

Orange County Auto Outlook™



Comprehensive information on the Orange County automotive market

FORECAST

13.2% Increase Predicted for County New Vehicle Market in 2010

With 2009 thankfully in the books, all attention is now focused on where the Orange County new vehicle market is headed in 2010. And it's a very safe bet that the market is headed up. Below are the details on Auto Outlook's market forecast for 2010, and a review of the major factors influencing new vehicles sales over the next 12 months.

2010 Market Forecast

Auto Outlook predicts that new retail light vehicle registrations in Orange County during 2010 will be 109,000 units. Compared to the 194,498 total for 2005, that figure looks bleak. But versus the 2009 total of 96,289, it looks pretty good. And that perspective provides a perfect synopsis of the 2010 forecast: the market will improve from 2009 (by a projected 13.2%), but compared to historical standards, the level of sales will be low.

Taking a closer look at the year ahead, the market should have little trouble showing relatively big gains in the first half of the year ver-

sus depressed sales a year earlier. New retail registrations during the first six months of 2010 are projected to exceed 54,000 units, an increase of 21.9% compared to the first half of 2009. Registrations in the second half of this year are expected to be about the same as in the first half (just north of 54,000), and increase by 5.6% versus a year earlier.

Key Forecast Determinants

Pent up demand for new vehicles is at record-high levels, economic growth rebounded during the second half of 2009, and new vehicle affordability is very strong. All are positive developments for the county new vehicle market. But the news is not all good. Excessive household debt is still constricting spending and many new vehicle shoppers are rightly anxious about job security. From the depths that the market fell to in 2009, a sales recovery is practically guaranteed. But sizable roadblocks will almost certainly prevent a rapid return to the elevated sales levels of several years ago.

Market Trends

Detroit Three share predicted to decline in '10

Market share for the Detroit Three is predicted to decline a slim 0.4 of a point in 2010.

Big increases predicted for several brands

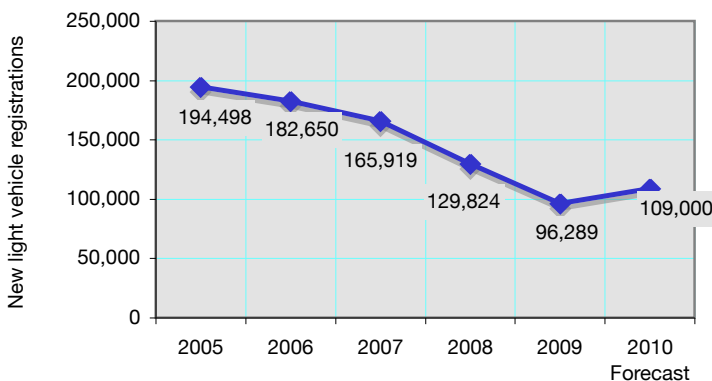
County new vehicle registrations for Buick, Hyundai, and Suzuki are projected to increase more than 25% from 2009 to 2010.

Decline in county market last year worse than U.S.

County new retail market off 25.8% last year, worse than the 21.5% drop in the U.S.

Annual Trend in County New Vehicle Market

New Retail Light Vehicle Registrations-2005 thru 2010



The graph above shows annual new retail light vehicle registrations in the county from 2005 thru 2009, and Auto Outlook's projection for 2010.

Market Summary

New Retail Light Vehicle Registrations 2008 and 2009 History; 2010 Forecast

	History		Forecast	% ch.
	2008	2009	2010	'09 to '10
TOTAL	129,824	96,289	109,000	13.2%
Car	77,745	58,419	67,471	15.5%
Light Truck	52,079	37,870	41,529	9.7%
Detroit Three	27,530	18,601	20,814	11.9%
Japanese	72,893	51,975	58,234	12.0%
European	25,132	20,238	23,019	13.7%
Korean	4,269	5,475	6,933	26.6%

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

Source for historical data: AutoCount, an Experian Company.

SEGMENT WATCH

Mid Size Crossover SUV Segment Gained the Most Market Share in 2009

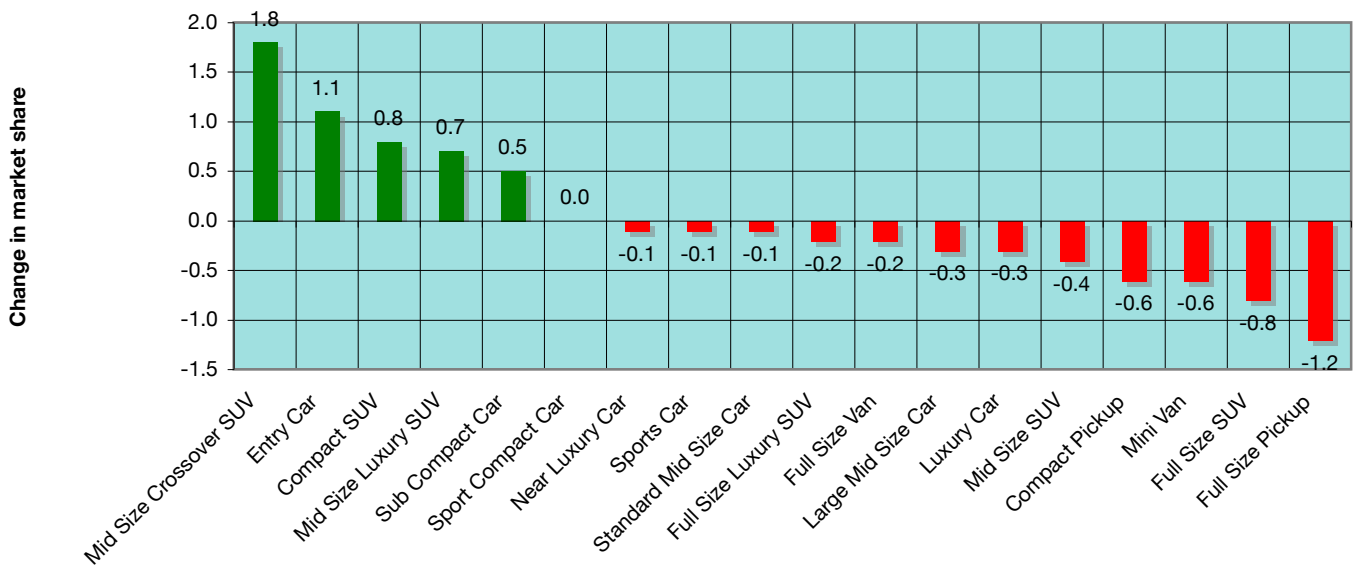
Hybrid vehicle market share increases slightly

The graphs below answer a fundamental question: What types of vehicles are Orange County new vehicle shoppers finding increasingly desirable? The first graph shows the change in market share for 18 segments from 2008 to 2009. The second graph shows hybrid vehicle share of the overall market from 2005 through 2009.

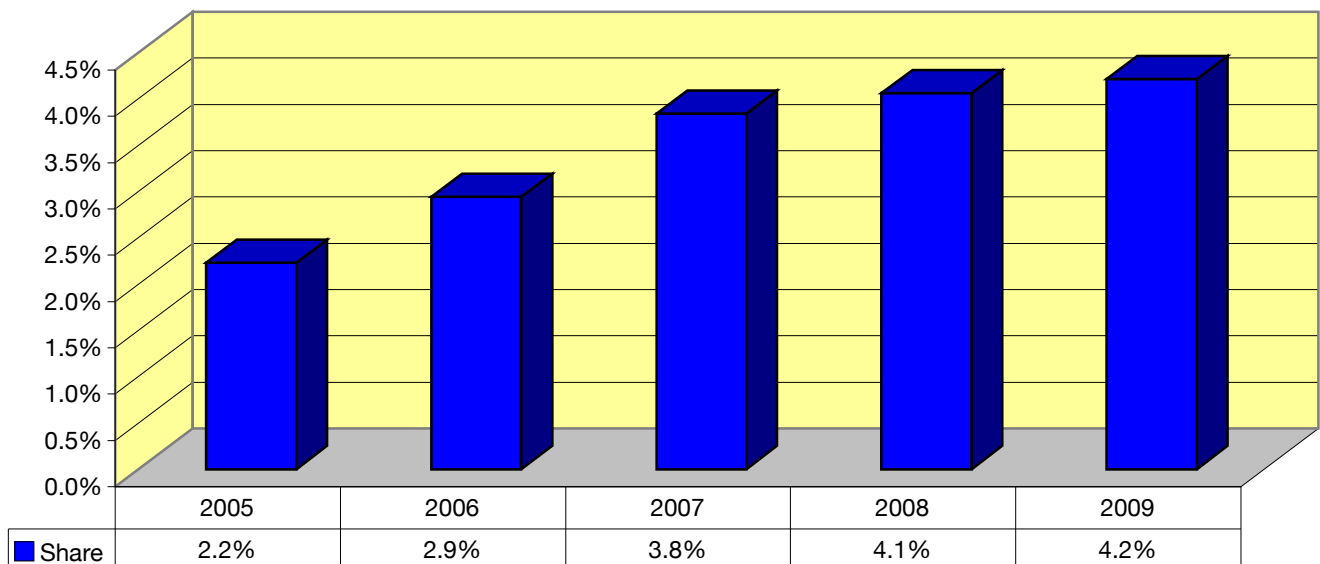
During the past several years, two primary factors have determined which segments have gained and lost market share: fuel prices and new products. Higher fuel prices ignite sales of smaller vehicles, while key new product introductions can increase sales in specific segments. And this is clearly evident on the graph below. Mid Size Crossover market

share was boosted by several new products, and enhanced consumer attention on fuel efficiency gave a lift to Entry Car sales. As for 2010, the expectation of slightly higher gas prices and a slew of new products (i.e., Ford Fiesta and Chevrolet Cruze) should lead the Sub Compact Car Segment to market share gains.

Change in Orange County Segment Market Share - 2009 vs. 2008



Hybrid Vehicle Share of Orange County New Retail Market - 2005 thru 2009



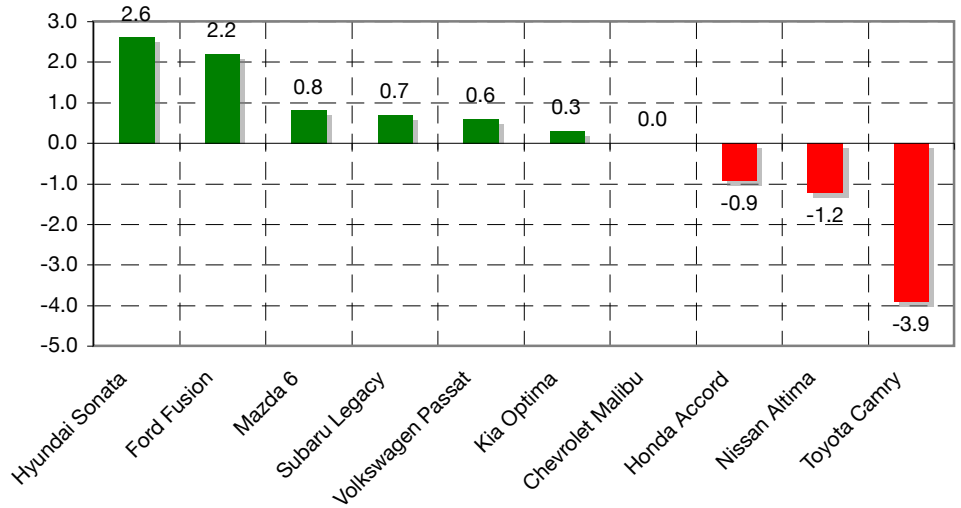
MODEL SCOREBOARD

Sonata and Fusion Post Big Market Share Gains

Camry and Accord rank first and second in county market

The Standard Mid Size Car segment is the second largest segment in Orange County, second only to Sub Compact Cars. So changes in sales performance for individual models can greatly influence market fortunes for entire brands. And as shown on the graph to the right, there have been some changes during the past 12 months. Segment market shares for Hyundai Sonata and Ford Fusion each increased by more than two market share points. Toyota Camry market share declined. Despite gains by Fusion and Sonata, the Camry, Honda Accord and Nissan Altima were the market share leaders. Collectively, the three models accounted for over 75% of segment registrations during 2009.

Change in County Standard Mid Size Sedan Market Share (2008 to 2009)



Source: AutoCount data from Experian Automotive.

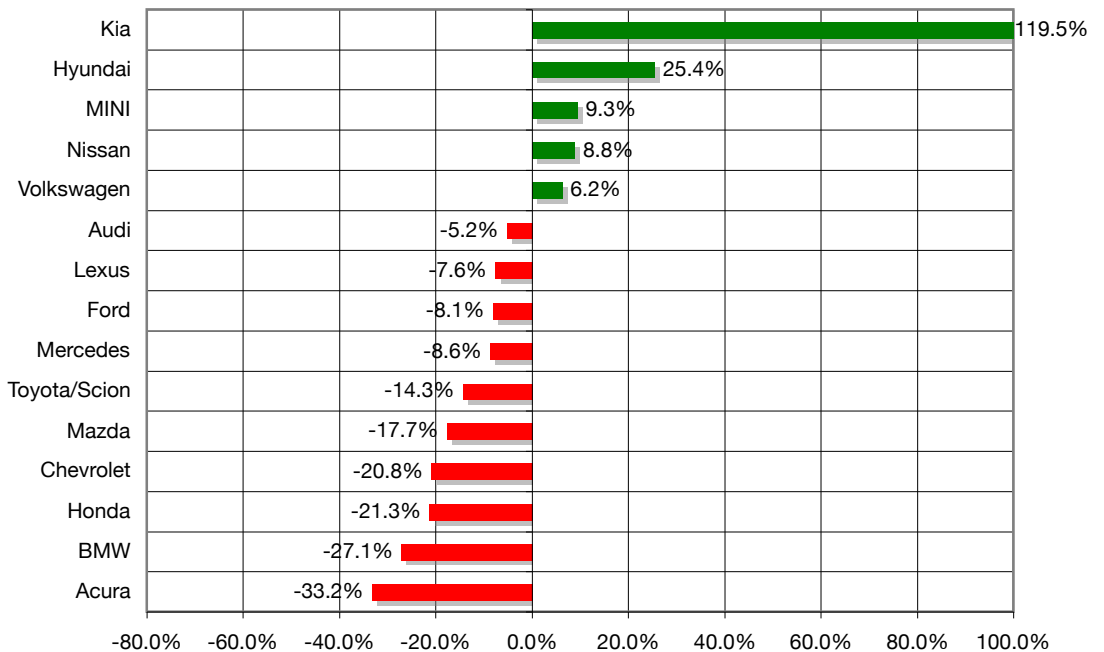
BRAND SCOREBOARD

Kia and Hyundai Big Winners in Second Half of 2009

MINI, Nissan, and Volkswagen also post increases

The graph on the right shows the percent change in new retail light vehicle registrations during the second half of 2009 versus the same period a year earlier. (Includes the top 15 selling brands only.) Given the tumultuous nature of the market last year, focusing on second half results provides a clearer indicator of brands that are carrying positive sales momentum into 2010. Kia and Hyundai had increases of greater than 25%.

**Change in County New Retail Registrations
Second Half of 2009 (July thru December) vs. Same Period Year Earlier**



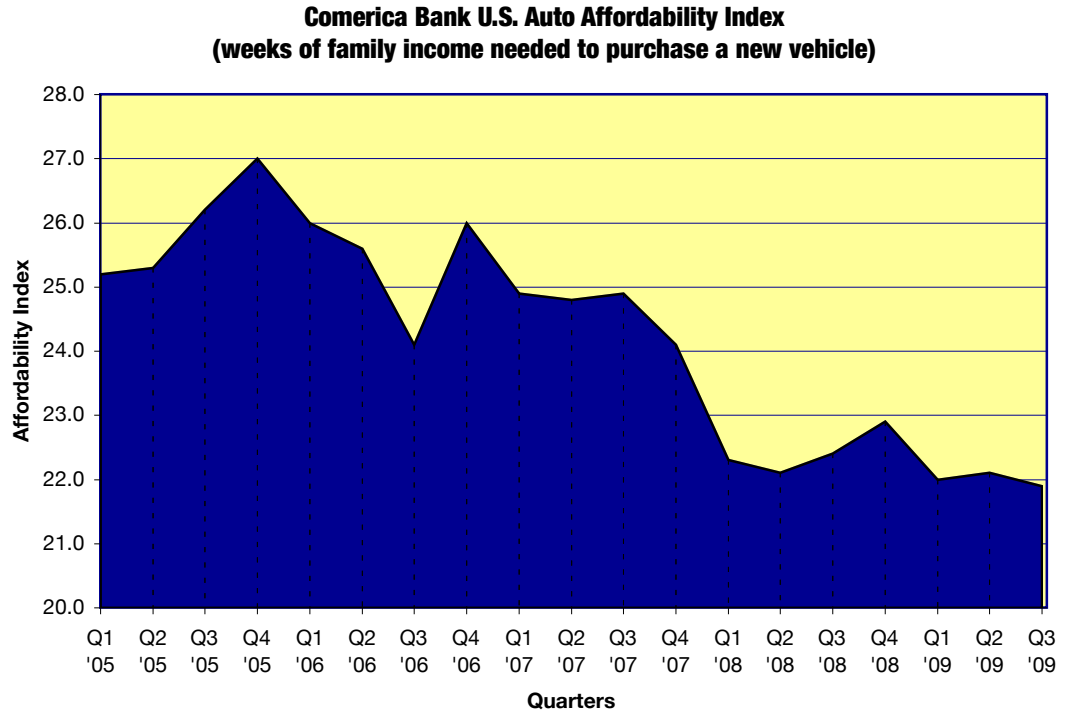
Source: AutoCount data from Experian Automotive.

Four primary factors impacting new vehicle sales in 2010

1. Consumer Affordability Hits New Record

Significance for new vehicle sales in 2010-POSITIVE IMPACT

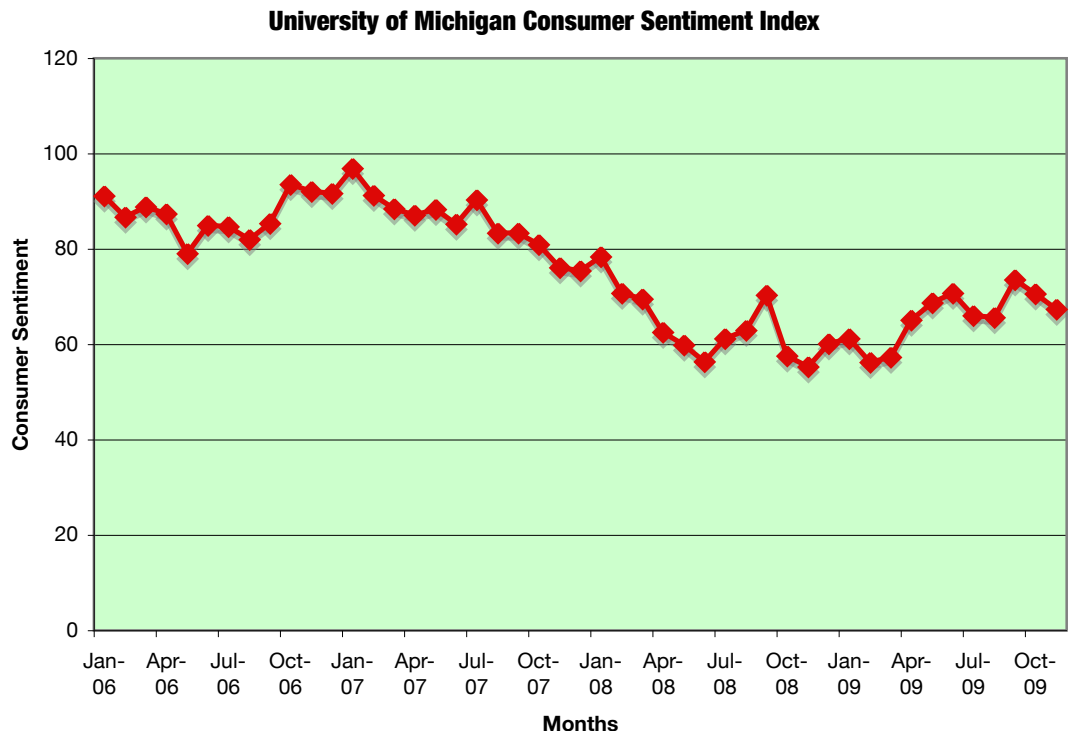
Very low financing costs and respectable income levels helped push vehicle affordability to a new record. According to Comerica Bank, the purchase and financing costs of an average new vehicle took 21.9 weeks of median household income in the Third Quarter of 2009 (latest data available), a 0.6 week improvement from the Second Quarter. (See graph on right.) Low interest rates and the likely continuation of respectable incentive levels should help keep affordability at strong levels during 2010. Note: lower numbers on the graph reflect stronger affordability.



2. Consumer Sentiment Remains at Low Levels

Significance for new vehicle sales in 2010-NEGATIVE IMPACT

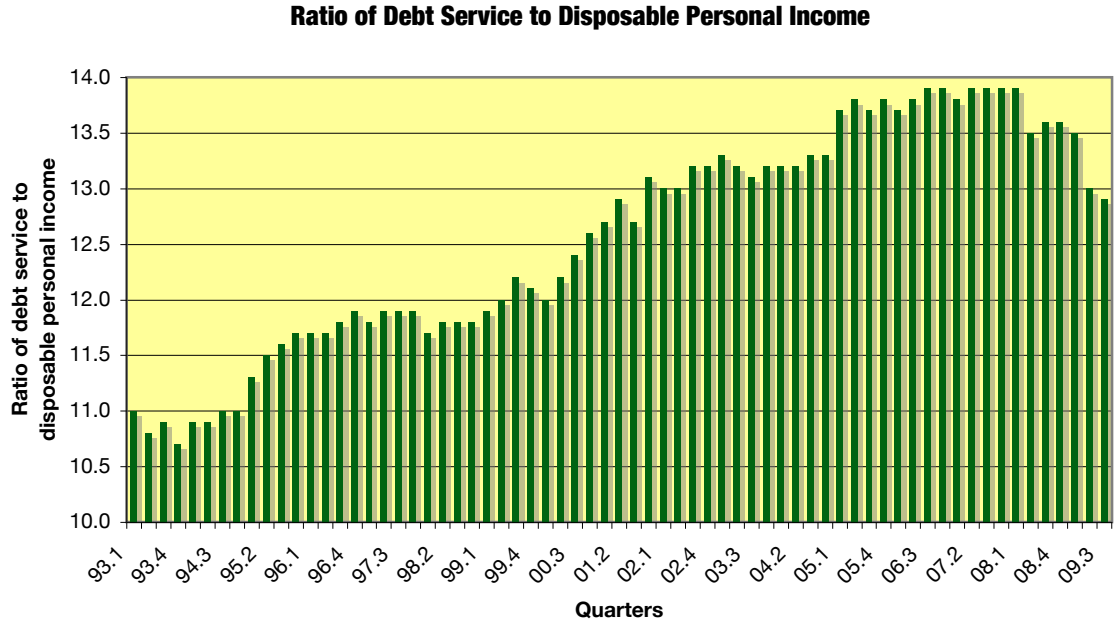
The combination of high household debt (see following page), depressed home values, insufficient retirement savings, and concerns about employment status have many consumers appropriately worried about their present and future financial health. As a result, consumer sentiment has weakened. And consumer attitudes are a significant driver for new vehicle sales. Improving consumer confidence will be needed before new vehicle sales can take off. Given the current economic outlook, there is some hope that sentiment will improve SLOWLY during 2010.



Four primary factors impacting new vehicle sales in 2010 (continued)

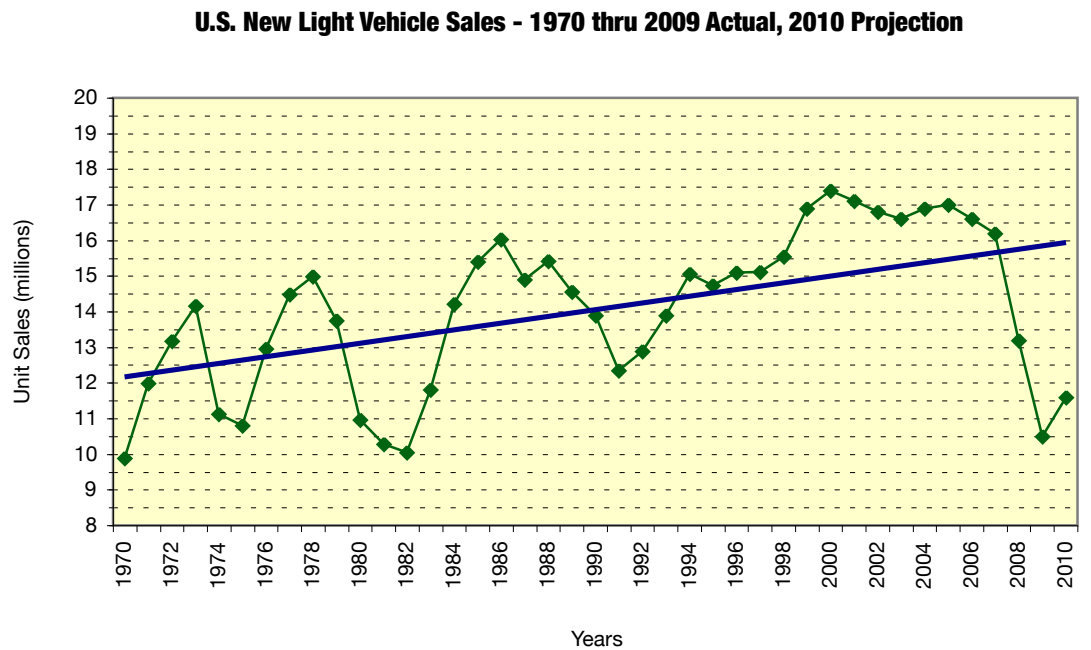
3. Household debt levels still high, despite recent improvement Significance for new vehicle sales in 2010-NEGATIVE IMPACT

Following a largely debt-induced spending spree during most of the past decade, households have now been forced to deal with their financial plight by saving more and spending less. As shown on the graph, the ratio of debt service to disposable income has moved lower during the past year, a tangible sign of progress. However, it will take time for households to fully repair their balance sheets. This will likely limit the upside potential for vehicle sales over the next few years.



4. Two years of depressed new vehicle sales result in record-high pent up demand Significance for new vehicle sales in 2010-POSITIVE IMPACT

The graph on the right has appeared regularly in Auto Outlook over the past two years. And for good reason. We feel it is the most important (and most overlooked) predictor of where new vehicle sales are headed. The economic tumult over the past two years pushed new vehicle sales well below trend in 2008 and 2009, and almost certainly this year as well. As a result, a record-number of new vehicle purchases have been postponed. When the economy improves and the stranglehold of household debt eases, this pent up demand will lead to higher sales.



SUMMING IT UP: Market is poised for recovery, but will be “slow out of the gates.” New vehicle sales have nowhere to go but up. But the weak economy, uncertain employment outlook, and elevated household debt levels will likely make the return to healthy sales levels an extended process.

BRAND SCOREBOARD

Toyota, Mercedes, Lexus, and BMW Relatively Strong Performers

County Chevrolet and Ford market share is well below National

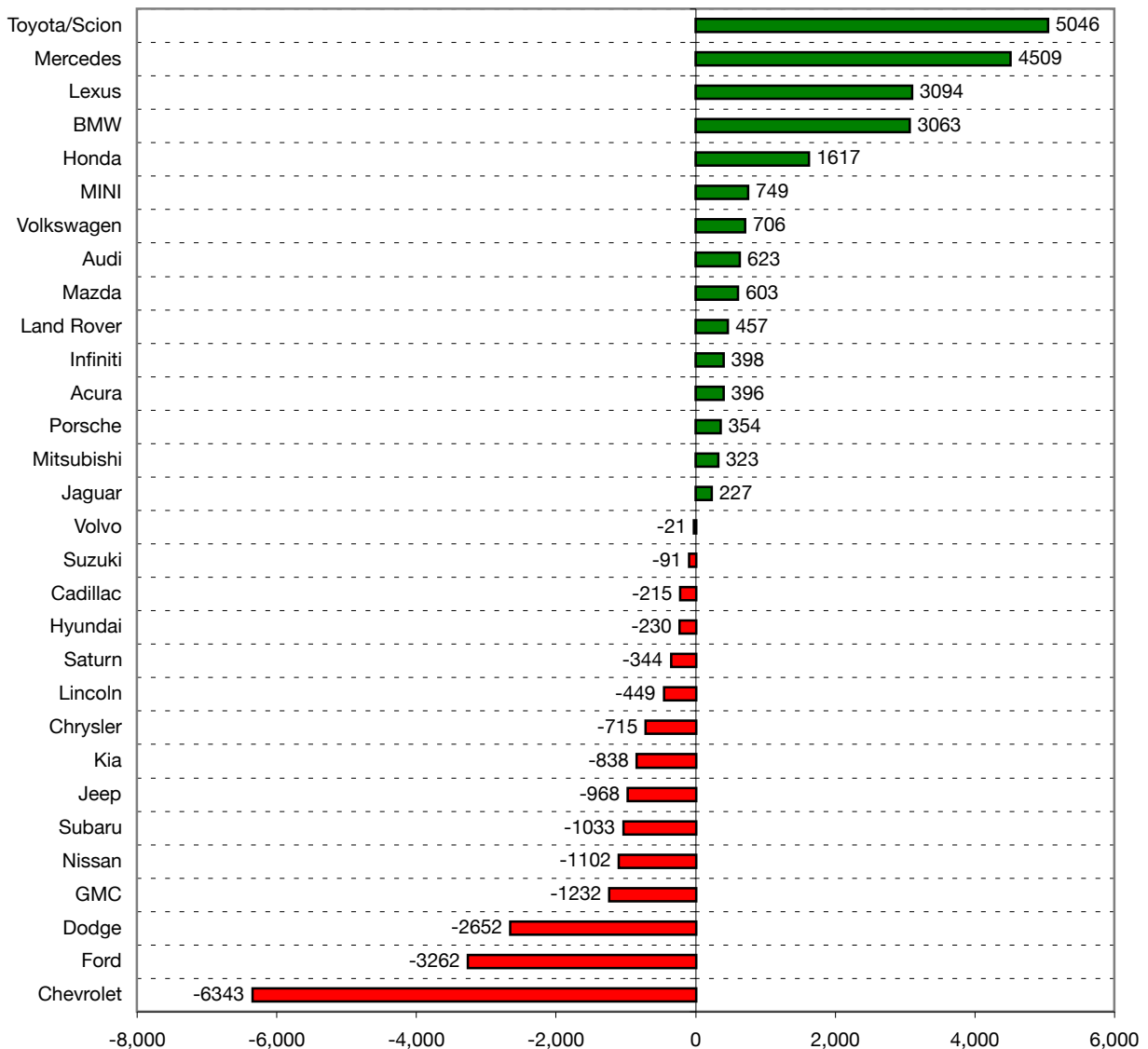
The graph below provides an indicator of brands that are popular in Orange County (relative to the National standard), and those that are not. Here's how it works: For the top 30 selling brands in the county, each brand's share of the U.S. market is multiplied by retail registrations in the county during 2009. This yields a

"target" for the county market. Target registrations are subtracted from actual registrations to derive the measurement of sales performance.

Brands at the top of the graph (i.e., Toyota/Scion, Mercedes, Lexus, BMW, and Honda) are relatively strong sellers in

the county, with actual registrations exceeding the calculated target by a large margin. For instance, Toyota/Scion registrations exceeded the calculated target by 5,046 units.

Orange County Brand Performance versus National Average
Actual registrations minus target (county industry registrations times U.S. market share)



Actual registrations minus Target (county industry registrations times U.S. market share)

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

Orange County Market Declines 25.8% in '09; LA County Down 29.2%

Car market share in Orange and LA Counties much higher than U.S.

	Orange County	Los Angeles County	U.S. Market
Market Growth % change in registrations 2009 vs. 2008	-25.8%	-29.2%	-21.5%
Car Market Share Car share of industry retail light vehicle 2009	60.7%	66.0%	54.4%
Domestic Brand Market Share Domestic brand share of industry retail light vehicle registrations - 2009	19.3%	16.3%	39.1%

Brand	New Retail Registrations - 2009 Annual Totals						Market Share (2009)		
	Orange County		Los Angeles County		U.S.		Orange County	L.A. County	U.S.
	Regs.	% ch. from '08	Regs.	% ch. from '08	Regs.	% ch. from '08			
Acura	1,601	-36.9%	3,845	-36.2%	105,723	-26.8%	1.7	1.6	1.0
Audi	1,542	-16.9%	6,310	-12.2%	82,716	-5.7%	1.6	2.6	0.8
BMW	5,176	-27.6%	14,302	-32.1%	196,502	-21.1%	5.4	6.0	1.9
Buick	256	-27.7%	549	-24.5%	102,306	-25.4%	0.3	0.2	1.0
Cadillac	806	-43.3%	1,725	-49.0%	109,092	-32.3%	0.8	0.7	1.0
Chevrolet	4,178	-33.8%	9,435	-36.5%	1,338,612	-25.2%	4.3	3.9	12.8
Chrysler	743	-45.0%	1,561	-55.1%	177,015	-47.2%	0.8	0.7	1.7
Dodge	1,547	-37.1%	3,388	-42.3%	522,686	-33.3%	1.6	1.4	5.0
Ford	7,485	-22.7%	14,208	-24.6%	1,440,653	-14.3%	7.8	5.9	13.8
GMC	1,166	-36.9%	2,244	-48.5%	253,053	-30.0%	1.2	0.9	2.4
Honda	12,884	-29.0%	36,049	-24.6%	1,045,061	-18.6%	13.4	15.1	10.0
Hummer	70	-73.5%	167	-70.9%	9,046	-67.1%	0.1	0.1	0.1
Hyundai	3,892	12.8%	4,026	10.0%	435,064	8.3%	4.0	1.7	4.2
Infiniti	1,165	-47.5%	3,605	-49.2%	81,089	-28.2%	1.2	1.5	0.8
Isuzu	23	-72.6%	87	-59.2%	165	-96.5%	0.0	0.0	0.0
Jaguar	346	-21.4%	1,221	-10.5%	11,955	-20.1%	0.4	0.5	0.1
Jeep	1,361	-24.5%	2,454	-41.3%	231,701	-30.6%	1.4	1.0	2.2
Kia	1,583	93.3%	3,454	7.2%	300,063	9.8%	1.6	1.4	2.9
Land Rover	736	-14.2%	2,078	-24.4%	26,306	-11.9%	0.8	0.9	0.3
Lexus	5,406	-23.4%	13,249	-24.4%	215,975	-17.0%	5.6	5.5	2.1
Lincoln	293	-49.7%	961	-42.5%	82,847	-22.8%	0.3	0.4	0.8
Mazda	2,572	-22.3%	4,207	-25.4%	207,767	-21.3%	2.7	1.8	2.0
Mercedes	6,765	-18.4%	16,456	-16.8%	190,538	-15.3%	7.0	6.9	1.8
Mercury	115	-45.5%	434	-38.4%	92,299	-23.2%	0.1	0.2	0.9
MINI	1,226	-2.4%	3,544	2.5%	45,225	-15.2%	1.3	1.5	0.4
Mitsubishi	839	-28.1%	906	-37.0%	53,986	-44.5%	0.9	0.4	0.5
Nissan	5,685	-18.0%	15,172	-36.5%	689,014	-17.8%	5.9	6.3	6.6
Pontiac	203	-34.9%	713	-32.4%	178,300	-33.3%	0.2	0.3	1.7
Porsche	565	-12.8%	1,767	-14.8%	19,696	-24.3%	0.6	0.7	0.2
Saab	45	-67.6%	161	-63.2%	8,680	-59.4%	0.0	0.1	0.1
Saturn	378	-59.4%	1,252	-59.5%	72,660	-61.4%	0.4	0.5	0.7
smart	100	-14.5%	634	-37.2%	14,595	-40.7%	0.1	0.3	0.1
Subaru	1,143	20.3%	2,680	32.0%	216,652	15.4%	1.2	1.1	2.1
Suzuki	340	7.3%	93	-77.7%	38,689	-54.4%	0.4	0.0	0.4
Toyota/Scion	20,317	-32.7%	55,846	-33.9%	1,554,172	-20.6%	21.1	23.3	14.9
Volkswagen	2,940	-7.3%	8,153	-6.8%	213,454	-4.3%	3.1	3.4	2.0
Volvo	591	-24.5%	1,812	-32.7%	61,435	-16.0%	0.6	0.8	0.6
Other	206	-51.8%	507	-53.0%	6,717	-46.3%	0.2	0.2	0.1

The two tables above provide a comparison of the Orange County, Los Angeles County, and U.S. new retail light vehicle markets. As shown on the top table, the Orange County market declined 25.8% during 2009, while the Los Angeles County market fell 29.2%. Source: AutoCount data from Experian Automotive.

Orange County New Retail Car and Light Truck Registrations															
	December				Three Month Period Oct '09 thru Dec '09				YTD thru December				YTD Market Share (%)		
	Orange County			U.S.	Orange County			U.S.	Orange County			Orange County			
	2008	2009	% chg.	% chg.	Yr. Ago	Current	% chg.	% chg.	2008	2009	% chg.	% chg.	2008	2009	Chg.
	MARKET SUMMARY														
TOTAL	8,058	8,727	8.3%	15.1%	23,201	24,499	5.6%	5.4%	129,824	96,289	-25.8%	-21.3%			
Cars	4,632	5,083	9.7%	21.2%	13,563	14,729	8.6%	8.9%	77,745	58,419	-24.9%	-19.2%	59.9	60.7	0.8
Light Trucks	3,426	3,644	6.4%	9.2%	9,638	9,770	1.4%	1.8%	52,079	37,870	-27.3%	-23.6%	40.1	39.3	-0.8
Domestic	1,719	1,617	-5.9%	6.6%	4,821	4,377	-9.2%	-0.9%	27,573	18,603	-32.5%	-26.8%	21.2	19.3	-1.9
Japanese	4,153	4,559	9.8%	24.6%	12,470	12,980	4.1%	9.8%	72,929	51,975	-28.7%	-19.6%	56.2	54.0	-2.2
European	1,947	2,037	4.6%	9.4%	5,122	5,631	9.9%	3.0%	25,053	20,236	-19.2%	-15.7%	19.3	21.0	1.7
Korean	239	514	115.1%	41.8%	788	1,511	91.8%	41.1%	4,269	5,475	28.3%	8.9%	3.3	5.7	2.4
BRAND REGISTRATIONS															
Acura	140	151	7.9%	-1.0%	469	465	-0.9%	1.5%	2,536	1,601	-36.9%	-26.8%	2.0	1.7	-0.3
Audi	172	181	5.2%	17.1%	408	441	8.1%	5.7%	1,855	1,542	-16.9%	-5.7%	1.4	1.6	0.2
BMW	539	500	-7.2%	11.5%	1,443	1,421	-1.5%	-2.2%	7,151	5,176	-27.6%	-21.1%	5.5	5.4	-0.1
Buick	25	39	56.0%	37.4%	62	83	33.9%	24.3%	354	256	-27.7%	-25.4%	0.3	0.3	0.0
Cadillac	80	107	33.8%	11.4%	227	291	28.2%	14.2%	1,422	806	-43.3%	-32.3%	1.1	0.8	-0.3
Chevrolet	366	395	7.9%	-1.2%	1,131	1,054	-6.8%	3.7%	6,310	4,178	-33.8%	-25.2%	4.9	4.3	-0.6
Chrysler	81	33	-59.3%	-6.8%	210	85	-59.5%	-26.8%	1,352	743	-45.0%	-47.2%	1.0	0.8	-0.2
Dodge	153	106	-30.7%	0.7%	433	296	-31.6%	-15.6%	2,461	1,547	-37.1%	-33.3%	1.9	1.6	-0.3
Ford	685	674	-1.6%	37.0%	1,834	1,857	1.3%	14.9%	9,678	7,485	-22.7%	-14.3%	7.5	7.8	0.3
GMC	97	134	38.1%	6.8%	292	329	12.7%	12.3%	1,849	1,166	-36.9%	-30.0%	1.4	1.2	-0.2
Honda	1,042	1,023	-1.8%	28.1%	3,113	2,941	-5.5%	8.2%	18,153	12,884	-29.0%	-18.6%	14.0	13.4	-0.6
Hummer	17	2	-88.2%	-85.0%	34	10	-70.6%	-82.9%	264	70	-73.5%	-67.1%	0.2	0.1	-0.1
Hyundai	185	388	109.7%	40.6%	650	1,151	77.1%	44.9%	3,450	3,892	12.8%	8.3%	2.7	4.0	1.3
Infiniti	110	86	-21.8%	10.1%	365	262	-28.2%	-7.9%	2,218	1,165	-47.5%	-28.2%	1.7	1.2	-0.5
Jaguar	36	33	-8.3%	13.3%	101	77	-23.8%	37.4%	440	346	-21.4%	-20.1%	0.3	0.4	0.1
Jeep	98	75	-23.5%	-9.9%	288	227	-21.2%	-23.3%	1,802	1,361	-24.5%	-30.6%	1.4	1.4	0.0
Kia	54	126	133.3%	43.7%	138	360	160.9%	35.7%	819	1,583	93.3%	9.8%	0.6	1.6	1.0
Land Rover	60	71	18.3%	53.2%	155	205	32.3%	15.5%	858	736	-14.2%	-11.9%	0.7	0.8	0.1
Lexus	474	573	20.9%	22.3%	1,248	1,503	20.4%	19.2%	7,054	5,406	-23.4%	-17.0%	5.4	5.6	0.2
Lincoln	29	31	6.9%	15.6%	83	76	-8.4%	-3.5%	583	293	-49.7%	-22.8%	0.4	0.3	-0.1
Mazda	243	213	-12.3%	1.6%	687	566	-17.6%	-2.0%	3,312	2,572	-22.3%	-21.3%	2.6	2.7	0.1
Mercedes	672	743	10.6%	8.1%	1,771	2,023	14.2%	15.6%	8,286	6,765	-18.4%	-15.3%	6.4	7.0	0.6
Mercury	7	7	0.0%	5.7%	34	17	-50.0%	-1.4%	211	115	-45.5%	-23.2%	0.2	0.1	-0.1
MINI	103	102	-1.0%	-2.2%	274	317	15.7%	-23.6%	1,256	1,226	-2.4%	-15.2%	1.0	1.3	0.3
Mitsubishi	74	60	-18.9%	-4.7%	149	185	24.2%	-35.0%	1,167	839	-28.1%	-44.5%	0.9	0.9	0.0
Nissan	361	487	34.9%	19.4%	1,022	1,557	52.3%	18.2%	6,935	5,685	-18.0%	-17.8%	5.3	5.9	0.6
Pontiac	17	5	-70.6%	-48.9%	45	18	-60.0%	-36.4%	312	203	-34.9%	-33.3%	0.2	0.2	0.0
Porsche	52	49	-5.8%	-1.7%	133	151	13.5%	8.6%	648	565	-12.8%	-24.3%	0.5	0.6	0.1
Saab	10	2	-80.0%	-26.4%	29	7	-75.9%	-56.3%	139	45	-67.6%	-59.4%	0.1	0.0	-0.1
Saturn	64	9	-85.9%	-59.6%	148	34	-77.0%	-57.5%	932	378	-59.4%	-61.4%	0.7	0.4	-0.3
smart	5	4	-20.0%	-63.1%	26	14	-46.2%	-66.4%	117	100	-14.5%	-40.7%	0.1	0.1	0.0
Subaru	75	120	60.0%	33.5%	209	337	61.2%	32.6%	950	1,143	20.3%	15.4%	0.7	1.2	0.5
Suzuki	29	32	10.3%	-48.4%	61	64	4.9%	-50.1%	317	340	7.3%	-54.4%	0.2	0.4	0.2
Toyota/Scion	1,604	1,812	13.0%	34.3%	5,131	5,095	-0.7%	10.5%	30,167	20,317	-32.7%	-20.6%	23.2	21.1	-2.1
Volkswagen	201	287	42.8%	16.0%	562	778	38.4%	12.4%	3,172	2,940	-7.3%	-4.3%	2.4	3.1	0.7
Volvo	81	48	-40.7%	13.8%	172	151	-12.2%	12.5%	783	591	-24.5%	-16.0%	0.6	0.6	0.0
Other	17	19	11.8%	-45.0%	64	51	-20.3%	-48.9%	511	229	-55.2%	-60.2%	0.4	0.2	-0.2

Orange County Auto Outlook

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Explanation of Data

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

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