

Orange County Auto Outlook™



Comprehensive information on the Orange County automotive market

Special Report-Prospects for Market Recovery

Gradual Recovery Likely to Begin Later This Year

The automotive sales slump that began early in 2008 and gained significant momentum in the Fall, has been extensively reported during the past several months. Anyone even remotely familiar with the auto industry knows that the market has hit a seemingly unachievable nadir, as sales have sunk to their lowest level in over 20 years.

Enough of the negative talk! Here's some good news: the current sales slump will pave the way for an eventual recovery that will almost certainly begin later this year. Admittedly, part of the rebound is simply due to the fact that sales cannot get much lower. But beyond this natural cyclical component, several other economic and financial forces will take hold to move the market higher for the next several years.

In summary, there are three primary ways that the market could emerge from the 2008 and 2009 sales collapse.

Scenario #1 for how the sales recovery could unfold: Excruciatingly slow, with negligible improvement, and sales re-

mainting at depressed levels for an extended period of time. The primary event that would lead to this highly unlikely worst case scenario is that the average financial health of households takes a precipitous turn for the worse. Escalating debt and ailing household balance sheets have been a looming threat for new vehicle sales for quite some time. Over the past six months, this condition has become plainly evident as consumers have cut way back on spending: a necessary course of action to bring better balance into the relationship between income and expenses.

So, how could it get any worse? Again, it's highly unlikely, but here's how it could happen. Housing values continue to decline, the credit markets remain stagnant, the monumental monetary and fiscal stimuli are ineffective, and the recession pushes the unemployment rate into a double digit percentage category. With all of this occurring, household income would shrink and any relief mechanism to get our from under the debt load would be unavailable. As a result, retail spending (including new vehicles, of course)

would decline sharply. Thankfully, Auto Outlook believes that there is almost no chance that this theoretical worse case scenario will become reality. We rate the likelihood at less than 10%.

Scenario #2 for how the sales recovery could unfold: Slow, but steady, improvement beginning later this year, with sales returning to healthy levels by 2011. As we see it now, the majority of macroeconomic and automotive market dynamics indicates that this is the most likely outcome for the market. No question, we are almost certainly looking at an extended period (i.e., several years) of restrained consumer spending as debt-laden households are forced to increase savings and reduce debt. However, the massive monetary and fiscal stimulus plans should eventually give a boost to the ailing economy. A recovery is likely to begin in 2010, which would result in rising employment and household incomes, the most important component in restoring household financial health and providing a boost to retail spending.

Continued on following page

Market Highlights

2008 Wrap-Up: The Orange County new retail vehicle market declined 21.8% from 2007 to 2008, steeper than the 18.1% drop in the Nation.

Expanding segments: Sub Compact Car market share in the county increased 3.4 share points during the second half of last year versus the same period a year earlier. Most light truck segments lost market share.

Strong selling brands: 2008 was a tough year for just about all brands in the county market, but Honda, Volkswagen, Mazda, and Hyundai managed to post increases in market share.

Models on the move: Toyota Camry was the best selling car in the county last year, while Ford F-Series was the light truck leader.

Market Summary

New Retail Light Vehicle Registrations Summary

	2006	2007	2008	% ch. '07 to '08
TOTAL	182,650	165,919	129,824	-21.8%
Car	99,071	90,893	77,745	-14.5%
Light Truck	83,579	75,026	52,079	-30.6%
Big Three	49,358	41,518	27,530	-33.7%
Japanese	98,365	90,659	72,893	-19.6%
European	30,927	29,740	25,132	-15.5%
Korean	4,000	4,002	4,269	6.7%

Big Three consists of vehicles sold by General Motors, Ford and Chrysler, and excludes import nameplates.

Source for historical data: AutoCount, an Experian Company.

Special Report-Prospects for Market Recovery
Market Slump Has Likely Hit Bottom

(Continued from page one)

In addition, new vehicles are likely to remain highly affordable, as very low interest rates should help keep monthly payments relatively low. And finally, pent up demand (resulting from postponed vehicle purchases during the economic downturn) is reaching record-high levels, and should provide a significant boost to sales when the economic noose loosens. The chance of this scenario occurring: about 70%.

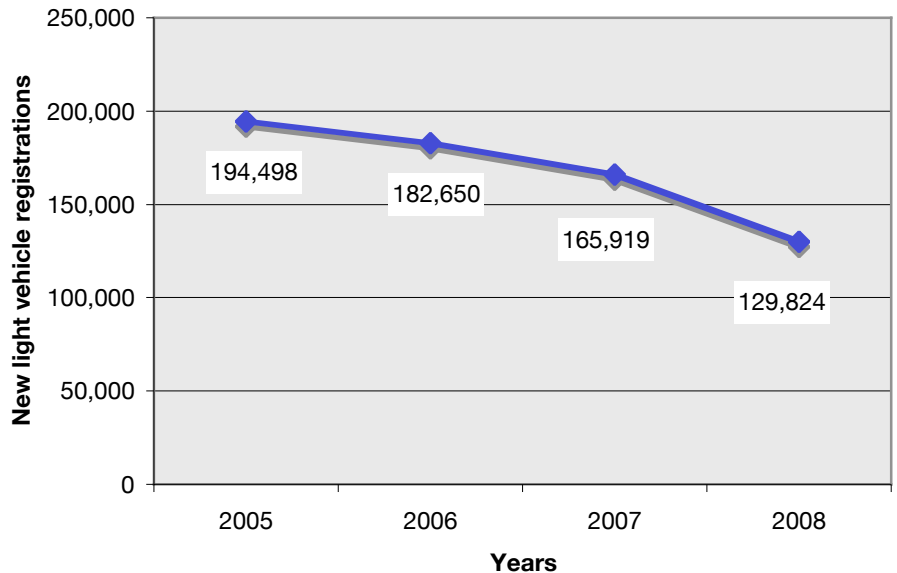
Scenario #3 for how the sales recovery could unfold: Sharp rebound in sales beginning later this year, with sales returning to historically high levels by 2010. The chances for this scenario are relatively slim, but not impossible. Here's what would need to happen for the market to take off by this time next year: the stimulus programs have a near term significant impact, employment and personal income rebound quickly, and the credit markets start functioning within a couple of months. In addition, new vehicle shoppers would need to return to dealerships in droves with a willingness to assume added debt, which, somewhat paradoxically, is the reason why this fast recovery in sales could be relatively short lived. The willingness to assume additional debt has to be accompanied by an ability to man-

age it. Otherwise, new vehicle sales could start heading south again relatively quickly. Chances of this scenario occurring: about 20%.

Predicting how the economic and automotive market recovery will proceed is an extremely dicey proposition. Clearly, un-

certainty has been the buzzword for the past 18 months. However, one thing we are certain of: new vehicle sales WILL recover--eventually. The recovery in sales is likely to be gradual, but at this point, a slow, steady, and lasting rebound sounds very appealing.

Orange County New Retail Light Vehicle Registrations-2005 thru 2008



The graph above shows annual new retail light vehicle registrations in Orange County from 2005 thru 2008.

Orange County Auto Outlook

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Data Source Information

Exclusive source for new vehicle registration data presented in Orange County Auto Outlook is AutoCount, an Experian Company. AutoCount specializes in providing detailed new and used vehicle sales and registration statistics. Data is available on a timely basis and is conveniently available directly over the Internet.

For more information on Auto Count, call 888-211-5809 or visit AutoCount's web site: www.experianautomotive.com



Market Determinants

Financially Strapped Consumers Cut Spending; Rebound Expected to be Gradual

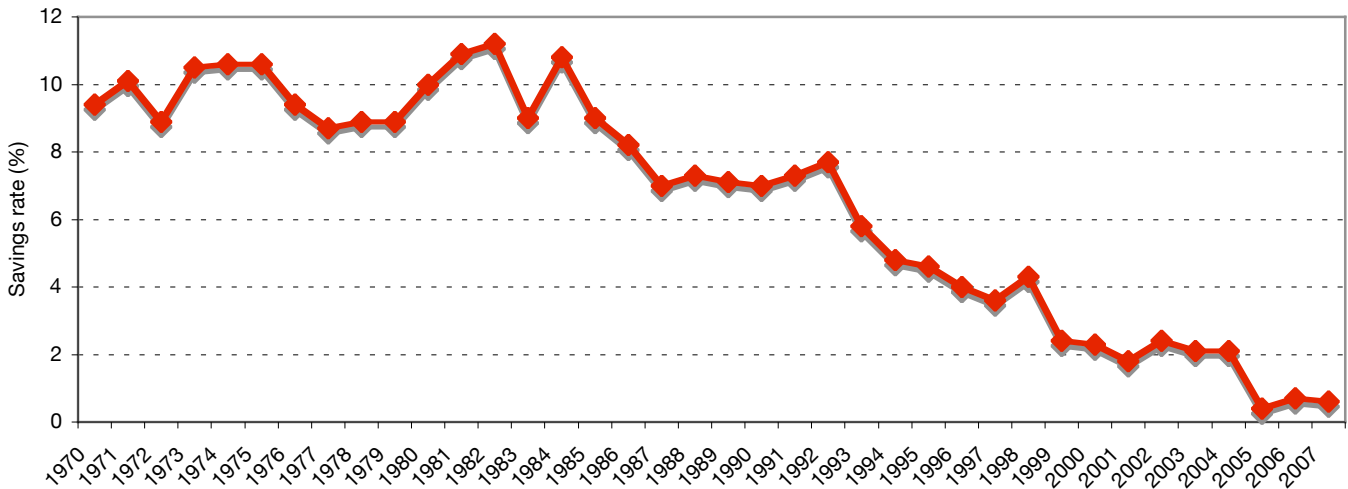
For nearly five years, Auto Outlook has been flashing warning signals regarding the escalation in household debt, and the looming downside consequences for new vehicle sales. Simply put, the U.S. consumer has been on a spending whirlwind for most of the past decade, fueled largely by a record amassing of debt. During this time, some economists downplayed the debt time bomb, pointing out that sharp increases in the value of financial assets and real estate boosted household net worth, thereby providing a backstop for expanding liabilities. Obviously, these asset bubbles burst, and households are now confronted with the more traditional method of reducing debt: restoring balance between income and expenses.

The two graphs below clearly demonstrate the long term trend of consumer spending, reduced savings, and growing debt. The first graph, shows the savings rate (personal savings as a percent of disposable personal income) from 1970 through 2007. The savings rate declined from an average of about 10% during the 70's and early 80's, to nearly 0% in 2006 and 2007.

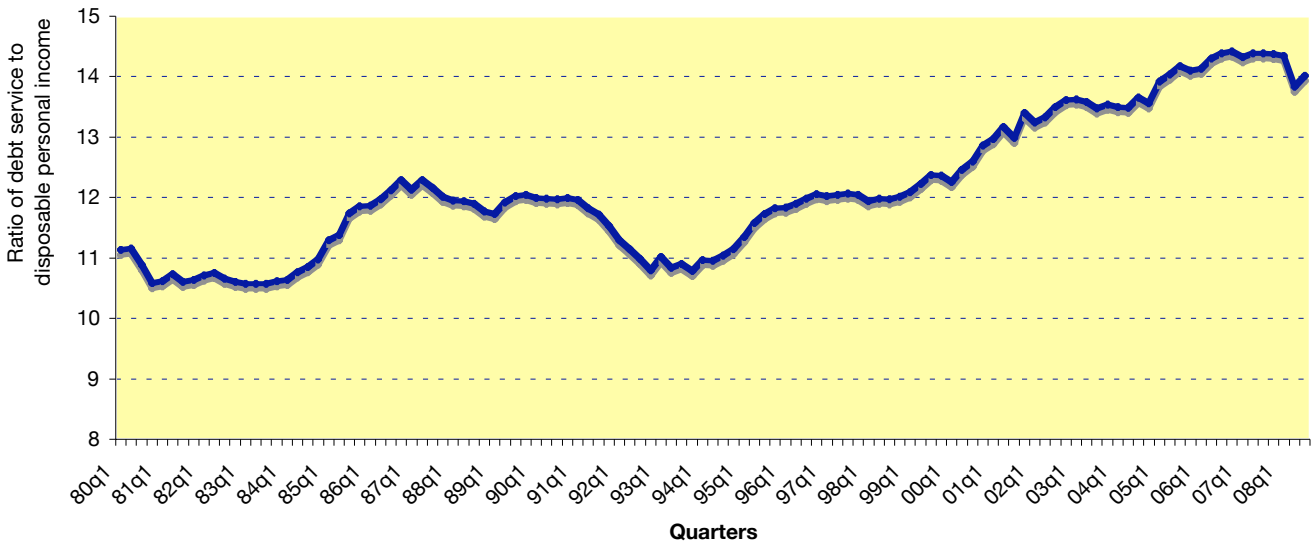
The second graph shows the estimated level of debt service to disposable personal income. After fluctuating from about 10.5% to 12% from 1980 thru 2000, the percentage increased to over 14% during the past two years. Clearly, spending received a big boost by growing debt and reduced savings, a condition that could not be sustained.

So, where do we go from here? Households need to increase savings and reduce debt by increasing equity in their homes, cutting credit card debt, and boosting their savings. This will need to be achieved by earning more income than they spend. A task which is made significantly more difficult due to the onset of the recession, rising unemployment, and slower wage growth. It would appear as though we are entering a prolonged period of relatively sluggish consumer spending, which will likely prevent the new vehicle market from taking off anytime soon. The county new vehicle market will recover, perhaps as soon as the second half of this year, but debt-laden households will likely cause the recovery to be gradual and slow.

U.S. Savings Rate-Personal Savings as a % of Disposable Income



Ratio of Debt Service to Disposable Personal Income



Brand Scoreboard - Part One

Honda, VW, Mazda, and Hyundai Post Market Share Increases During 2008

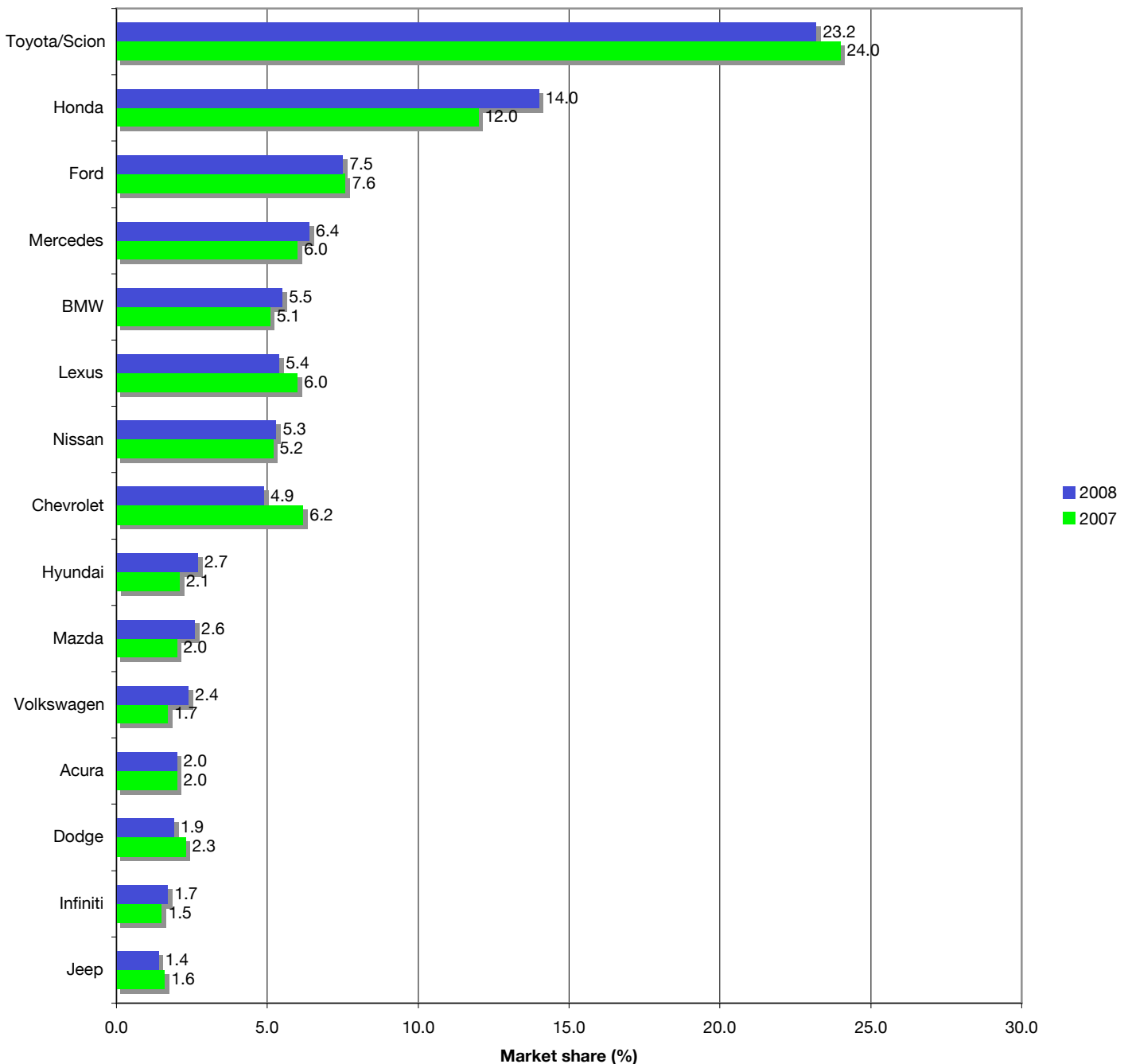
With the Orange County new vehicle market declining by more than 21% last year, there were very few brands that managed to post increases in sales. During periods of sharply declining industry sales, changes in market share provide a more accurate picture of brand sales performance.

The graph below shows the change in county new retail light vehicle market share from 2007 to 2008 for the top 15 selling brands. Brands are ranked from top to bottom based on last year's market share. The biggest gain among these 15 brands was posted by Honda, up two points. Market share increased by more

than 0.5 of a point for Volkswagen, Mazda, and Hyundai.

Source: AutoCount data from Experian Automotive.

Orange County New Retail Light Vehicle Market Share for Top 15 Selling Brands-2007 and 2008



Brand Scoreboard - Part Two

Toyota, Mercedes, Lexus, and BMW Relatively Strong Sellers in the County Market

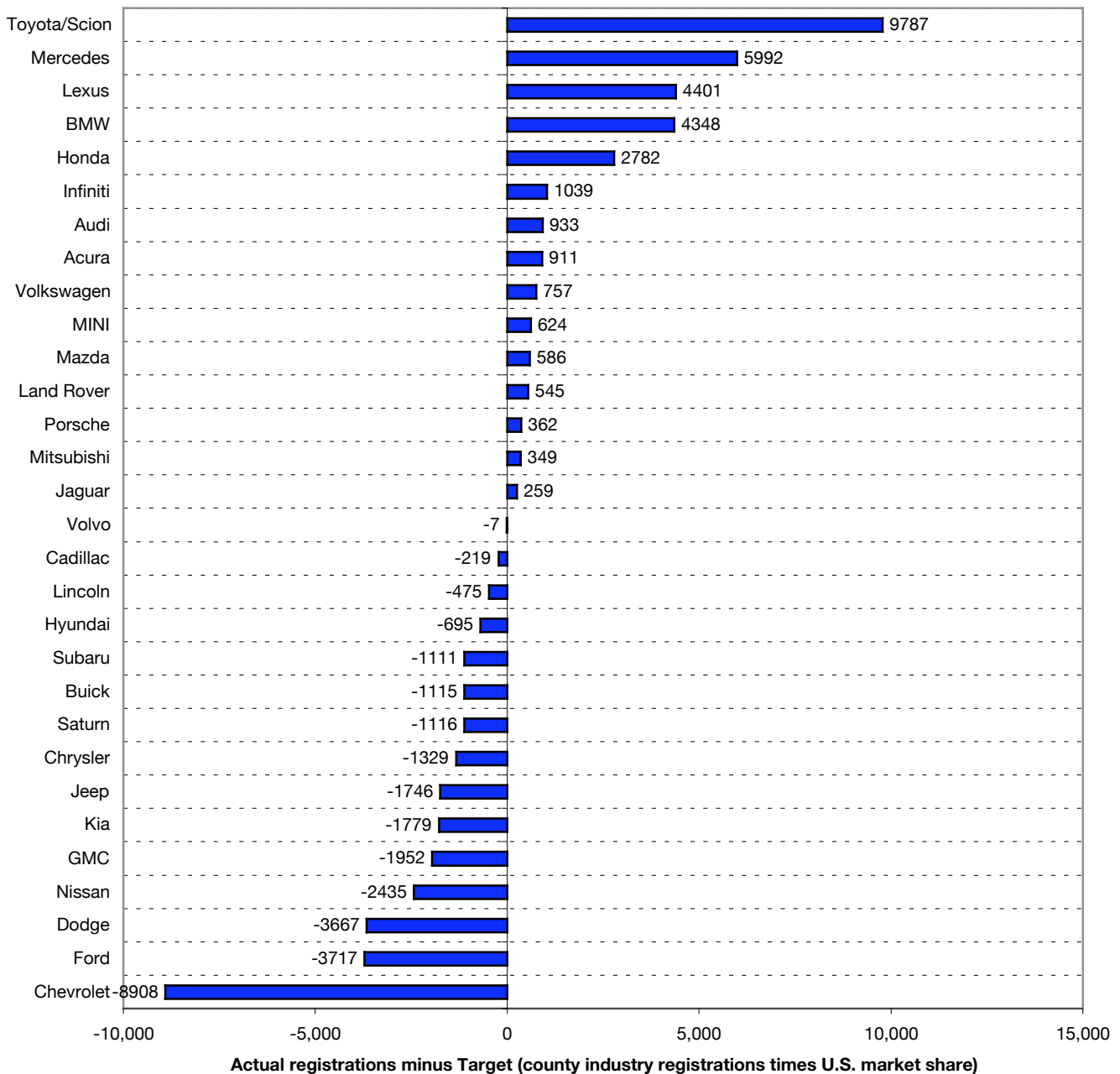
The graph below provides an indicator of brands that are popular in Orange County (relative to the National standard), and those that are not. Here's how it works: For the top 30 selling brands in the county, each brand's share of the U.S. market is multiplied by retail registrations in the county during 2008. 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, and BMW) are relatively strong sellers in the

county, with actual registrations exceeding the calculated target by large margins. For instance, Toyota/Scion registrations exceeded the calculated target by 9,787 units.

Orange County Retail Market Performance based on registrations for 2008
Actual registrations minus target (county industry registrations times U.S. market share)



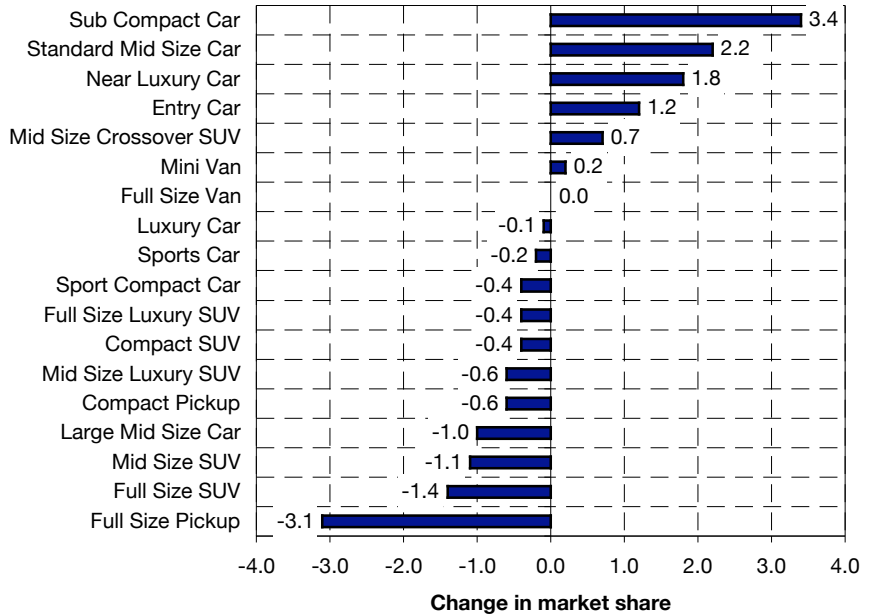
Segment Watch

Sub Compact Car Market Share Posts Gains in Second Half of 2008

A hot topic of debate in the industry is whether the surge in sales of small cars last year was a short term reaction to higher fuel prices, or a permanent shift in demand. The graph to the right sheds some light on this debate. It shows the change in market share for 18 primary market segments during the second half of 2008 (a period of rapidly falling gas prices) versus the same period a year earlier. As shown on the graph, the Sub Compact car segment recorded sizable gains in the second half of last year, despite the drop in gas prices.

Our view is that the overall shift to smaller vehicles is a lasting long term trend, fostered by the combination of volatile gasoline prices, enhanced environmental consciousness, and the steep economic downturn (which stimulates sales of smaller, less expensive vehicles). However, there is still significant demand for mid and full size trucks and SUVs that will not disappear. Many consumers want, and in many cases need, the advantages that come from larger vehicles, regardless of gasoline prices.

Change in Segment Market Share - July '08 thru Dec. '08 vs. Year Earlier



Top Selling Models in Each Segment - Orange County											
New Retail Registrations, 2008 Annual Total and Market Share of Segment											
Cars											
Entry			Sub Compact			Sporty Compact			Standard Mid Size		
Model	Regs.	Share	Model	Regs.	Share	Model	Regs.	Share	Model	Regs.	Share
Toyota Yaris	1953	35.9	Honda Civic	6260	20.8	Ford Mustang	1039	41.1	Toyota Camry	9780	42.3
Honda Fit	1272	23.4	Toyota Corolla/Matrix	5711	18.9	Scion TC	1027	40.6	Honda Accord	6095	26.4
Nissan Versa	958	17.6	Toyota Prius	3468	11.5	Mitsubishi Eclipse	186	7.4	Nissan Altima	2907	12.6
Scion xD	495	9.1	Mini Cooper	1933	6.4	Hyundai Tiburon	155	6.1	Hyundai Sonata	826	3.6
Hyundai Accent	313	5.8	Mazda 3	1845	6.1				Ford Fusion	756	3.3
Large Mid Size			Near Luxury			Luxury			Sports Car		
Model	Regs.	Share	Model	Regs.	Share	Model	Regs.	Share	Model	Regs.	Share
Dodge Charger	659	20.6	BMW 3-Series	4398	23.3	Mercedes E-Class	2596	20.9	Chevrolet Corvette	486	24.0
Chrysler 300	648	20.2	Mercedes C-Class	3972	21.1	BMW 5-Series	2002	16.1	Porsche 911	271	13.4
Toyota Avalon	396	12.4	Lexus IS	2399	12.7	Mercedes S-Class	1080	8.7	Nissan 350 Z	240	11.9
Nissan Maxima	305	9.5	Lexus ES	1995	10.6	Mercedes CLK-Class	780	6.3	BMW Z4	186	9.2
Hyundai Azera	283	8.8	Infiniti G	1756	9.3	Lexus LS	776	6.2	Mazda MX5	151	7.5
Light Trucks											
Compact Pickup			Full Size Pick Up			Mini Van			Full Size Van		
Model	Regs.	Share	Model	Regs.	Share	Model	Regs.	Share	Model	Regs.	Share
Toyota Tacoma	2883	54.6	Ford F-Series	3172	31.1	Toyota Sienna	2478	41.0	Ford E-Series	875	59.4
Ford Ranger	975	18.4	Chevrolet Silverado	2394	23.5	Honda Odyssey	2217	36.7	Chevrolet Express	364	24.7
Nissan Frontier	623	11.8	Toyota Tundra	2071	20.3	Dodge Caravan	348	5.8	Dodge Sprinter	149	10.1
Honda Ridgeline	345	6.5	Dodge Ram	1059	10.4	Chrysler T & C	333	5.5	GMC Savana	85	5.8
Chevrolet Colorado	268	5.1	GMC Sierra	799	7.8	Mazda 5	176	2.9			
Compact SUV			Mid Size SUV/Crossover SUV			Full Size SUV			Mid Size & Full Size Luxury SUV		
Model	Regs.	Share	Model	Regs.	Share	Model	Regs.	Share	Model	Regs.	Share
Honda CRV	2891	24.8	Toyota Highlander	1844	14.7	Chevrolet Tahoe	1123	26.2	Lexus RX	2363	17.6
Toyota RAV4	1700	14.6	Ford Edge	1736	13.9	Chevrolet Suburban	631	14.7	Mercedes ML-Class	1479	11.0
Ford Escape	1170	10.1	Honda Pilot	1420	11.3	Toyota Sequoia	617	14.4	Acura MDX	1172	8.7
Jeep Wrangler	897	7.7	Toyota 4Runner	797	6.4	Ford Expedition	528	12.3	BMW X5	1139	8.5
Nissan Rogue	666	5.7	Nissan Murano	664	5.3	GMC Yukon	469	10.9	Mercedes GL-Class	1047	7.8

Comparison Of Orange County, Los Angeles County, And U.S. Markets

	Orange County	Los Angeles County	U.S. Market
Market Growth % change in registrations 2008 vs. 2007	-21.8%	-19.7%	-18.1%
Car Market Share Car share of industry retail light vehicle 2008	59.9%	64.0%	53.0%
Domestic Brand Market Share Domestic brand share of industry retail light vehicle registrations - 2008	21.2%	18.6%	40.6%

Brand	New Retail Registrations - 2008 Annual Totals						Market Share (2008)		
	Orange County		Los Angeles County		U.S.		Orange County	L.A. County	U.S.
	Regs.	% ch. from '07	Regs.	% ch. from '07	Regs.	% ch. from '07			
Acura	2,536	-22.7%	6,028	-23.9%	144,504	-19.8%	2.0	1.8	1.1
Audi	1,855	-11.9%	7,185	-0.8%	87,760	-6.1%	1.4	2.1	0.7
BMW	7,151	-16.0%	21,058	-16.0%	249,113	-15.2%	5.5	6.2	1.9
Buick	354	-7.6%	727	-20.7%	137,197	-26.2%	0.3	0.2	1.0
Cadillac	1,422	-32.1%	3,384	-34.3%	161,159	-24.9%	1.1	1.0	1.2
Chevrolet	6,310	-38.7%	14,856	-38.3%	1,790,519	-20.4%	4.9	4.4	13.5
Chrysler	1,352	-41.2%	3,479	-43.3%	335,108	-38.3%	1.0	1.0	2.5
Dodge	2,461	-35.7%	5,872	-34.9%	784,113	-25.9%	1.9	1.7	5.9
Ford	9,678	-23.7%	18,835	-29.1%	1,680,321	-19.5%	7.5	5.6	12.7
GMC	1,849	-41.8%	4,357	-39.9%	361,739	-25.4%	1.4	1.3	2.7
Honda	18,153	-8.9%	47,797	-9.8%	1,284,261	-6.4%	14.0	14.1	9.7
Hummer	264	-55.0%	574	-56.2%	27,485	-50.9%	0.2	0.2	0.2
Hyundai	3,450	-3.1%	3,659	-9.1%	401,742	-14.0%	2.7	1.1	3.0
Infiniti	2,218	-12.1%	7,095	0.4%	112,989	-11.1%	1.7	2.1	0.9
Isuzu	84	-33.9%	213	-32.6%	4,758	-33.0%	0.1	0.1	0.0
Jaguar	440	26.4%	1,364	7.6%	14,961	-4.6%	0.3	0.4	0.1
Jeep	1,802	-32.9%	4,180	-33.7%	333,901	-29.7%	1.4	1.2	2.5
Kia	819	85.7%	3,222	-2.7%	273,397	-10.5%	0.6	1.0	2.1
Land Rover	858	-45.4%	2,750	-32.9%	29,860	-39.7%	0.7	0.8	0.2
Lexus	7,054	-29.7%	17,532	-19.5%	260,087	-21.0%	5.4	5.2	2.0
Lincoln	583	-44.7%	1,672	-36.2%	107,295	-18.4%	0.4	0.5	0.8
Mazda	3,312	-1.7%	5,642	-9.6%	263,949	-10.9%	2.6	1.7	2.0
Mercedes	8,286	-16.9%	19,772	-13.2%	225,009	-11.2%	6.4	5.9	1.7
Mercury	211	-39.2%	705	-26.9%	120,248	-28.6%	0.2	0.2	0.9
MINI	1,256	21.4%	3,458	22.1%	54,077	-28.6%	1.0	1.0	0.4
Mitsubishi	1,167	-26.5%	1,438	-36.8%	97,257	-24.6%	0.9	0.4	0.7
Nissan	6,935	-19.5%	23,890	-21.9%	838,361	-10.9%	5.3	7.1	6.3
Pontiac	312	-38.6%	1,054	-35.5%	267,348	-25.3%	0.2	0.3	2.0
Porsche	648	-36.7%	2,074	-21.3%	26,035	-25.0%	0.5	0.6	0.2
Saab	139	-48.9%	437	-54.9%	21,368	-34.7%	0.1	0.1	0.2
Saturn	932	-41.1%	3,095	-38.4%	188,004	-21.7%	0.7	0.9	1.4
Subaru	950	10.3%	2,031	17.5%	187,699	0.3%	0.7	0.6	1.4
Suzuki	317	-40.1%	417	-45.6%	84,865	-16.7%	0.2	0.1	0.6
Toyota/Scion	30,167	-24.2%	84,435	-18.4%	1,957,573	-14.6%	23.2	25.0	14.8
Volkswagen	3,172	11.5%	8,751	3.0%	223,128	-3.2%	2.4	2.6	1.7
Volvo	783	-45.5%	2,691	-38.6%	73,102	-31.2%	0.6	0.8	0.6
Other	544	-12.4%	2,088	34.6%	37,139	164.9%	0.4	0.6	0.3

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 21.8% during 2008, while the Los Angeles County market fell 19.7%. Source: AutoCount data from Experian Automotive.

Orange County New Retail Car and Light Truck Registrations - Annual and Quarterly Review

	Annual Summary				Quarterly Summary			
	Units		Change		Units		Change	
	2007	2008	Unit Change	Percent Change	4th Qtr. 2007	4th Qtr. 2008	Unit Change	Percent Change
TOTAL	165,919	129,824	-36,095	-21.8%	37,525	23,201	-14,324	-38.2%
Acura	3,279	2,536	-743	-22.7%	710	469	-241	-33.9%
Audi	2,106	1,855	-251	-11.9%	461	408	-53	-11.5%
BMW	8,511	7,151	-1,360	-16.0%	1,904	1,443	-461	-24.2%
Buick	383	354	-29	-7.6%	113	62	-51	-45.1%
Cadillac	2,093	1,422	-671	-32.1%	517	227	-290	-56.1%
Chevrolet	10,293	6,310	-3,983	-38.7%	2,408	1,131	-1,277	-53.0%
Chrysler	2,300	1,352	-948	-41.2%	475	210	-265	-55.8%
Dodge	3,828	2,461	-1,367	-35.7%	764	433	-331	-43.3%
Ford	12,680	9,678	-3,002	-23.7%	2,906	1,834	-1,072	-36.9%
GMC	3,177	1,849	-1,328	-41.8%	866	292	-574	-66.3%
Honda	19,918	18,153	-1,765	-8.9%	4,495	3,113	-1,382	-30.7%
Hummer	587	264	-323	-55.0%	130	34	-96	-73.8%
Hyundai	3,561	3,450	-111	-3.1%	872	650	-222	-25.5%
Infiniti	2,523	2,218	-305	-12.1%	595	365	-230	-38.7%
Isuzu	127	84	-43	-33.9%	38	7	-31	-81.6%
Jaguar	348	440	92	26.4%	62	101	39	62.9%
Jeep	2,685	1,802	-883	-32.9%	575	288	-287	-49.9%
Kia	441	819	378	85.7%	99	138	39	39.4%
Land Rover	1,572	858	-714	-45.4%	341	155	-186	-54.5%
Lexus	10,036	7,054	-2,982	-29.7%	2,009	1,248	-761	-37.9%
Lincoln	1,054	583	-471	-44.7%	308	83	-225	-73.1%
Mazda	3,368	3,312	-56	-1.7%	873	687	-186	-21.3%
Mercedes	9,970	8,286	-1,684	-16.9%	2,491	1,771	-720	-28.9%
Mercury	347	211	-136	-39.2%	99	34	-65	-65.7%
MINI	1,035	1,256	221	21.4%	254	274	20	7.9%
Mitsubishi	1,587	1,167	-420	-26.5%	377	149	-228	-60.5%
Nissan	8,610	6,935	-1,675	-19.5%	1,864	1,022	-842	-45.2%
Pontiac	508	312	-196	-38.6%	96	45	-51	-53.1%
Porsche	1,023	648	-375	-36.7%	227	133	-94	-41.4%
Saab	272	139	-133	-48.9%	63	29	-34	-54.0%
Saturn	1,583	932	-651	-41.1%	367	148	-219	-59.7%
Subaru	861	950	89	10.3%	194	209	15	7.7%
Suzuki	529	317	-212	-40.1%	108	61	-47	-43.5%
Toyota (incl. Scion)	39,821	30,167	-9,654	-24.2%	8,725	5,131	-3,594	-41.2%
Volkswagen	2,845	3,172	327	11.5%	688	562	-126	-18.3%
Volvo	1,437	783	-654	-45.5%	286	172	-114	-39.9%
Others	621	544	-77	-12.4%	165	83	-82	-49.7%

Historical Data Source: AutoCount data from Experian Automotive

Orange County Auto Outlook

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