

FORECAST

County New Vehicle Registrations Remain at Healthy Levels



Key factors providing a boost to new vehicle sales

Motivation to upgrade. The average age of vehicles on the road exceeds 10 years old. Today's new cars and trucks are far superior to the average 10 year old vehicle. Advanced safety technologies, which were once expensive options exclusive to luxury brands, are now standard features on many mass-market vehicles. In addition, an ever-expanding array of new products fulfilling every conceivable market niche and powertrain type will continue to entice consumers into the new vehicle market.

Economic growth is positive; labor market is strong. GDP growth has shifted into a higher gear during 2018 and most economists expect growth to remain solid over the next year. Correspondingly, the unemployment rate has moved lower, employment gains have been steady, and incomes are increasing.

Consumer confidence is robust. Most measures of consumer attitudes have reached 18 year highs over the past few months. There are some risks, but strong economic growth combined with upbeat consumers should be enough to keep new vehicle sales strong.

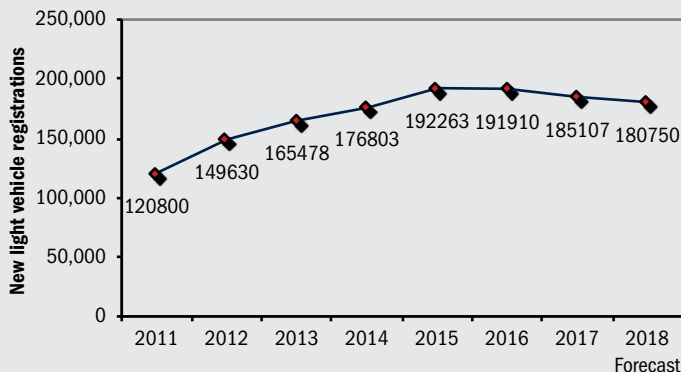


Key factors holding back new vehicle sales

Used and new vehicle price gap is widening. For most of this decade, tight supplies of late model used vehicles gave a boost to pre-owned car and truck prices. This helped keep the difference between new and used vehicle prices relatively small. But that dynamic is now changing. Several years of strong new vehicle sales and higher off-lease volumes are feeding used vehicle supplies, which will eventually lead to softening prices. This has contributed to a widening in the gap between the cost of new and used. As a result, an increasing number of automotive consumers will likely view the purchase of a used vehicle as an appealing proposition, which will syphon sales away from the new vehicle market.

Rising interest rates. After several years of hovering near zero, interest rates are on the rise. It's not going to be an abrupt, upward march, but borrowing costs are almost certain to increase over the next 12 to 18 months. Higher interest rates lead to increased monthly finance and lease payments, which put a drag on new vehicle sales.

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 Sept.	YTD '17 thru Sept.	YTD '18 thru Sept.	% ch. '17 to '18
TOTAL	147,360	140,195	137,402	-2.0%
Car	78,948	71,356	64,690	-9.3%
Light Truck	68,412	68,839	72,712	5.6%
Domestic	33,633	30,437	32,217	5.8%
European	28,029	26,476	26,879	1.5%
Japanese	72,473	71,619	69,141	-3.5%
Korean	13,225	11,663	9,165	-21.4%

Domestic consists of vehicles sold by GM, Ford, FCA domestic brands, and Tesla .

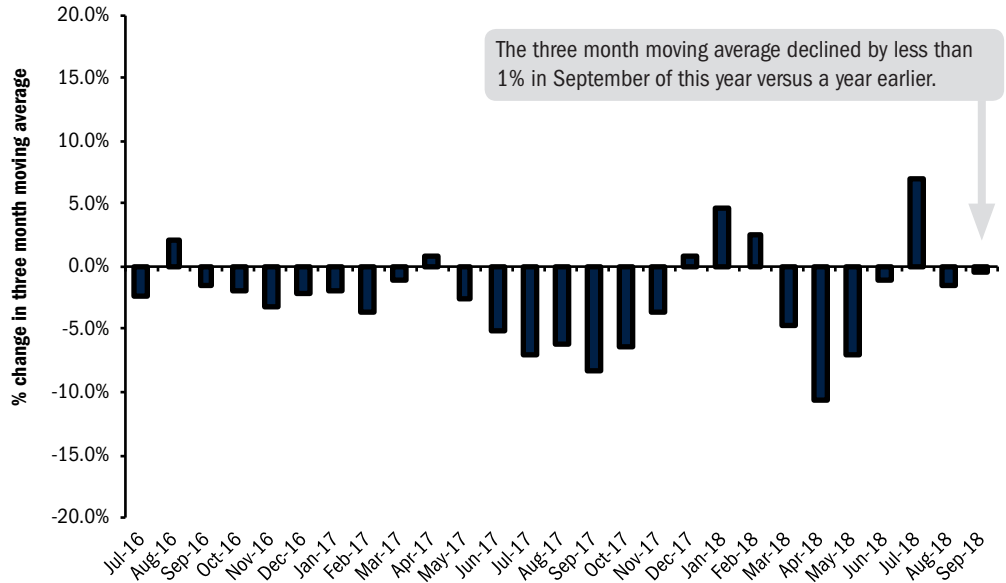
Data Source: AutoCount data from Experian.

MARKET TRACKER: MONTHLY MOVING AVERAGE

New Vehicle Sales Remain Strong During Summer of 2018

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

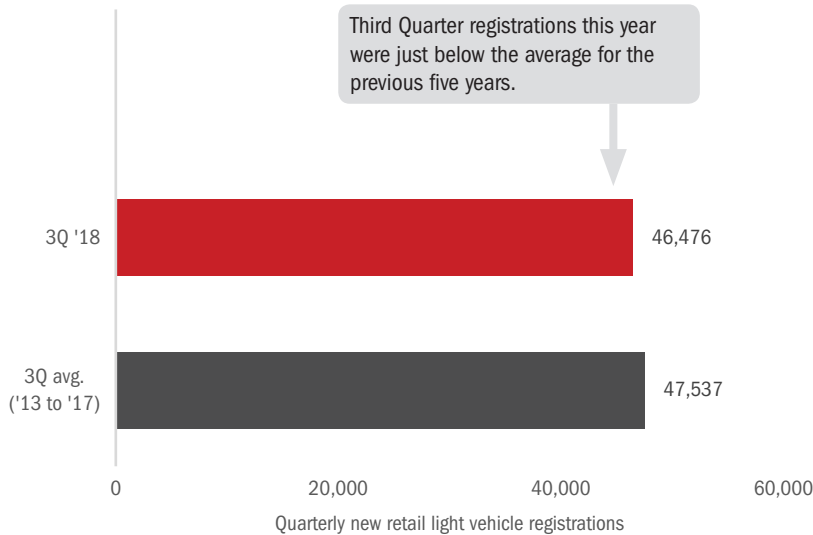


MARKET TRACKER: QUARTERLY PERSPECTIVE

3Q '18 Total Exceeds 46,000 Units

QUARTERLY PERSPECTIVE

3Q 2018 Registrations Versus Average for Previous Five Years



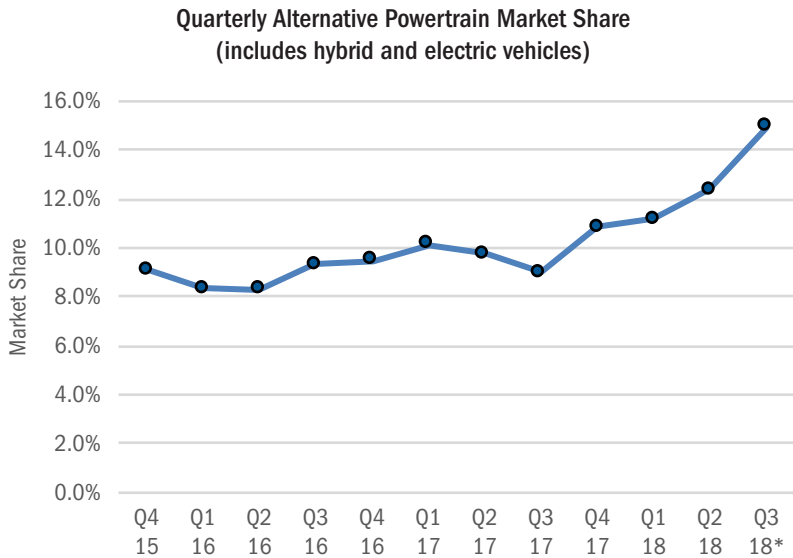
Details on Data

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

Hybrid/Electric Vehicle Market Share Approaches 15% in 3Q '18



Hybrid/electric vehicle market share, YTD '18 thru Aug.:

Orange County: 12.6%

U.S. : 3.9%

The graph above shows combined hybrid and electric vehicle quarterly market share in the county. *Third Quarter 2018 includes July and August. Source: IHS Markit.

MARKET TRACKER - SEGMENTS

Compact SUV Segment Now Accounts for 17% of County Market


Orange County Segment Market Share Review				
Segment	Market Share YTD '17 thru September	Market Share YTD '18 thru September	Change in share YTD '17 to '18	Best selling model in segment
Compact SUV	15.0	17.0	2.0	Toyota RAV4
Sub Compact Car	19.1	15.7	-3.4	Honda Civic
Standard Mid Size Car	12.9	10.9	-2.0	Toyota Camry
Near Luxury Car	7.4	9.4	2.0	Tesla Model 3
Mid Size Luxury SUV	6.2	6.4	0.2	Lexus RX
Compact Luxury SUV	5.0	6.1	1.1	Mercedes GLC-Class
Full Size Pickup	5.1	5.1	0.0	Ford F-Series
Luxury Car	4.8	4.9	0.1	Mercedes E-Class
Mid Size Crossover SUV	3.7	4.3	0.6	Toyota Highlander
Compact Pickup	2.8	3.4	0.6	Toyota Tacoma
Entry Car	3.4	3.0	-0.4	Honda Clarity
Mid Size SUV	3.1	3.0	-0.1	Jeep Grand Cherokee
Full Size Crossover SUV	2.8	2.7	-0.1	Ford Explorer
Mini Van	2.4	1.9	-0.5	Honda Odyssey
Full Size Luxury SUV	1.4	1.5	0.1	Land Rover Range Rover
Sport Compact Car	1.3	1.2	-0.1	Ford Mustang
Full Size SUV	1.2	1.1	-0.1	Chevrolet Tahoe
Full Size Van	0.9	0.8	-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 nine 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 11 Brands So Far This Year

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 nine months of 2017 and 2018. Viewing both measures on the same graph provides a more clear-cut signal on how each brand is doing.



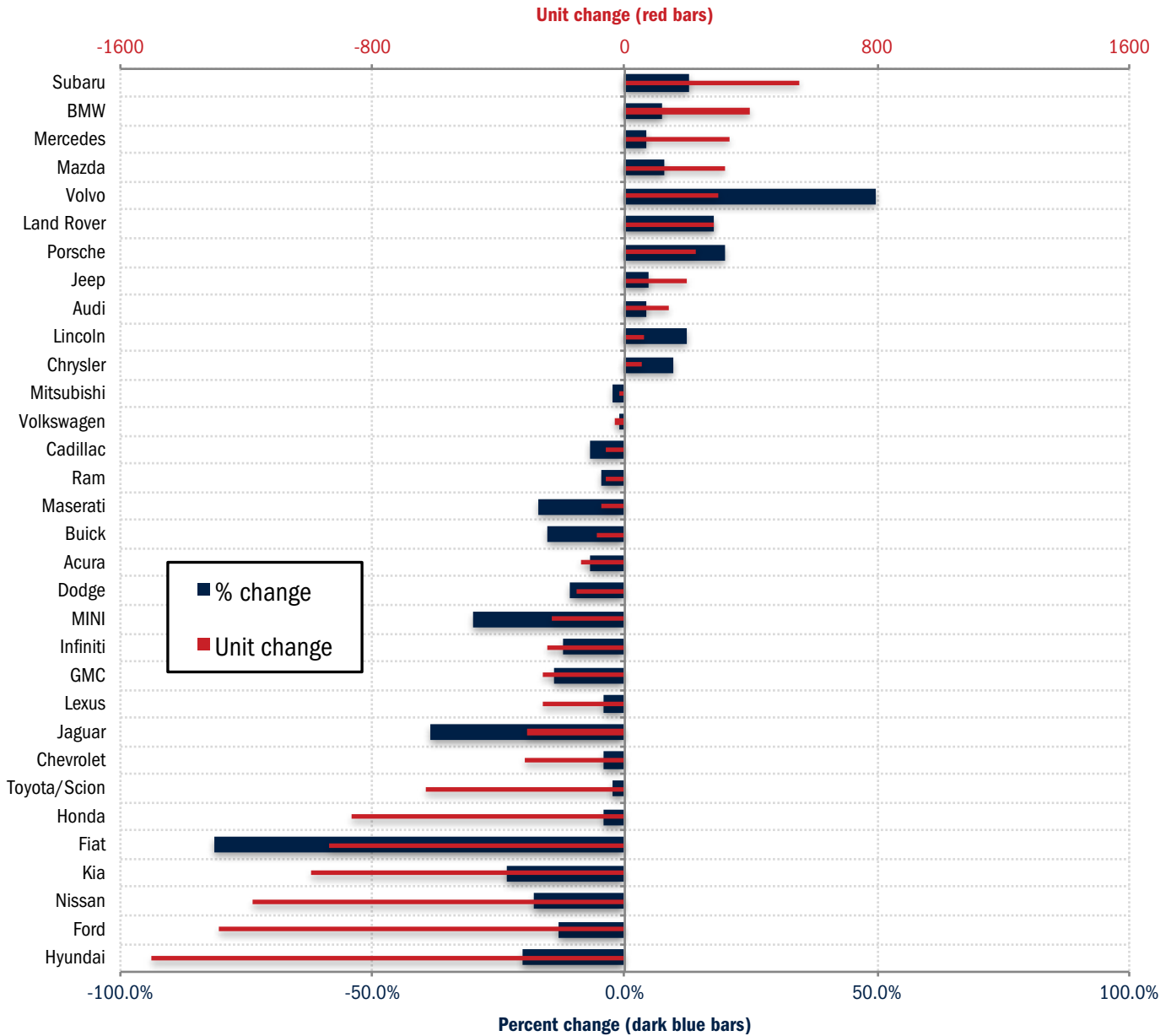
12 percent

Five brands had increases of greater than 12%: Volvo, Porsche, Land Rover, Subaru, and Lincoln.

300 units

Four brands had increases of greater than 300 units: Subaru, BMW, Mercedes, and Mazda.

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



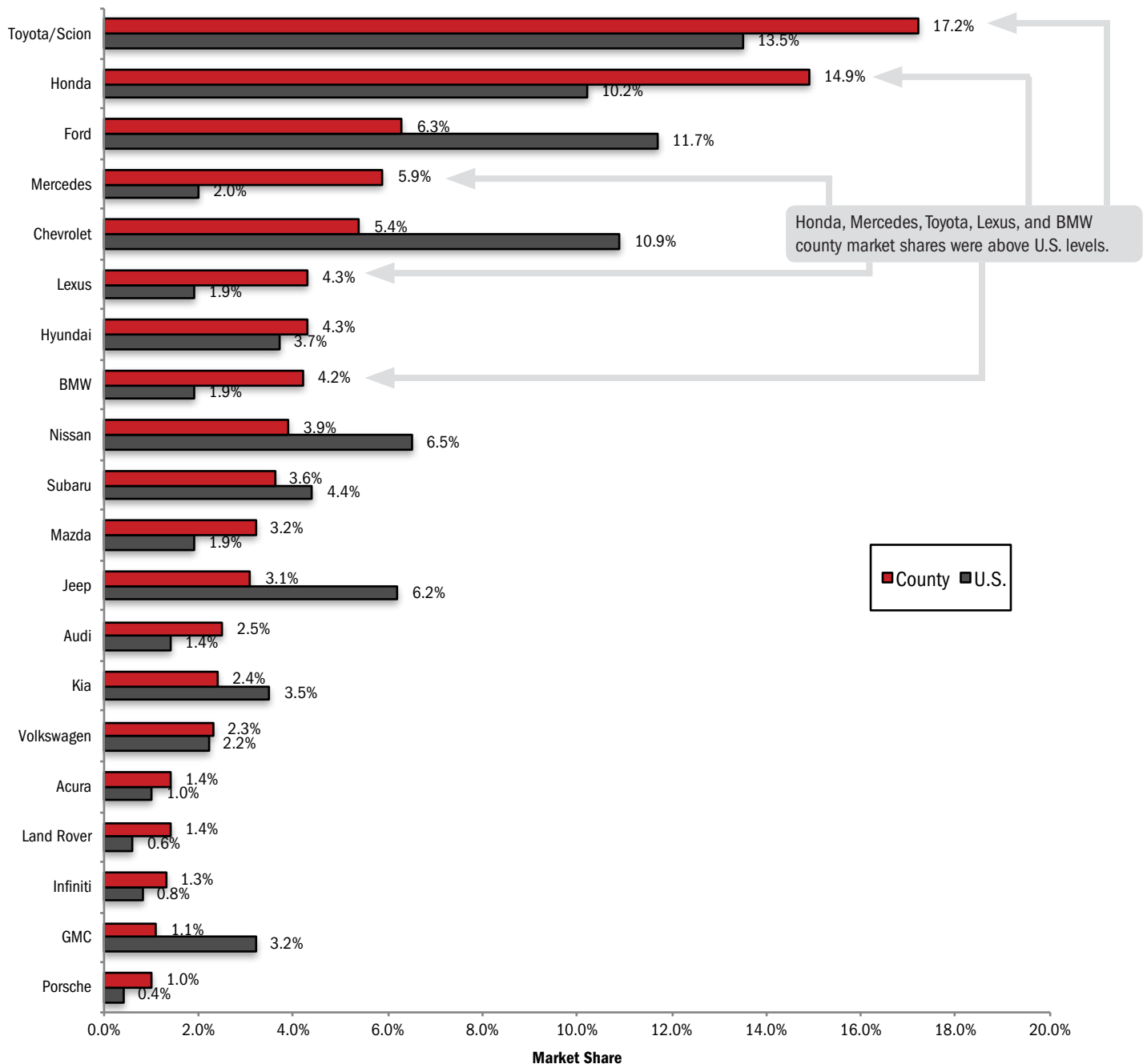
Source: AutoCount data from Experian.

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 nine 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 17.2% of the market, well above its 13.5% share in the Nation.

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



Source: AutoCount data from Experian

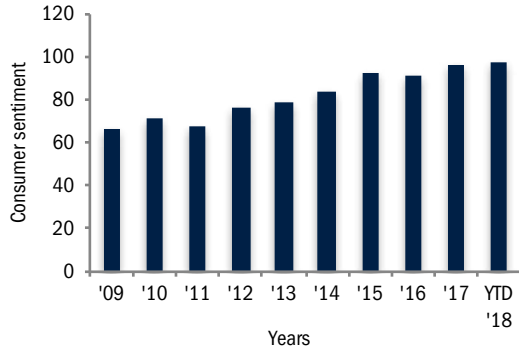
Three Key Factors Impacting New Vehicle Sales

Factor	The numbers...	Primary conclusion...	What it means for new vehicle sales...
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Consumer Sentiment



Univ. of Michigan Consumer Sentiment Index



Source: University of Michigan.

Consumer sentiment index increased to 98.3 thru September of 2018, up from 91.8 in 2016 and 63.8 in 2008.

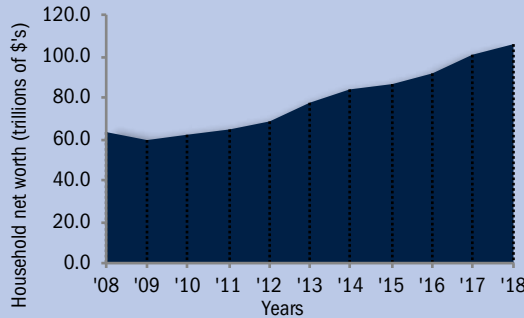


Strong consumer sentiment will provide a boost to the new vehicle market

Household Net Worth



U.S. Household Net Worth



Source: Federal Reserve.

Household net worth was a record \$105.8 trillion in 1Q '18, up by nearly 80% from 2009.

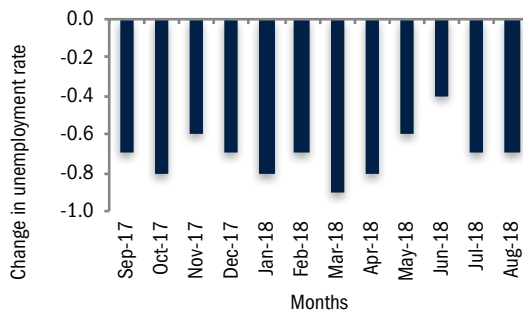


Rising household net worth will provide a boost to the new vehicle market

Labor Market



Change in county unemployment rate vs. Same month year earlier



Source: Bureau of Labor Statistics.

County unemployment rate declined vs. year earlier in each of the past 12 months.



Total employment has increased, which is clearly a positive for vehicle sales.

Bottom line: new vehicle market should remain strong despite mild softening

COMPARISON OF ORANGE COUNTY AND U.S. MARKETS

Orange County and U.S. Markets Down Slightly in 2018

	Orange County Retail Market	U.S. Retail Market
% change in registrations YTD '18 thru September vs. YTD '17	-2.0%	-1.4%
Car share of industry retail light vehicle market YTD '18 thru September	47.1%	31.5%
Domestic brand share of industry retail light vehicle market YTD '18 thru September	23.4%	41.8%

Brand	New Retail Registrations - YTD '18 thru September				Market Share (YTD '18)	
	Orange County		U.S.		Orange	U.S.
	Regs.	% ch. vs. 2017	Regs.	% ch. vs. 2017	County	
Acura	1,956	-6.7%	108,985	-0.1%	1.4	1.0
Audi	3,439	4.1%	147,564	2.0%	2.5	1.4
BMW	5,711	7.5%	200,235	1.7%	4.2	1.9
Buick	504	-15.2%	138,888	-5.7%	0.4	1.3
Cadillac	761	-7.0%	86,751	-9.7%	0.6	0.8
Chevrolet	7,477	-4.0%	1,143,723	-5.2%	5.4	10.9
Chry Dodge Jeep Ram	7,416	0.4%	1,281,727	6.5%	5.4	12.2
Chrysler	641	9.6%	89,858	-10.4%	0.5	0.9
Dodge	1,287	-10.8%	211,249	-5.0%	0.9	2.0
Jeep	4,210	4.9%	649,625	14.8%	3.1	6.2
Ram	1,278	-4.7%	330,995	5.1%	0.9	3.2
Fiat	217	-81.2%	11,824	-41.6%	0.2	0.1
Ford	8,601	-13.0%	1,228,781	-3.6%	6.3	11.7
GMC	1,564	-14.2%	334,579	-3.5%	1.1	3.2
Honda	20,529	-4.1%	1,066,347	-2.9%	14.9	10.2
Hyundai	5,886	-20.3%	388,577	-2.1%	4.3	3.7
Infiniti	1,751	-12.3%	82,632	-5.2%	1.3	0.8
Jaguar	497	-38.5%	17,800	-30.4%	0.4	0.2
Kia	3,279	-23.3%	368,509	-1.8%	2.4	3.5
Land Rover	1,873	17.6%	58,812	22.1%	1.4	0.6
Lexus	5,914	-4.2%	202,653	-4.2%	4.3	1.9
Lincoln	562	12.2%	67,246	-5.1%	0.4	0.6
Maserati	350	-17.3%	7,551	-17.8%	0.3	0.1
Mazda	4,390	7.8%	202,400	-2.2%	3.2	1.9
Mercedes	8,101	4.3%	209,740	-8.8%	5.9	2.0
MINI	531	-30.1%	29,986	-11.6%	0.4	0.3
Mitsubishi	700	-2.2%	69,088	5.5%	0.5	0.7
Nissan	5,301	-18.2%	675,770	-11.0%	3.9	6.5
Porsche	1,340	20.1%	37,671	-2.6%	1.0	0.4
Subaru	4,914	12.6%	465,469	3.2%	3.6	4.4
Toyota/Scion	23,686	-2.6%	1,410,526	-2.3%	17.2	13.5
Volkswagen	3,139	-1.0%	233,528	6.3%	2.3	2.2
Volvo	883	49.7%	66,003	37.8%	0.6	0.6
Other	6,130	190.2%	129,555	108.4%	4.5	1.2

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									
	September			Year to date thru Sep.			YTD Market Share		
	Orange County			Orange County			Orange County		
	2017	2018	% chg.	2017	2018	% chg.	2017	2018	Chg
MARKET SUMMARY									
TOTAL	14,945	15,067	0.8%	140,195	137,402	-2.0%	0.0	0.0	0.0
Cars	7,365	7,037	-4.5%	71,356	64,690	-9.3%	50.9	47.1	-3.8
Light Trucks	7,580	8,030	5.9%	68,839	72,712	5.6%	49.1	52.9	3.8
Domestic	3,333	3,723	11.7%	30,437	32,217	5.8%	21.7	23.4	1.7
European	2,732	2,751	0.7%	26,476	26,879	1.5%	18.9	19.6	0.7
Japanese	7,779	7,566	-2.7%	71,619	69,141	-3.5%	51.1	50.3	-0.8
Korean	1,101	1,027	-6.7%	11,663	9,165	-21.4%	8.3	6.7	-1.6
BRAND REGISTRATIONS									
Acura	214	213	-0.5%	2,097	1,956	-6.7%	1.5	1.4	-0.1
Audi	327	365	11.6%	3,303	3,439	4.1%	2.4	2.5	0.1
BMW	542	606	11.8%	5,313	5,711	7.5%	3.8	4.2	0.4
Buick	57	34	-40.4%	594	504	-15.2%	0.4	0.4	0.0
Cadillac	99	56	-43.4%	818	761	-7.0%	0.6	0.6	0.0
Chevrolet	840	797	-5.1%	7,792	7,477	-4.0%	5.6	5.4	-0.2
C/D/J/R	778	788	1.3%	7,384	7,416	0.4%	5.3	5.4	0.1
Chrysler	63	67	6.3%	585	641	9.6%	0.4	0.5	0.1
Dodge	173	117	-32.4%	1,443	1,287	-10.8%	1.0	0.9	-0.1
Jeep	404	462	14.4%	4,015	4,210	4.9%	2.9	3.1	0.2
Ram	138	142	2.9%	1,341	1,278	-4.7%	1.0	0.9	-0.1
Fiat	100	55	-45.0%	1,155	217	-81.2%	0.8	0.2	-0.6
Ford	1,109	968	-12.7%	9,887	8,601	-13.0%	7.1	6.3	-0.8
GMC	204	157	-23.0%	1,823	1,564	-14.2%	1.3	1.1	-0.2
Honda	2,211	2,132	-3.6%	21,399	20,529	-4.1%	15.3	14.9	-0.4
Hyundai	677	709	4.7%	7,387	5,886	-20.3%	5.3	4.3	-1.0
Infiniti	193	182	-5.7%	1,996	1,751	-12.3%	1.4	1.3	-0.1
Jaguar	76	51	-32.9%	808	497	-38.5%	0.6	0.4	-0.2
Kia	424	318	-25.0%	4,276	3,279	-23.3%	3.1	2.4	-0.7
Land Rover	185	202	9.2%	1,593	1,873	17.6%	1.1	1.4	0.3
Lexus	753	758	0.7%	6,174	5,914	-4.2%	4.4	4.3	-0.1
Lincoln	51	62	21.6%	501	562	12.2%	0.4	0.4	0.0
Maserati	50	34	-32.0%	423	350	-17.3%	0.3	0.3	0.0
Mazda	481	479	-0.4%	4,074	4,390	7.8%	2.9	3.2	0.3
Mercedes	695	775	11.5%	7,769	8,101	4.3%	5.5	5.9	0.4
MINI	81	39	-51.9%	760	531	-30.1%	0.5	0.4	-0.1
Mitsubishi	66	70	6.1%	716	700	-2.2%	0.5	0.5	0.0
Nissan	590	556	-5.8%	6,483	5,301	-18.2%	4.6	3.9	-0.7
Porsche	103	105	1.9%	1,116	1,340	20.1%	0.8	1.0	0.2
smart	4	4	0.0%	74	40	-45.9%	0.1	0.0	-0.1
Subaru	475	507	6.7%	4,364	4,914	12.6%	3.1	3.6	0.5
Toyota/Scion	2,796	2,669	-4.5%	24,316	23,686	-2.6%	17.3	17.2	-0.1
Volkswagen	427	308	-27.9%	3,172	3,139	-1.0%	2.3	2.3	0.0
Volvo	75	86	14.7%	590	883	49.7%	0.4	0.6	0.2
Other	262	982	274.8%	2,038	6,090	198.8%	1.5	4.4	2.9

Other includes Alfa Romeo, Aston Martin, Bentley, Ferrari, Freightliner, GEM, Isuzu, Lamborghini, Lotus, McLaren, Rolls Royce, and Tesla.

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.