car	12.8	11.1	-1.7	Toyota Camry
Near Luxury Car	7.8	8.6	0.8	Mercedes C-Class
Mid Size Luxury SUV	6.5	6.9	0.4	Lexus RX
Compact Luxury SUV	5.1	5.9	0.8	Lexus NX
Full Size Pickup	5.0	5.2	0.2	Ford F-Series
Luxury Car	5.1	5.2	0.1	Mercedes E-Class
Mid Size Crossover SUV	3.7	4.4	0.7	Honda Pilot
Entry Car	3.6	3.2	-0.4	Honda Clarity
Mid Size SUV	3.4	3.1	-0.3	Jeep Grand Cherokee
Compact Pickup	2.8	3.0	0.2	Toyota Tacoma
Full Size Crossover SUV	3.0	2.9	-0.1	Ford Explorer
Mini Van	2.4	1.9	-0.5	Honda Odyssey
Full Size Luxury SUV	1.5	1.6	0.1	Land Rover Range Rover
Full Size SUV	1.3	1.3	0.0	Chevrolet Tahoe
Sport Compact Car	1.3	1.2	-0.1	Ford Mustang
Full Size Van	0.8	0.9	0.1	Ford Transit Connect
Large Mid Size Car	0.9	0.7	-0.2	Dodge Charger
Sports Car	0.8	0.7	-0.1	Porsche 911

The table above shows Orange county market share for 20 vehicle segments during the first three months of 2017 and 2018, and the change in market share over the period. The best selling model in each segment is also shown. Segments are ranked from top to bottom based on ytd 2018 share. Source: AutoCount data from Experian.

BRAND SCOREBOARD - PART ONE

Registrations Increase for Ten Brands in First Quarter 2018

The graph below presents a comprehensive picture of brands that are gaining (or losing) ground in the county market. It shows both the unit AND percent change in registrations during the first three months of 2017 and 2018. Viewing both measures on the same graph provides a more clear-cut signal on how each brand is doing.



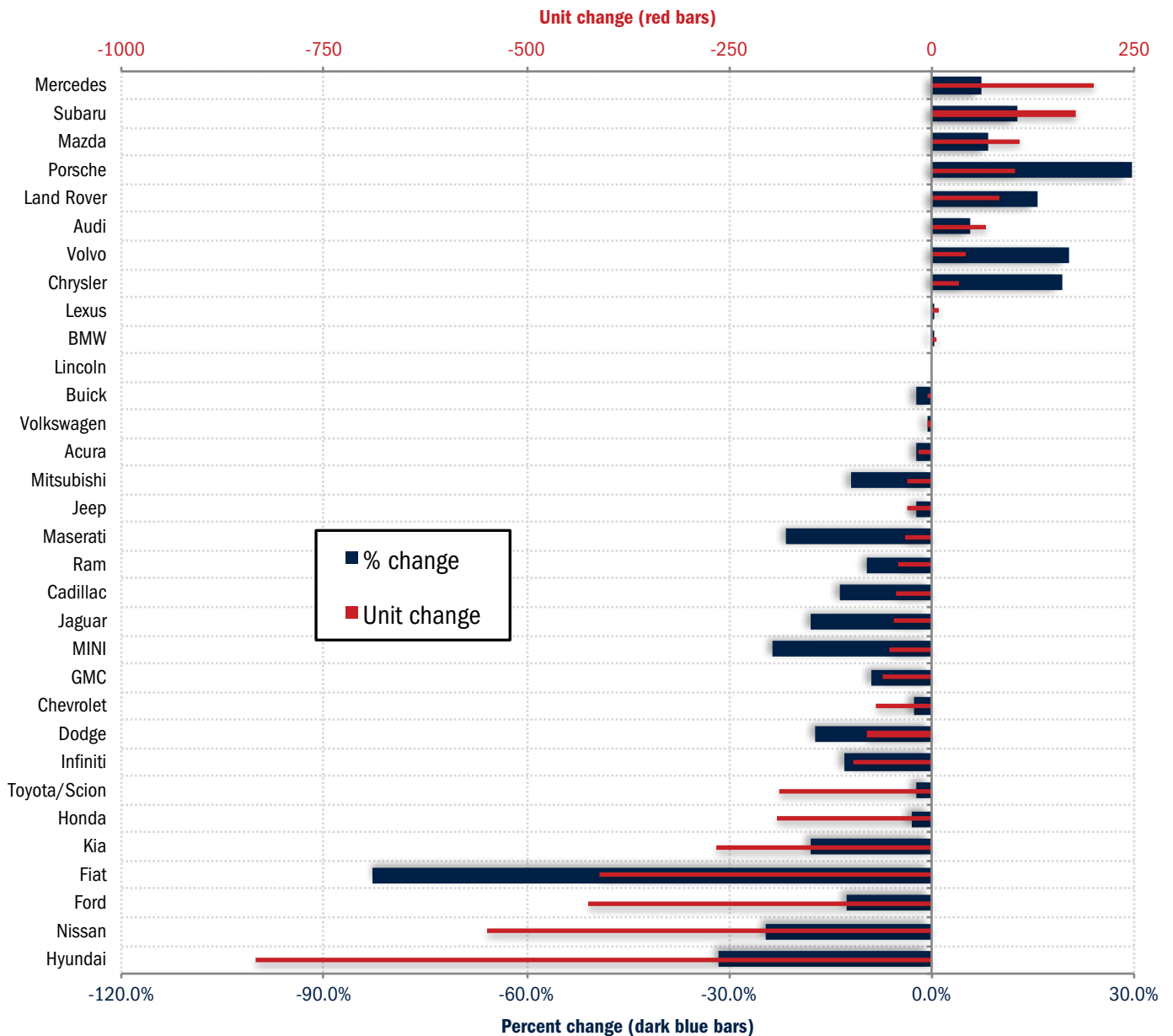
10 percent

Six brands had increases of greater than 10%: Tesla, Porsche, Volvo, Chrysler, Land Rover, and Subaru

100 units

Six brands had increases of greater than 100 units: Tesla, Mercedes, Subaru, Mazda, and Porsche.

Change in New Retail Light Vehicle Registrations (YTD '18 thru March vs. YTD '17)



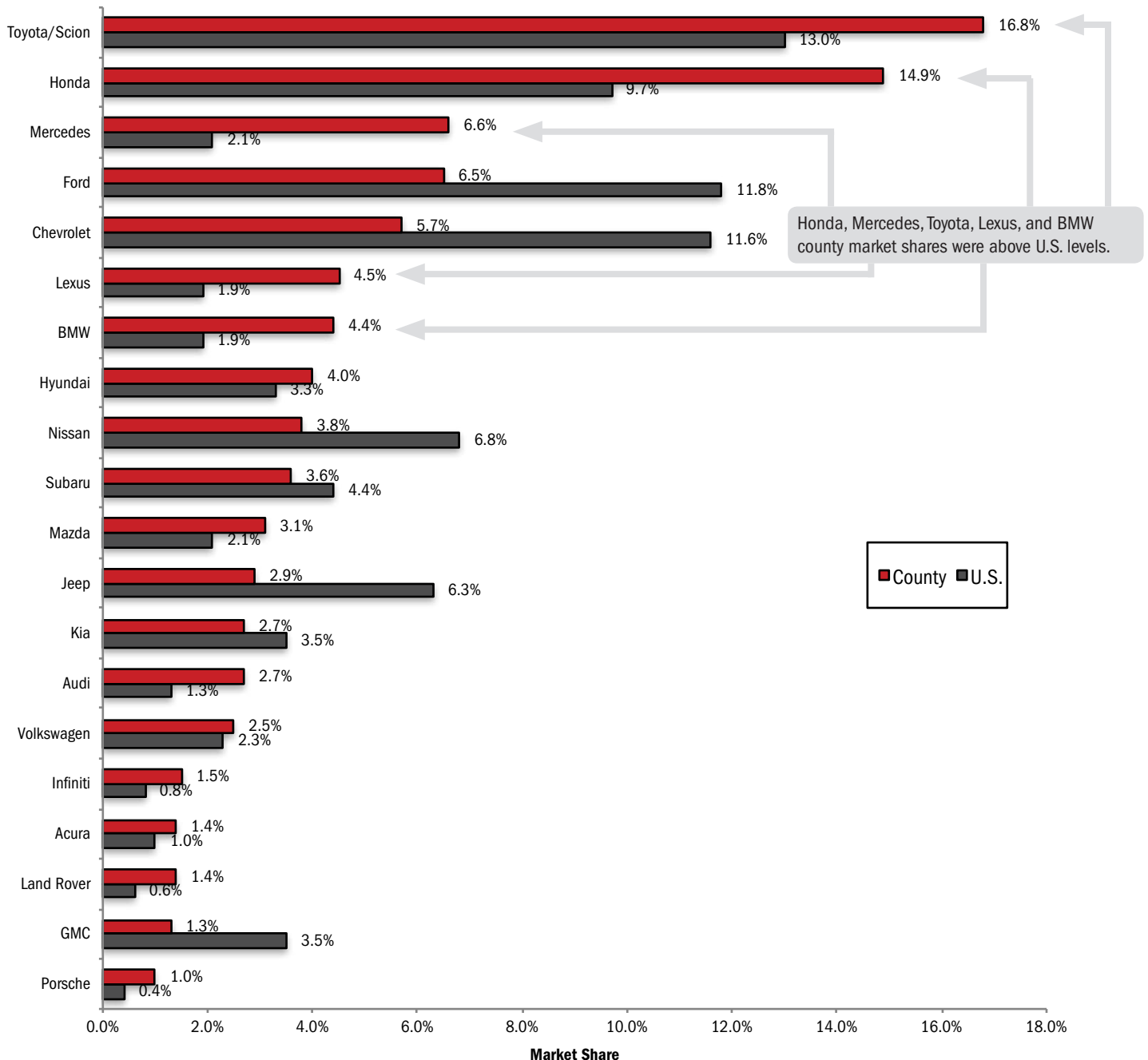
Source: AutoCount data from Experian.

BRAND SCOREBOARD - PART TWO

Honda, Mercedes and Toyota County Shares are Well Above U.S.

The graph below provides a comparison of Orange County and U.S. new retail market share during the first three months of this year for the top 20 selling brands in the county. Brands are positioned on the graph from top to bottom based on county market share. Toyota was the county leader, accounting for 16.8% of the market, well above its 13.0% share in the Nation.

County and U.S. Market Share - YTD 2018 thru March



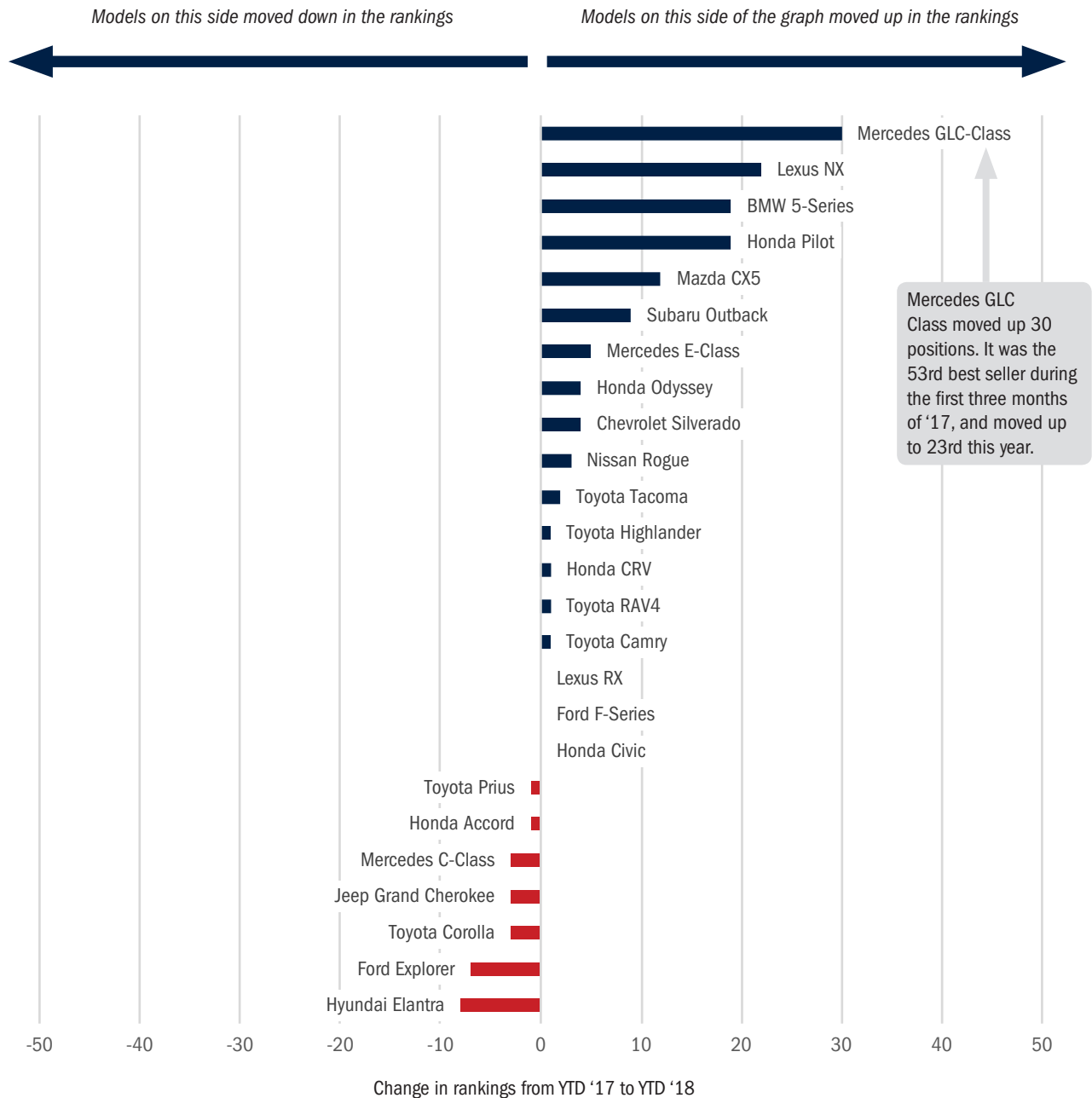
Source: AutoCount data from Experian

MODEL RANKINGS

Mercedes GLC Class and Lexus NX Move Up in Rankings

The graph below shows the change in rankings during the first three months of 2017 to the same period this year for the top 25 selling models in the Orange County market. Models are positioned on the graph from top to bottom based on the change in rankings. The biggest gainer was the Mercedes GLC Class. Other big winners were Lexus NX, BMW 5-Series, and Honda Pilot.

Change in Rankings for Top 25 Selling Models - YTD '17 thru March to YTD '18



Mercedes GLC Class moved up 30 positions. It was the 53rd best seller during the first three months of '17, and moved up to 23rd this year.

Source: AutoCount data from Experian.

COMPARISON OF ORANGE COUNTY AND U.S. MARKETS

Car Market Share in Orange County Falls Below 50%

	Orange County Retail Market	U.S. Retail Market
% change in registrations YTD '18 thru March vs. YTD '17	-4.6%	0.1%
Car share of industry retail light vehicle market YTD '18 thru March	46.7%	31.5%
Domestic brand share of industry retail light vehicle market YTD '18 thru March	22.3%	42.5%

Brand	New Retail Registrations - YTD '18 thru March				Market Share (YTD '18)	
	Orange County		U.S.		Orange County	U.S.
	Regs.	% ch. vs. 2017	Regs.	% ch. vs. 2017		
Acura	626	-2.3%	31,455	3.1%	1.4	1.0
Audi	1,189	5.9%	43,159	5.1%	2.7	1.3
BMW	1,978	0.3%	63,399	-0.5%	4.4	1.9
Buick	203	-2.4%	51,458	9.4%	0.5	1.6
Cadillac	279	-13.6%	30,934	3.2%	0.6	0.9
Chevrolet	2,551	-2.6%	381,343	-0.1%	5.7	11.6
Chry Dodge Jeep Ram	2,268	-4.9%	395,865	4.1%	5.1	12.0
Chrysler	216	19.3%	31,136	-5.9%	0.5	0.9
Dodge	382	-17.3%	64,832	-12.2%	0.9	2.0
Jeep	1,275	-2.3%	206,448	18.9%	2.9	6.3
Ram	395	-9.6%	93,449	-6.1%	0.9	2.8
Fiat	85	-82.8%	3,908	-46.1%	0.2	0.1
Ford	2,906	-12.7%	390,125	-3.2%	6.5	11.8
GMC	602	-9.1%	114,031	0.4%	1.3	3.5
Honda	6,646	-2.8%	320,393	-2.4%	14.9	9.7
Hyundai	1,803	-31.6%	108,561	-7.2%	4.0	3.3
Infiniti	650	-13.0%	27,683	-3.1%	1.5	0.8
Jaguar	213	-17.8%	6,146	-29.2%	0.5	0.2
Kia	1,211	-18.0%	114,214	1.0%	2.7	3.5
Land Rover	624	15.8%	19,331	21.5%	1.4	0.6
Lexus	2,008	0.5%	63,806	1.2%	4.5	1.9
Lincoln	193	0.0%	20,435	-12.0%	0.4	0.6
Maserati	123	-21.7%	2,366	-22.1%	0.3	0.1
Mazda	1,388	8.5%	68,550	10.6%	3.1	2.1
Mercedes	2,952	7.3%	67,852	-8.0%	6.6	2.1
MINI	169	-23.5%	9,482	-2.5%	0.4	0.3
Mitsubishi	211	-12.1%	22,856	10.6%	0.5	0.7
Nissan	1,695	-24.4%	225,512	-8.7%	3.8	6.8
Porsche	450	29.7%	12,877	8.2%	1.0	0.4
Subaru	1,605	12.6%	146,160	1.7%	3.6	4.4
Toyota	7,519	-2.4%	428,134	2.6%	16.8	13.0
Volkswagen	1,100	-0.5%	75,497	8.9%	2.5	2.3
Volvo	253	20.5%	20,242	36.4%	0.6	0.6
Other	1,214	66.5%	26,916	32.1%	2.7	0.8

The two tables above provide a comparison of the Orange County and U.S. new retail light vehicle markets.

Data Source: AutoCount data from Experian. Note: some time periods for U.S. data were estimated due to incomplete reporting by some states.

Orange County New Retail Car and Light Truck Registrations									
	March			Year to date thru March			YTD Market Share		
	Orange County			Orange County			Orange County		
	2017	2018	% chg.	2017	2018	% chg.	2017	2018	Chg.
MARKET SUMMARY									
TOTAL	16,652	13,320	-20.0%	46,861	44,714	-4.6%	0.0	0.0	0.0
Cars	8,521	6,240	-26.8%	24,002	20,899	-12.9%	51.2	46.7	-4.5
Light Trucks	8,131	7,080	-12.9%	22,859	23,815	4.2%	48.8	53.3	4.5
Domestic	3,752	3,020	-19.5%	10,333	9,984	-3.4%	22.1	22.3	0.3
European	3,124	2,630	-15.8%	9,297	9,368	0.8%	19.8	21.0	1.1
Japanese	8,348	6,740	-19.3%	23,118	22,348	-3.3%	49.3	50.0	0.6
Korean	1,428	930	-34.9%	4,113	3,014	-26.7%	8.8	6.7	-2.0
BRAND REGISTRATIONS									
Acura	217	186	-14.3%	641	626	-2.3%	1.4	1.4	0.0
Audi	409	340	-16.9%	1,123	1,189	5.9%	2.4	2.7	0.3
BMW	619	536	-13.4%	1,973	1,978	0.3%	4.2	4.4	0.2
Buick	53	71	34.0%	208	203	-2.4%	0.4	0.5	0.1
Cadillac	99	61	-38.4%	323	279	-13.6%	0.7	0.6	-0.1
Chevrolet	1,029	789	-23.3%	2,619	2,551	-2.6%	5.6	5.7	0.1
C/D/J/R	910	777	-14.6%	2,385	2,268	-4.9%	5.1	5.1	0.0
Chrysler	64	56	-12.5%	181	216	19.3%	0.4	0.5	0.1
Dodge	192	132	-31.3%	462	382	-17.3%	1.0	0.9	-0.1
Jeep	484	468	-3.3%	1,305	1,275	-2.3%	2.8	2.9	0.1
Ram	170	121	-28.8%	437	395	-9.6%	0.9	0.9	0.0
Fiat	200	11	-94.5%	494	85	-82.8%	1.1	0.2	-0.9
Ford	1,245	912	-26.7%	3,330	2,906	-12.7%	7.1	6.5	-0.6
GMC	228	165	-27.6%	662	602	-9.1%	1.4	1.3	-0.1
Honda	2,448	1,997	-18.4%	6,838	6,646	-2.8%	14.6	14.9	0.3
Hyundai	886	523	-41.0%	2,637	1,803	-31.6%	5.6	4.0	-1.6
Infiniti	282	182	-35.5%	747	650	-13.0%	1.6	1.5	-0.1
Jaguar	117	59	-49.6%	259	213	-17.8%	0.6	0.5	-0.1
Kia	542	407	-24.9%	1,476	1,211	-18.0%	3.1	2.7	-0.4
Land Rover	175	219	25.1%	539	624	15.8%	1.2	1.4	0.2
Lexus	651	542	-16.7%	1,998	2,008	0.5%	4.3	4.5	0.2
Lincoln	63	49	-22.2%	193	193	0.0%	0.4	0.4	0.0
Maserati	43	28	-34.9%	157	123	-21.7%	0.3	0.3	0.0
Mazda	453	458	1.1%	1,279	1,388	8.5%	2.7	3.1	0.4
Mercedes	898	798	-11.1%	2,752	2,952	7.3%	5.9	6.6	0.7
MINI	68	44	-35.3%	221	169	-23.5%	0.5	0.4	-0.1
Mitsubishi	97	67	-30.9%	240	211	-12.1%	0.5	0.5	0.0
Nissan	864	517	-40.2%	2,243	1,695	-24.4%	4.8	3.8	-1.0
Porsche	108	145	34.3%	347	450	29.7%	0.7	1.0	0.3
smart	10	6	-40.0%	34	19	-44.1%	0.1	0.0	-0.1
Subaru	518	519	0.2%	1,426	1,605	12.6%	3.0	3.6	0.6
Toyota/Scion	2,818	2,272	-19.4%	7,706	7,519	-2.4%	16.4	16.8	0.4
Volkswagen	372	311	-16.4%	1,106	1,100	-0.5%	2.4	2.5	0.1
Volvo	72	81	12.5%	210	253	20.5%	0.4	0.6	0.2
Other	158	248	57.0%	695	1,195	71.9%	1.5	2.7	1.2

Orange County Auto Outlook

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Explanation of Data

Data presented in Auto Outlook measures new vehicle registrations in Orange County. Monthly recording of registrations occurs when vehicle title information is processed.

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Data Source: AutoCount data from Experian.