

Orange County Auto Outlook™



Comprehensive information on the Orange County automotive market

FORECAST

Orange County Market Improves 14.1% in 2010

Similar increase predicted for 2011

The market rebound that began in 2010 should continue in 2011. Auto Outlook predicts the Orange County new vehicle market will improve 12.8% this year, which follows the 14.1% increase last year. New retail light vehicle registrations are predicted to approach 124,000 units in 2011, well above the 96,289 unit low point in 2009, but far short of the 197,041 unit figure in 2004.

2011 Key Forecast Determinants

Two main contradictory forces are impacting the market. First, on the positive side, pent up demand is at record-high levels. When the economy turned south in late 2008, many consumers had no choice but to keep their current vehicles and postpone the purchase of a new one. However, when economic conditions improve and as vehicles get older, consumers re-enter the new vehicle market. In addition, the average age of vehicles on the road is higher than it has ever been, and scrappage rates are exceeding new vehicle sales. All of these are bullish signals, and practically guarantee that a strong cyclical sales recovery lies ahead. See page 3 for more specifics.

On the flip side, the second main force impacting the market (excessive household debt) is likely to assure that the rebound will be relatively gradual. Despite some moderate improvement over the past several years, many households are still over-leveraged. One in four homeowners owe more on their mortgages than their homes are worth, and debt service payments are still eating up a large chunk of disposable income. Thankfully, the economic outlook has improved. An expanding economy, combined with the resultant improvement in employment and incomes will help relieve the debt burden, but it will take continued subdued retail spending for households to reduce debt and build savings.

Despite this negative (and there are a few others) Auto Outlook believes that a cyclical rebound in new vehicle sales is all but guaranteed. The dragging forces mentioned above will only serve to make the upward sales swing last longer, and be more gradual, which is not necessarily a bad thing.

What could push the market higher?

If the county economy improves at a much faster pace than expected, the sales upturn could be kicked into higher gear. The unemployment rate is the key indicator to track. If it moves down quickly and fast, consumer sentiment would likely improve markedly, which would unleash even more pent up demand.

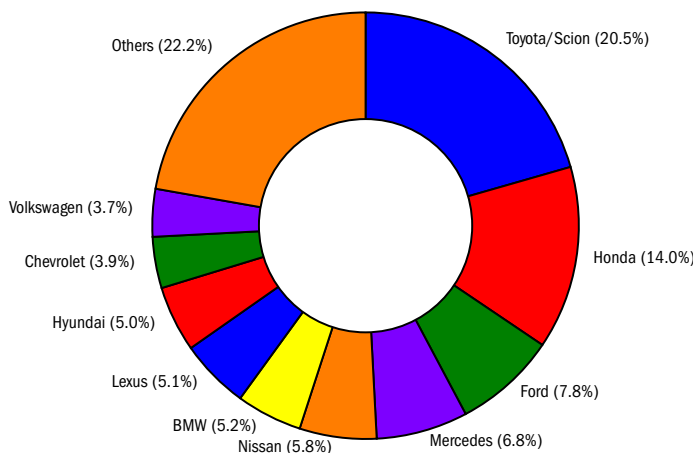
What could hold the market back?

It would take a major, unexpected shock (economic or otherwise) to de-rail the market recovery. Barring any such unforeseen events, the Orange County new vehicle market has nowhere to go but up!

Bottom Line

Shortly after the market slump began in late 2008, we predicted that a sales recovery would begin by 2010, and indeed it did. The market will almost certainly improve again in 2011 for the second straight year, with subsequent increases likely to follow (see page 3).

2010 Market Share Leaders



Market Summary

			Forecast	% ch.
	2009	2010	2011	'10 to '11
TOTAL	96,289	109,834	123,900	12.8%
Car	58,419	65,971	75,951	15.1%
Light Truck	37,870	43,863	47,949	9.3%
Detroit Three	18,603	19,773	22,800	15.3%
Japanese	51,952	58,984	63,309	7.3%
European	20,259	23,374	28,555	22.2%
Korean	5,475	7,703	9,236	19.9%

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

Historical data Source: AutoCount data from Experian Automotive.

MARKET TRACKER

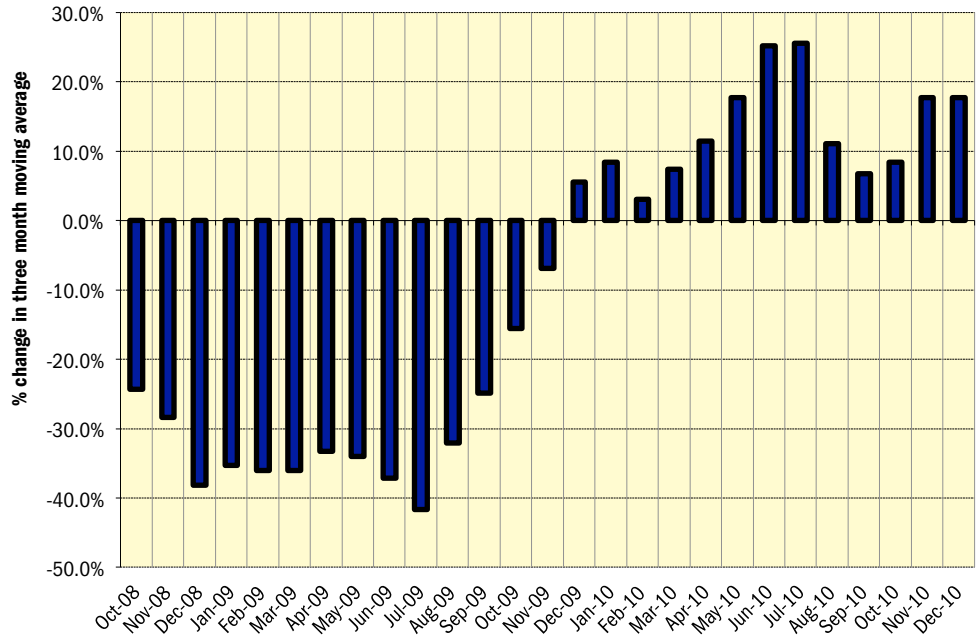
Recovery Accelerates in Fourth Quarter

Percent change in three month moving average approached 20% in November and December of '10

The graph to the right provides a clear picture of the general trending direction of the Orange County new retail light vehicle market. And as highlighted in the graph, the trend over the past year is positive. 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.

As expected, the rate of improvement eased during the summer of last year, as the market struggled to match 2009 levels which were boosted by the cash for clunkers program. The market picked up steam in the Fourth Quarter, however, with percentage increases approaching 20% in November and December.

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



MARKET TRACKER (Continued)

County Light Truck Market Share Up Slightly in 2010

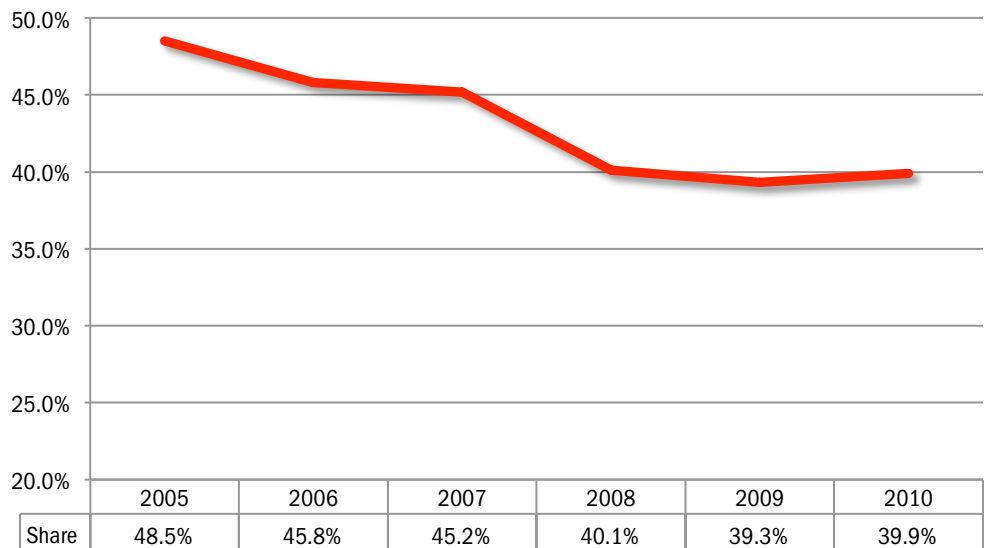
Lower fuel prices in the first half of 2010 gave trucks a boost

Lower gas prices for most of 2010 gave a moderate boost to Orange County light truck sales. As shown on the graph to the right, light truck share increased from 39.3% in 2009 to 39.9% last year.

It should be a different story in 2011, however. The likelihood of higher fuel prices and several major new small car product introductions (Ford Focus, Chevrolet Cruze, Hyundai Elantra, and Honda Civic, to name a few) should lead to an increase in car market share this year.

Source: AutoCount data from Experian Automotive.

Light Truck Share of Orange County New Retail Light Vehicle Market 2005 thru 2010



LONG TERM FORECAST

Sales are Likely to Increase During Next Three Years

Market predicted to reach 158,000 units by 2013

The financial market crisis and economic recession that unfolded during 2008 resulted in an unavoidable decline in the county new vehicle market. As illustrated on the accompanying table and graph, Orange County new retail light vehicle registrations fell precipitously in 2008 and 2009, declining by 22% and 26%, respectively. But that dramatic sales slump, as painful as it was, has paved the way for a new vehicle market that is almost certainly headed in one direction: STRAIGHT UP!

The graph below provides the evidence that supports the prediction of a sustained increase in county new vehicle sales. The blue Trend Line shows the “baseline” level of new retail light vehicle registrations for the county market. The Trend Line is a function of several structural market characteristics, including number of households and vehicles in operation. The trend line is heading up slightly due to increasing population, but is flattening somewhat as vehicles are lasting longer, and don’t need to be replaced as often.

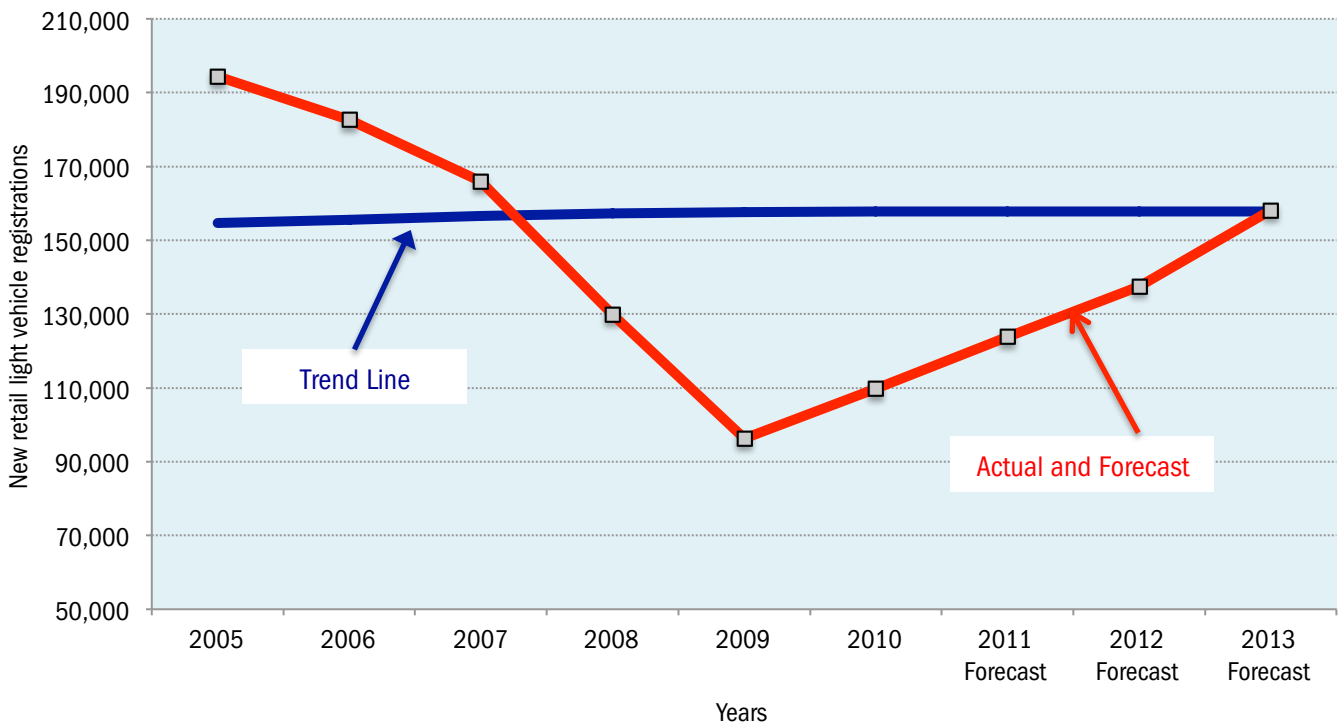
As the economic slump unfolded, county consumers postponed new vehicle purchases, which pushed sales well below trend levels. Auto Outlook estimates that between 2008 and 2010, more than 140,000 new vehicle purchases were delayed due to the economic downturn. Eventually, these postponed purchases will be made, providing a significant boost to sales for several years. Auto Outlook predicts that Orange County new retail light vehicle registrations will exceed 158,000 units in 2013, a 64% increase from the downturn’s low point of 96,289 in 2009.

Orange County Annual New Retail Light Vehicle Registrations History and Forecast

Years	New retail registrations	Unit change vs. prev. year	% change vs. prev. year
2005	194,498		
2006	182,650	-11,848	-6%
2007	165,919	-16,731	-9%
2008	129,824	-36,095	-22%
2009	96,289	-33,535	-26%
2010	109,834	13,545	14%
2011 Forecast	123,900	14,066	13%
2012 Forecast	137,529	13,629	11%
2013 Forecast	158,158	20,629	15%

Historical data source: AutoCount data from Experian Automotive.

Orange County New Retail Light Vehicle Registrations 2005 thru 2010 actual: 2011 thru 2013 forecast



BRAND MARKET SHARE TRENDS

Toyota Market Share Slides Lower; Still Exceeds 20%

Hyundai's share increases for five straight years

The four graphs on this page, and six on the facing page, provide an illustration of long term sales performance for the top ten selling brands in Orange County (during 2010). Each graph shows annual brand market share of the Orange County new retail light vehicle market from 2005 thru 2010.

Observations

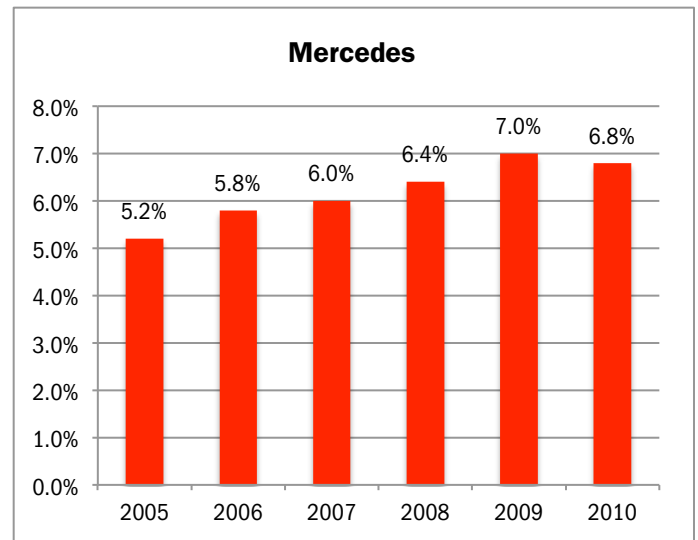
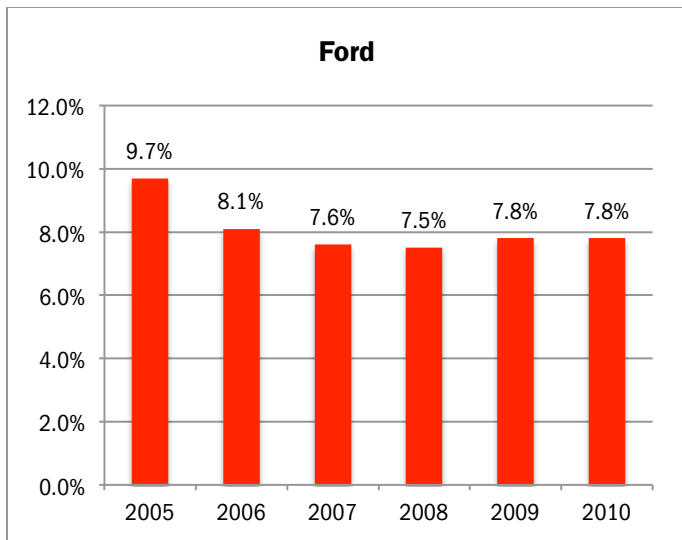
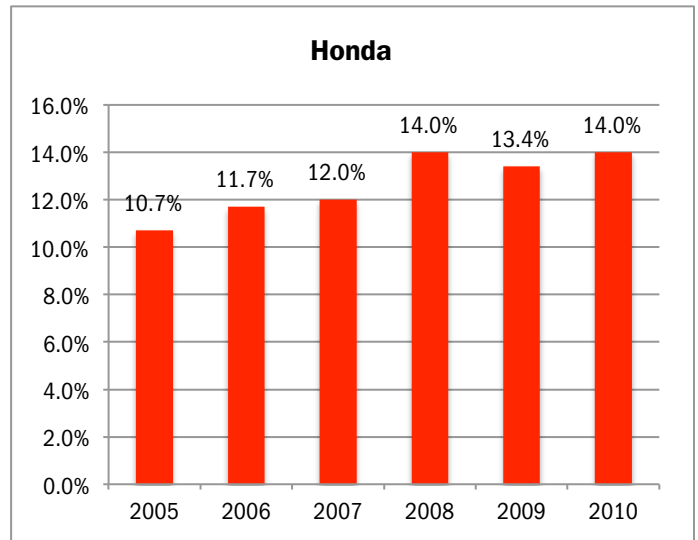
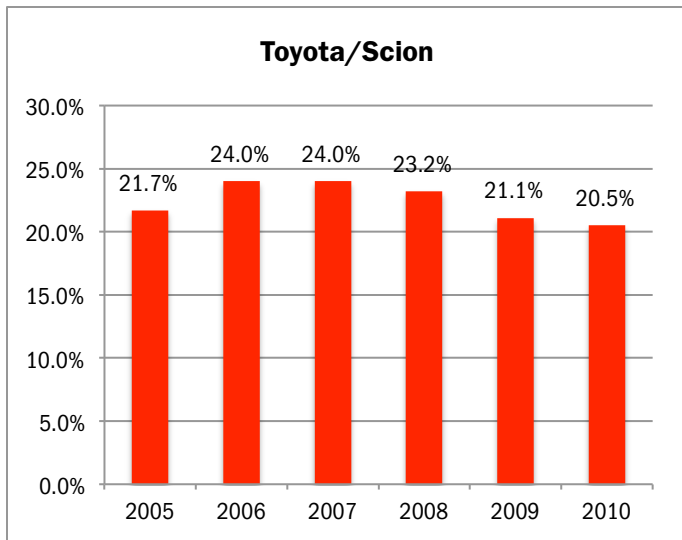
Honda gained 0.6 of share point in 2010, and its share was 3.3 points higher than it was in 2005. Toyota's share reached 24% in 2006 and 2007, but has drifted lower since then.

Hyundai market share has increased sharply during each of the past five years, increasing from 1.6% in 2005 to 5% in 2010. Ford mar-

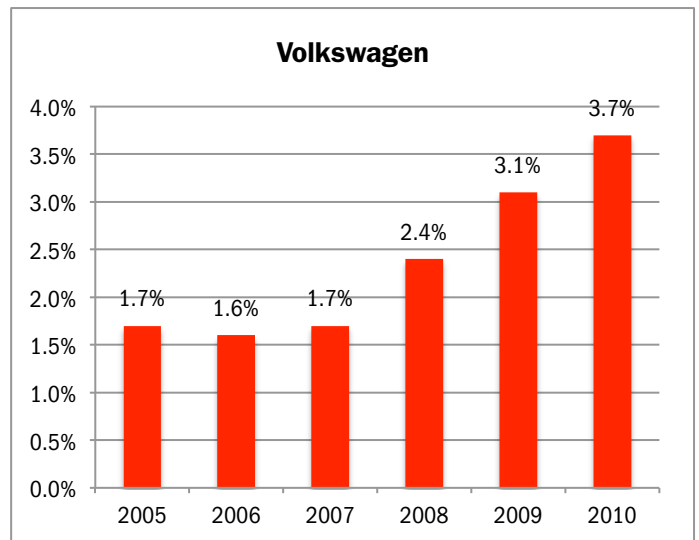
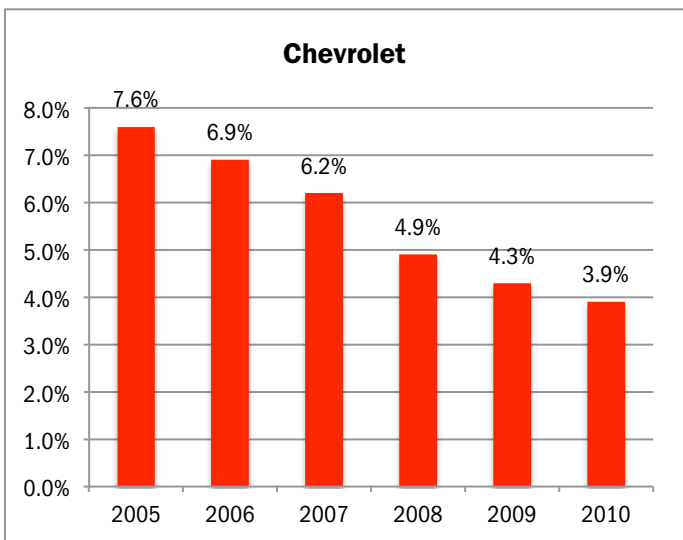
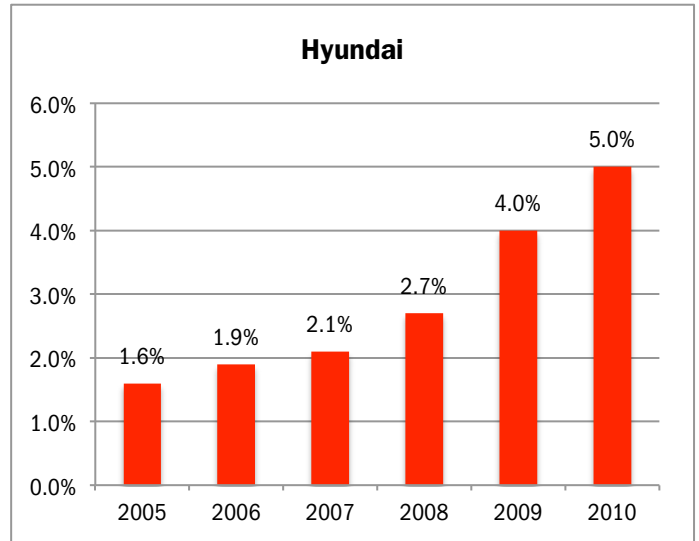
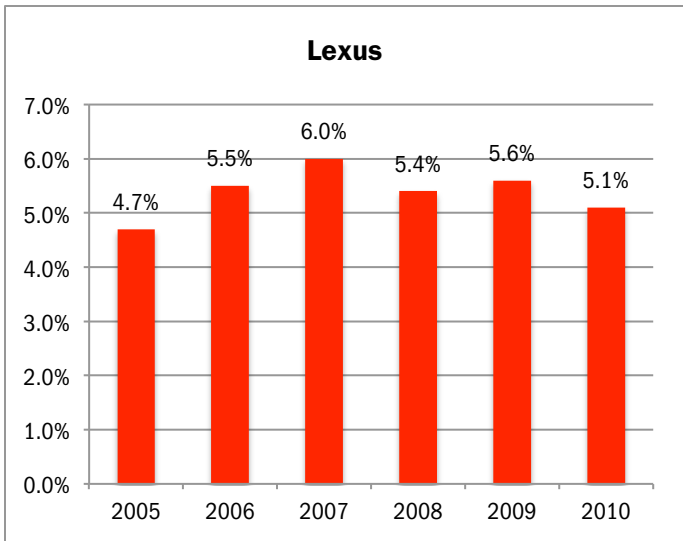
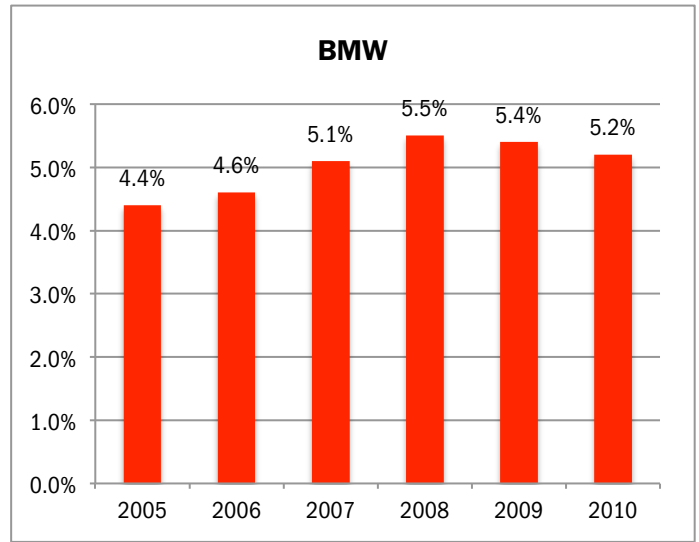
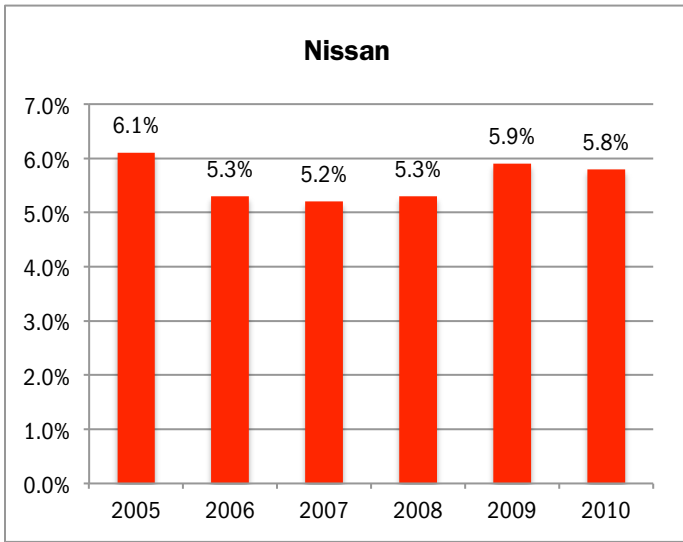
ket share held steady in 2010, but was down nearly two points from 2005.

BMW's share exceeded 5% in each of the past four years.

Source: AutoCount data from Experian Automotive.



BRAND MARKET SHARE TRENDS (CONTINUED)



SEGMENT WATCH

Standard Mid Size Car Segment Has Largest Increase

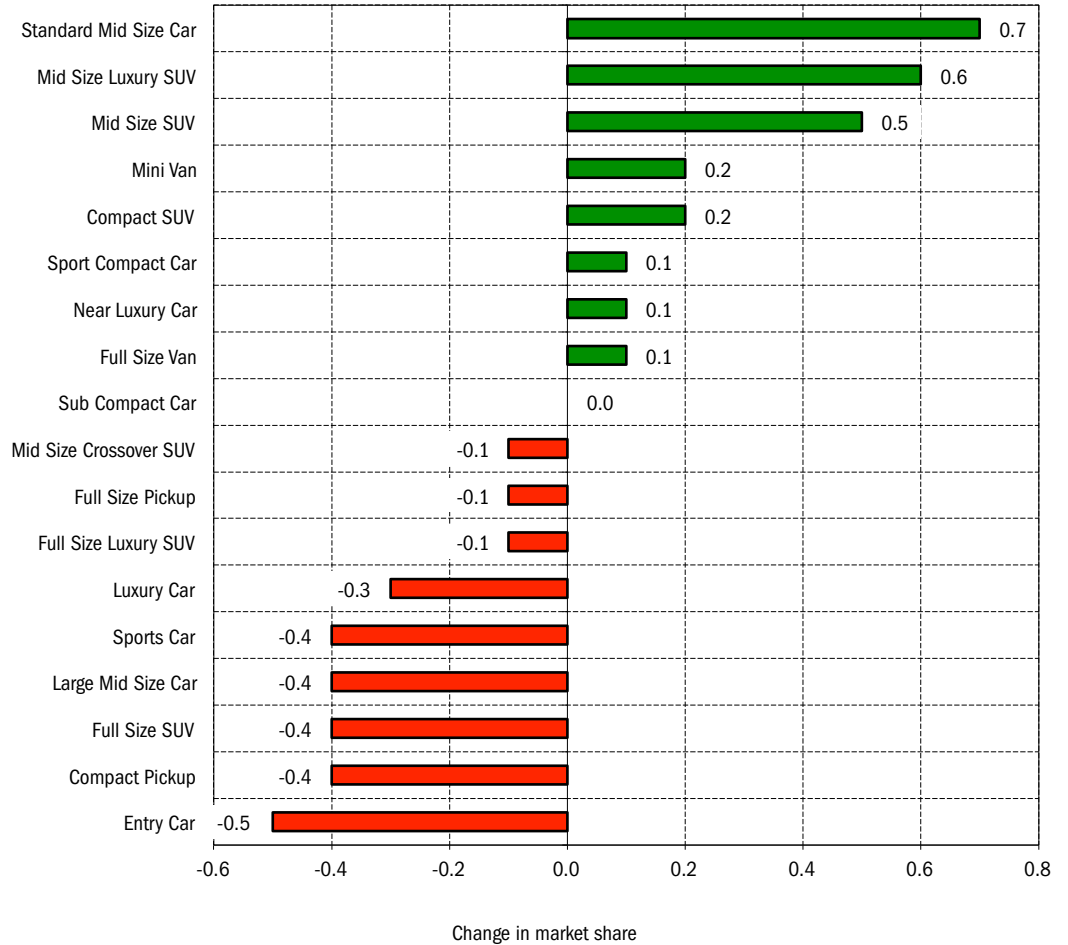
Hybrid market share unchanged in 2010

The Standard Mid Size Car segment had the largest market share increase in Orange County last year, up 0.7 of a point. The Mid Size Luxury SUV and Mid Size SUV segments also had relatively large increases. Entry Car had the largest decline, down 0.5 of a point.

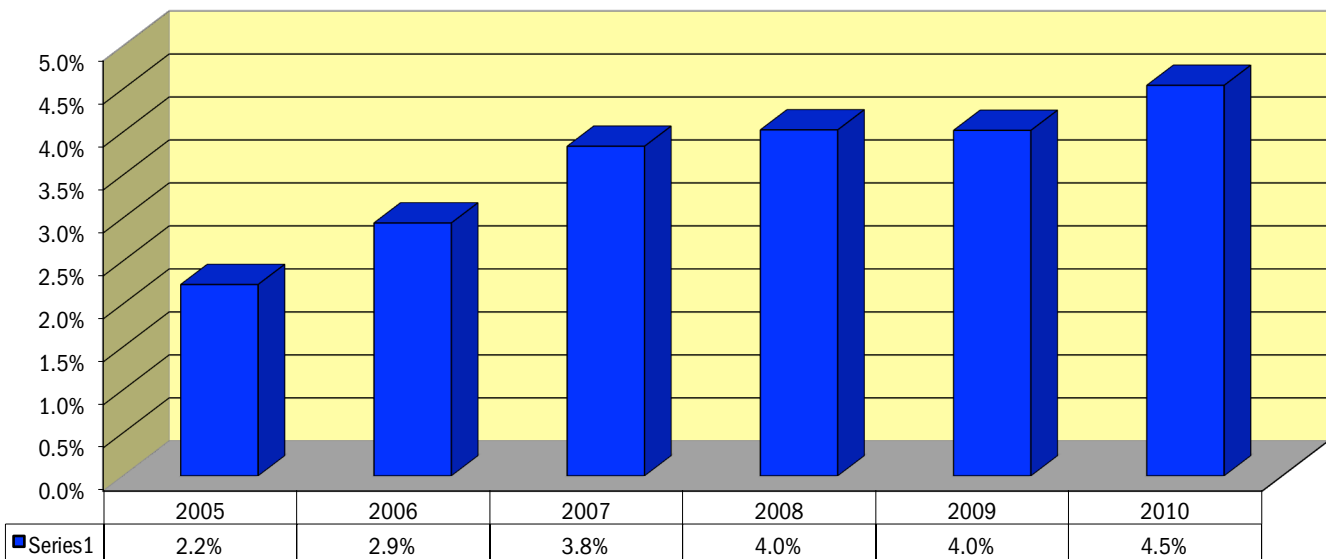
As shown on the graph below, hybrid vehicle market share moved higher from 2009 to 2010, despite relatively lower fuel prices for most of the year. Hybrid share is expected to increase again this year.

Source: AutoCount data from Experian Automotive.

Change in Segment Market Share - 2010 vs. 2009



Hybrid Vehicle Market Share in Orange County - 2005 thru 2010



COMPARISON OF ORANGE COUNTY, LOS ANGELES COUNTY, AND U.S. MARKETS

Orange County Market Improved 14.1% in 2010**Los Angeles County market was up 11.1%**

	Orange County Retail Market	Los Angeles County Retail Market	U.S. Retail Market
Market Growth % change in registrations 2009 to 2010	14.1%	11.1%	6.9%
Car Market Share Car share of industry retail light vehicle 2010	60.1%	65.4%	50.1%
Domestic Brand Market Share Domestic brand share of industry retail light vehicle registrations - 2010	18.0%	15.6%	38.7%

Brand	New Retail Registrations - 2010						Market Share (2010)		
	Orange County		Los Angeles County		U.S.		Orange County	L.A. County	U.S.
	Regs.	% ch. from '09	Regs.	% ch. from '09	Regs.	% ch. from '08			
Acura	2,020	26.2%	4,406	16.7%	119,054	23.1%	1.8	1.6	1.4
Audi	2,228	44.5%	7,412	10.3%	91,790	19.0%	2.0	2.8	1.0
BMW	5,742	10.9%	15,032	2.0%	190,814	11.2%	5.2	5.6	2.2
Buick	472	84.4%	1,045	89.7%	120,800	43.1%	0.4	0.4	1.4
Cadillac	1,172	45.4%	2,653	46.0%	112,417	35.1%	1.1	1.0	1.3
Chevrolet	4,231	1.3%	9,926	4.9%	967,188	5.3%	3.9	3.7	11.0
Chrysler	467	-37.1%	751	-51.9%	96,585	-23.8%	0.4	0.3	1.1
Dodge	1,477	-4.5%	3,221	-5.4%	328,190	-10.1%	1.3	1.2	3.7
Ford	8,614	15.1%	17,122	19.2%	1,146,979	17.0%	7.8	6.4	13.0
GMC	1,370	17.5%	2,752	22.5%	260,164	21.6%	1.2	1.0	3.0
Honda	15,355	19.2%	40,819	12.7%	1,024,487	4.1%	14.0	15.3	11.6
Hyundai	5,508	41.5%	7,302	79.6%	420,808	30.4%	5.0	2.7	4.8
Infiniti	1,608	38.0%	4,508	21.8%	90,511	29.0%	1.5	1.7	1.0
Jaguar	346	0.0%	1,089	-11.0%	11,442	5.7%	0.3	0.4	0.1
Jeep	1,421	4.4%	2,729	11.1%	203,878	3.3%	1.3	1.0	2.3
Kia	2,195	38.7%	4,388	25.3%	261,760	28.0%	2.0	1.6	3.0
Land Rover	678	-7.9%	2,103	1.1%	27,277	19.5%	0.6	0.8	0.3
Lexus	5,586	3.3%	13,572	2.3%	206,924	9.3%	5.1	5.1	2.3
Lincoln	361	23.2%	1,024	6.3%	63,237	-1.2%	0.3	0.4	0.7
Mazda	2,999	16.6%	4,703	11.8%	196,254	13.6%	2.7	1.8	2.2
Mercedes	7,438	9.9%	18,660	13.4%	193,587	16.8%	6.8	7.0	2.2
MINI	1,311	6.9%	3,649	2.9%	41,610	0.8%	1.2	1.4	0.5
Mitsubishi	1,001	19.3%	1,172	28.9%	43,291	-2.1%	0.9	0.4	0.5
Nissan	6,357	11.8%	16,737	11.0%	651,369	14.4%	5.8	6.3	7.4
Porsche	741	31.2%	2,385	34.8%	22,469	20.5%	0.7	0.9	0.3
Saab	22	-51.1%	94	-42.0%	4,374	-43.8%	0.0	0.0	0.0
smart	67	-33.0%	261	-59.8%	4,942	-66.1%	0.1	0.1	0.1
Subaru	1,390	21.6%	2,968	9.6%	224,044	20.7%	1.3	1.1	2.5
Suzuki	189	-44.4%	45	-52.6%	20,097	-43.1%	0.2	0.0	0.2
Toyota/Scion	22,479	10.6%	61,764	10.6%	1,316,087	1.3%	20.5	23.1	14.9
Volkswagen	4,053	37.9%	10,537	29.2%	225,096	18.1%	3.7	3.9	2.6
Volvo	509	-13.9%	1,513	-16.5%	44,579	-10.5%	0.5	0.6	0.5
Other	427	-57.1%	1,040	-67.4%	83,701	-69.2%	0.4	0.4	0.9

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

Source: AutoCount data from Experian Automotive.

Orange County New Retail Car and Light Truck Registrations																
	December				Three Month Period Oct '10 thru Dec '10				Annual Totals				Annual Market Share (%)			
	Orange County			U.S.	Orange County			U.S.	Orange County			U.S.				
	2009	2010	% chg.	% chg.	Yr. Ago	Current	% chg.	% chg.	2009	2010	% chg.	% chg.	2009	2010	Chg.	
MARKET SUMMARY																
TOTAL	8,727	10,830	24.1%	12.7%	24,499	28,844	17.7%	7.6%	96,289	109,834	14.1%	6.9%				
Cars	5,083	6,419	26.3%	6.7%	14,729	17,078	15.9%	-2.8%	58,406	65,902	12.8%	1.7%	60.7	60.0	-0.7	
Light Trucks	3,644	4,411	21.0%	19.1%	9,770	11,766	20.4%	20.2%	37,883	43,932	16.0%	12.6%	39.3	40.0	0.7	
Domestic	1,617	1,966	21.6%	16.9%	4,377	5,463	24.8%	13.5%	18,603	19,773	6.3%	3.5%	19.3	18.0	-1.3	
Japanese	4,559	5,602	22.9%	4.1%	12,980	14,551	12.1%	-0.4%	51,975	58,988	13.5%	6.1%	54.0	53.7	-0.3	
European	2,037	2,417	18.7%	10.1%	5,631	6,290	11.7%	11.2%	20,236	23,370	15.5%	9.4%	21.0	21.3	0.3	
Korean	514	845	64.4%	59.0%	1,511	2,540	68.1%	25.2%	5,475	7,703	40.7%	29.5%	5.7	7.0	1.3	
BRAND REGISTRATIONS																
Acura	151	200	32.5%	12.4%	465	502	8.0%	34.6%	1,601	2,020	26.2%	23.1%	1.7	1.8	0.1	
Audi	181	237	30.9%	13.2%	441	575	30.4%	11.9%	1,542	2,228	44.5%	19.0%	1.6	2.0	0.4	
BMW	500	679	35.8%	18.3%	1,421	1,560	9.8%	12.4%	5,176	5,742	10.9%	11.2%	5.4	5.2	-0.2	
Buick	39	62	59.0%	32.8%	83	142	71.1%	67.1%	256	472	84.4%	43.1%	0.3	0.4	0.1	
Cadillac	107	138	29.0%	35.1%	291	338	16.2%	43.6%	806	1,172	45.4%	35.1%	0.8	1.1	0.3	
Chevrolet	395	444	12.4%	5.8%	1,054	1,159	10.0%	4.0%	4,178	4,231	1.3%	5.3%	4.3	3.9	-0.4	
Chrysler	33	41	24.2%	31.5%	85	112	31.8%	16.6%	743	467	-37.1%	-23.8%	0.8	0.4	-0.4	
Dodge	106	120	13.2%	43.5%	296	392	32.4%	26.3%	1,547	1,477	-4.5%	-10.1%	1.6	1.3	-0.3	
Ford	674	818	21.4%	19.8%	1,857	2,397	29.1%	19.2%	7,485	8,614	15.1%	17.0%	7.8	7.8	0.0	
GMC	134	139	3.7%	19.4%	329	370	12.5%	27.3%	1,166	1,370	17.5%	21.6%	1.2	1.2	0.0	
Honda	1,023	1,602	56.6%	8.4%	2,941	3,763	27.9%	-2.3%	12,884	15,355	19.2%	4.1%	13.4	14.0	0.6	
Hyundai	388	591	52.3%	56.1%	1,151	1,765	53.3%	22.2%	3,892	5,508	41.5%	30.4%	4.0	5.0	1.0	
Infiniti	86	158	83.7%	13.6%	262	429	63.7%	26.7%	1,165	1,608	38.0%	29.0%	1.2	1.5	0.3	
Jaguar	33	36	9.1%	-5.1%	77	77	0.0%	13.6%	346	346	0.0%	5.7%	0.4	0.3	-0.1	
Jeep	75	149	98.7%	73.7%	227	431	89.9%	57.0%	1,361	1,421	4.4%	3.3%	1.4	1.3	-0.1	
Kia	126	254	101.6%	63.5%	360	775	115.3%	30.1%	1,583	2,195	38.7%	28.0%	1.6	2.0	0.4	
Land Rover	71	75	5.6%	9.3%	205	175	-14.6%	9.1%	736	678	-7.9%	19.5%	0.8	0.6	-0.2	
Lexus	573	551	-3.8%	1.0%	1,503	1,290	-14.2%	-1.8%	5,406	5,586	3.3%	9.3%	5.6	5.1	-0.5	
Lincoln	31	43	38.7%	-1.0%	76	98	28.9%	-3.2%	293	361	23.2%	-1.2%	0.3	0.3	0.0	
Mazda	213	223	4.7%	19.0%	566	720	27.2%	8.8%	2,572	2,999	16.6%	13.6%	2.7	2.7	0.0	
Mercedes	743	722	-2.8%	1.2%	2,023	2,180	7.8%	16.0%	6,765	7,438	9.9%	16.8%	7.0	6.8	-0.2	
MINI	102	131	28.4%	-7.4%	317	280	-11.7%	-6.4%	1,226	1,311	6.9%	0.8%	1.3	1.2	-0.1	
Mitsubishi	60	86	43.3%	25.5%	185	276	49.2%	5.7%	839	1,001	19.3%	-2.1%	0.9	0.9	0.0	
Nissan	487	598	22.8%	9.6%	1,557	1,588	2.0%	1.3%	5,685	6,357	11.8%	14.4%	5.9	5.8	-0.1	
Porsche	49	70	42.9%	43.6%	151	214	41.7%	33.5%	565	741	31.2%	20.5%	0.6	0.7	0.1	
Saab	2	3	50.0%	62.5%	7	9	28.6%	37.2%	45	22	-51.1%	-43.8%	0.0	0.0	0.0	
smart	4	3	-25.0%	-54.0%	14	7	-50.0%	-62.2%	100	67	-33.0%	-66.1%	0.1	0.1	0.0	
Subaru	120	127	5.8%	20.4%	337	364	8.0%	14.7%	1,143	1,390	21.6%	20.7%	1.2	1.3	0.1	
Suzuki	32	33	3.1%	-18.1%	64	69	7.8%	-37.6%	340	189	-44.4%	-43.1%	0.4	0.2	-0.2	
Toyota/Scion	1,812	2,024	11.7%	-5.9%	5,095	5,550	8.9%	-5.8%	20,317	22,479	10.6%	1.3%	21.1	20.5	-0.6	
Volkswagen	287	381	32.8%	19.3%	778	1,039	33.5%	18.4%	2,940	4,053	37.9%	18.1%	3.1	3.7	0.6	
Volvo	48	53	10.4%	-15.3%	151	106	-29.8%	-18.0%	591	509	-13.9%	-10.5%	0.6	0.5	-0.1	
Other	42	39	-7.1%	-54.4%	130	92	-29.2%	-65.2%	995	427	-57.1%	-69.2%	1.0	0.4	-0.6	

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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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