orange county OCADA automobile dealers association

1st QTR SALES REPORT

ORANGE COUNTY AUTO OUTLOOK™ 2020

Comprehensive Information on the Orange County Automotive Market

SPECIAL REPORT

COVID-19 Pandemic Puts the Brakes on County New Vehicle Market

The Orange County new vehicle market got off to a good start in the first two months of this year. And then the bottom fell out when the COVID-19 crisis took hold in March. Below is a summary of where the market was before the pandemic hit, the impact it could have on sales, and the key factors that are likely to dictate the speed and strength of the ensuing recovery.

Where was the County new vehicle market before the pandemic hit?

As shown on the graph below, new retail light vehicle registrations in Orange County exceeded 165,000 units between 2013 and 2019. It was an unprecedented streak of consistently high sales. Affordability was becoming a bit of a concern, but the economy was growing, unemployment was low, and incomes were increasing. The market was strong before the crisis hit, and it will eventually regain that strength.

What impact will the pandemic have on the County market?

New vehicle registrations as reported by Experian declined 4.4% in the First Quarter of this year versus a year earlier. But the measurement of registrations typically lags actual vehicle sales at dealerships. New vehicle sales declined significantly in March.

At this point, our projection is that new retail registrations this year will fall to 130,500 units, a 25% decline from 2019. But forecasting the market right now is extremely difficult. This is clearly not a typical cyclical economic downturn. Vehicle sales will be impacted by the spread of the virus and changes in governmental policies regarding business operations. And these considerations are not part of the traditional statistical models used to predict the auto market.

One thing, however, seems certain right now: The low point in sales should occur in 2020 after which, the market can start its upward climb.

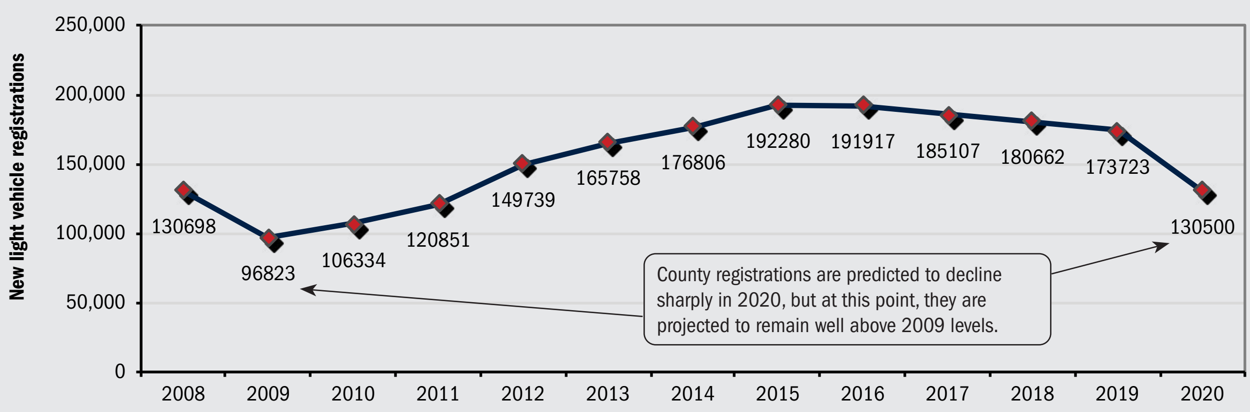
How fast will the market recover when restrictions are eased?

The dramatic sales slump will result in the accumulation of pent-up-demand, fueling an upswing in sales that will likely lead the market to very high levels within a few years.

There are three keys to monitor over the next few months to get a handle on how swiftly the recovery could progress. First, how quickly will business restrictions be lifted so that economic activity can resume in earnest? Second, how many businesses will manage to survive during the shutdown? This will clearly have a direct impact on how quickly people can return to work, which is a primary feeder for the third key: How long will it take for households to repair their balance sheets? Rising unemployment and lost wages will result in growing debt, and a depletion of savings. Stimulus checks and 0% interest rates will help, and the balance sheet correction should be less severe than during the great recession. But many households will be dealing with the financial consequences of a significant interruption in income, which will crimp spending on big ticket items, like new vehicles.

There are simply too many unknowns right now to even guess at the exact timing and speed of the sales recovery. Sales will obviously fall in 2020, and barring a resurgence in the pandemic over the next 12 months, the market will almost certainly improve in 2021.

Annual New Light Vehicle Registrations in Orange County - 2008 thru 2020



Source for historical data: AutoCount data from Experian.

SPECIAL REPORT

Economic "Train" Stopped in its Tracks; How Does It Start Back Up?

The U.S. economy can be compared to a large freight train, with each car on the train representing a company or business operation. Before the corona virus hit, the train was barreling down the tracks, but then it was forced to "stop on a dime."

Before March of 2020, it wasn't fully known that the economic freight train had the ability to stop abruptly. But when the brakes were slammed, the train came to a near-halt in short order.

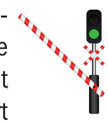
Here are the specifics. GDP growth was humming along at an impressive pace, increasing for the 23rd consecutive quarter in 4Q '19, while the unemployment rate fell to just 3.5% in February. Some economists have now predicted that growth could contract by as much as 30% in the Second Quarter of 2020, with the unemployment rate perhaps moving to 15% by late spring. The train is still moving, but barely.

The fact that the train could slow down so quickly may have come as a surprise, but like most big trains, it will almost certainly take a while for it to regain its previous speed. There are several things that need to happen for the train to get going as quickly as possible:

First, it's imperative that a significant majority of cars stay on the track (i.e., businesses survive during the shutdown). When a car falls off the tracks, it takes time (and expense) to build new ones, and place them back on the rails.

Second, some cars (businesses) are much more important than others. Some are locomotives and without them the train would be stuck on the track (i.e., banks and financial institutions). In addition, some cars are inexorably connected, and if one leaves the track, others will follow (i.e., automobile manufacturers, airlines, etc.). It's critical to identify these cars and provide needed support so that they are on the track when the train starts moving again.

Third, the smaller cars matter too! In fact, more than half of the train is comprised of them (i.e., small businesses). A few of these smaller cars will almost certainly fall of the tracks, but policies will need to be sufficient to assure that the large majority of them stay connected to the train.



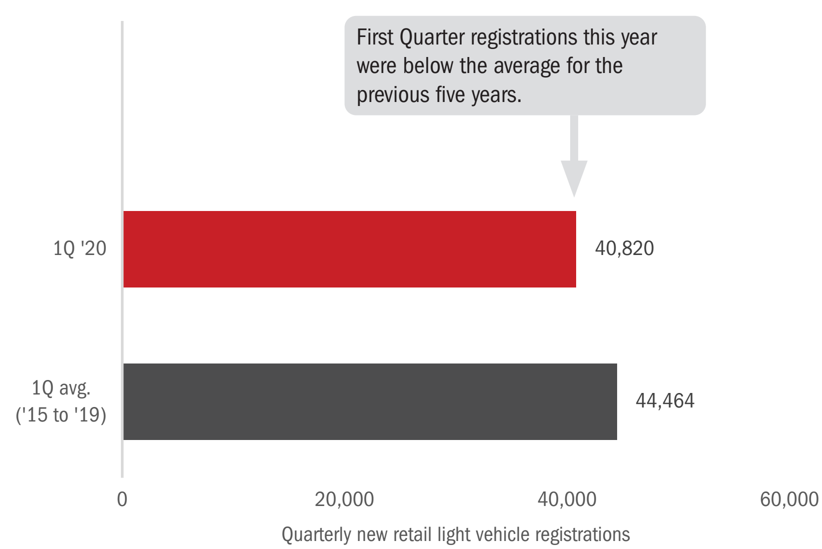
Wrap up: It's obvious that the economic train has pretty much come to a stop and it will be difficult for it to regain its prior speed in a short period of time. But if sufficient maintenance is performed, once the train starts moving, it should be able to build speed fairly quickly.

MARKET TRACKER: QUARTERLY PERSPECTIVE

1Q '20 Total Declined vs. 5 Year Average

QUARTERLY PERSPECTIVE

1Q 2020 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 - SEGMENTS

Compact SUVs Accounted for 14.5% of County Market

PRIMARY CONCLUSIONS

TOP THREE SEGMENTS (YTD 2020): Compact SUV, Compact Car, and Mid Size SUV

BIGGEST INCREASES (YTD ‘20 vs. YTD ‘19): Luxury Mid Size SUV and Luxury Subcompact SUV

TOP SELLING MODELS: Compact SUV - Toyota RAV4, Compact Car: Honda Civic, and Mid Size SUV - Toyota Highlander

Orange County Segment Market Share Review

Segment	Market Share YTD ‘19 thru March	Market Share YTD ‘20 thru March	Change in share YTD ‘19 to ‘20	Best selling model in segment
Compact SUV	14.1	14.5	0.4	Toyota RAV4
Compact Car	13.4	13.0	-0.4	Honda Civic
Mid Size SUV	10.8	11.2	0.4	Toyota Highlander
Near Luxury Car	10.1	10.1	0.0	Tesla Model 3
Mid Size Car	10.3	9.2	-1.1	Toyota Camry
Luxury Mid Size SUV	7.3	8.1	0.8	Lexus RX
Full Size Pickup	5.0	5.1	0.1	Ford F-Series
Luxury Compact SUV	5.7	4.8	-0.9	Lexus NX
Subcompact SUV	4.2	4.7	0.5	Honda HR-V
Luxury and High-end Sports Cars	5.0	4.3	-0.7	BMW 5-Series
Compact/Mid-Size Pickup	3.4	3.7	0.3	Toyota Tacoma
Luxury Large SUV	1.3	1.8	0.5	Mercedes GLS-Class
Luxury Subcompact SUV	1.2	1.8	0.6	Lexus UX
Subcompact Car	1.9	1.8	-0.1	Chevrolet Bolt
Mini Van	1.9	1.6	-0.3	Honda Odyssey
Sports/Pony cars	1.1	1.1	0.0	Dodge Challenger
Large Van	0.8	1.0	0.2	Mercedes Sprinter
Large SUV	1.3	0.9	-0.4	Chevrolet Tahoe
Entry Luxury Car	0.9	0.7	-0.2	Acura ILX
Large Car	0.6	0.5	-0.1	Dodge Charger

The table above shows Orange County market share for 20 vehicle segments during the first three months of 2019 and 2020, 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 2020 share.

Data Source: AutoCount data from Experian.

BRAND SCOREBOARD

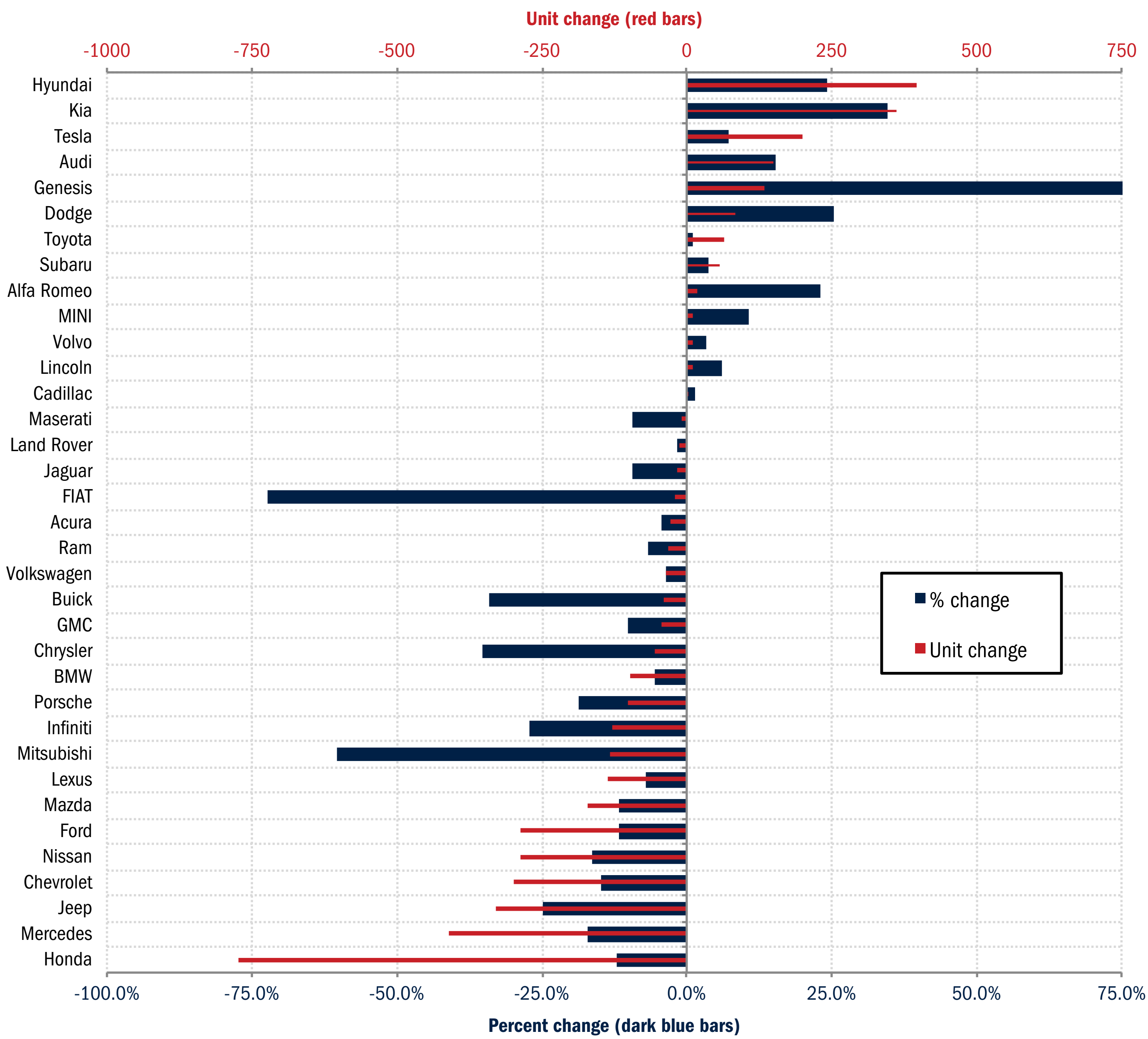
Registrations Increased for 13 Brands in 1Q 2020

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 this year versus the same period a year earlier. Viewing both measures on the same graph provides a more clear-cut signal on how each brand is doing.

13 brands posted increases:

Hyundai	Subaru
Kia	Alfa Romeo
Tesla	MINI
Audi	Volvo
Genesis	Lincoln
Dodge	Cadillac
Toyota	

Change in New Retail Light Vehicle Registrations (YTD 2020 thru March vs. YTD 2019)



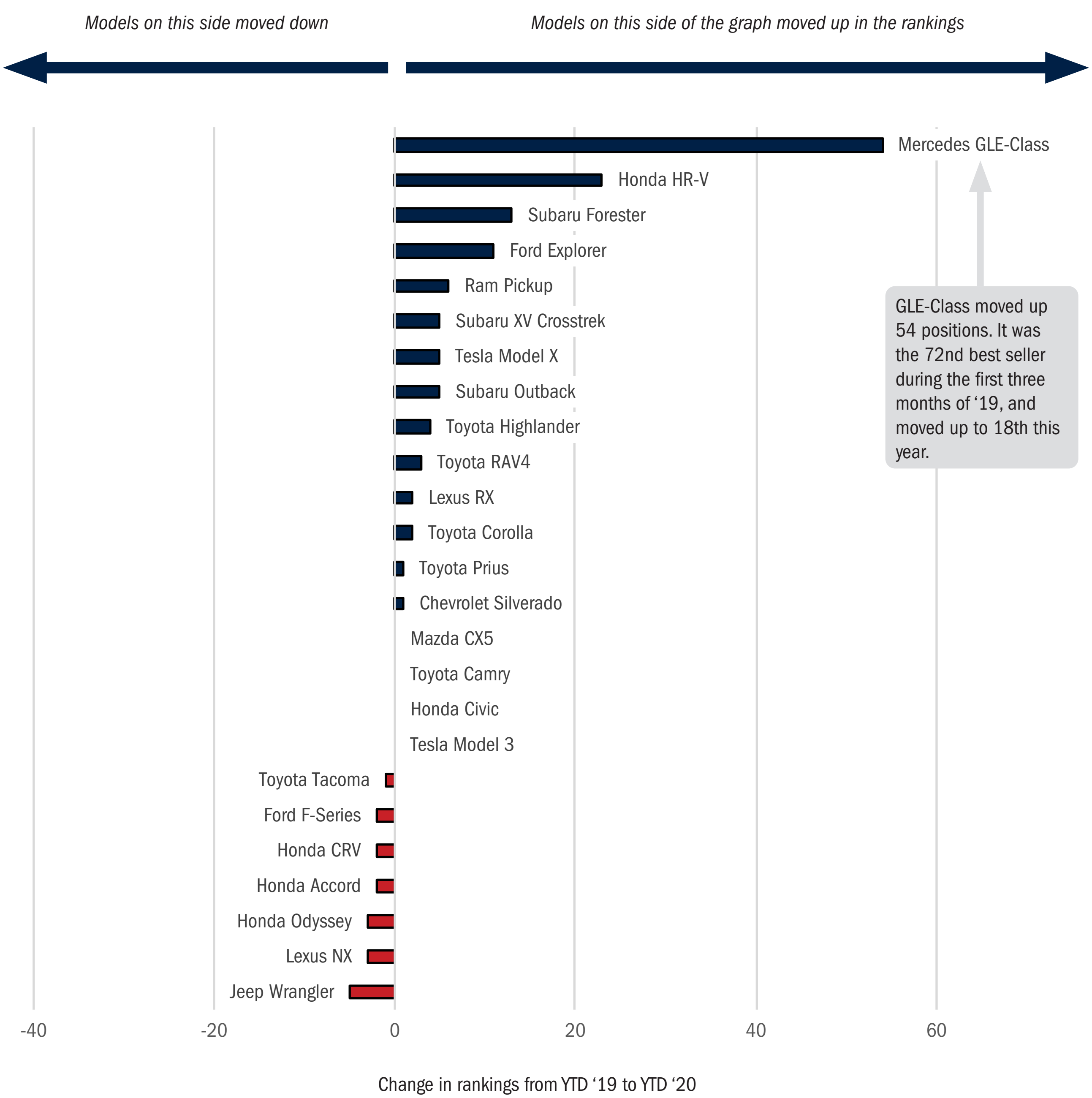
Source: AutoCount data from Experian.

CHANGE IN MODEL RANKINGS

GLE-Class and HR-V Move Up in Rankings

The graph below shows the change in rankings during the first three months of 2019 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 Benz GLE-Class. Other big winners were Honda HR-V and Subaru Forester.

Change in Rankings for Top 25 Selling Models - YTD '19 thru March to YTD '20



Source: AutoCount data from Experian.

Orange County New Retail Car and Light Truck Registrations						
	YTD thru March			YTD Market Share (%)		
	2019	2020	% chg.	2019	2020	Chg.
MARKET SUMMARY						
TOTAL	42,720	40,820	-4.4%			
Cars	18,466	16,604	-10.1%	43.2	40.7	-2.6
Light Trucks	24,254	24,216	-0.2%	56.8	59.3	2.6
Domestic	10,416	9,629	-7.6%	24.4	23.6	-0.8
European	8,197	7,730	-5.7%	19.2	18.9	-0.3
Japanese	21,306	19,768	-7.2%	49.9	48.4	-1.4
Korean	2,801	3,693	31.8%	6.6	9.0	2.5
BRAND REGISTRATIONS						
Acura	626	598	-4.5%	1.5	1.5	0.0
Alfa Romeo	83	102	22.9%	0.2	0.2	0.0
Audi	966	1,115	15.4%	2.3	2.7	0.4
BMW	1,758	1,662	-5.5%	4.1	4.1	0.0
Buick	121	80	-33.9%	0.3	0.2	-0.1
Cadillac	235	238	1.3%	0.6	0.6	0.0
Chevrolet	2,038	1,738	-14.7%	4.8	4.3	-0.5
C/D/J/R	2,294	1,964	-14.4%	5.4	4.8	-0.6
Chrysler	154	100	-35.1%	0.4	0.2	-0.2
Dodge	333	418	25.5%	0.8	1.0	0.2
Jeep	1,320	992	-24.8%	3.1	2.4	-0.7
Ram	487	454	-6.8%	1.1	1.1	0.0
FIAT	29	8	-72.4%	0.1	0.0	-0.1
Ford	2,461	2,175	-11.6%	5.8	5.3	-0.5
Genesis	115	249	116.5%	0.3	0.6	0.3
GMC	418	376	-10.0%	1.0	0.9	-0.1
Honda	6,479	5,706	-11.9%	15.2	14.0	-1.2
Hyundai	1,642	2,040	24.2%	3.8	5.0	1.2
Infiniti	479	349	-27.1%	1.1	0.9	-0.2
Jaguar	194	176	-9.3%	0.5	0.4	-0.1
Kia	1,044	1,404	34.5%	2.4	3.4	1.0
Land Rover	655	643	-1.8%	1.5	1.6	0.1
Lexus	1,978	1,840	-7.0%	4.6	4.5	-0.1
Lincoln	167	177	6.0%	0.4	0.4	0.0
Maserati	76	69	-9.2%	0.2	0.2	0.0
Mazda	1,445	1,276	-11.7%	3.4	3.1	-0.3
Mercedes	2,384	1,975	-17.2%	5.6	4.8	-0.8
MINI	111	123	10.8%	0.3	0.3	0.0
Mitsubishi	222	88	-60.4%	0.5	0.2	-0.3
Nissan	1,764	1,477	-16.3%	4.1	3.6	-0.5
Porsche	532	432	-18.8%	1.2	1.1	-0.1
Subaru	1,543	1,601	3.8%	3.6	3.9	0.3
Tesla	2,682	2,881	7.4%	6.3	7.1	0.8
Toyota	6,770	6,833	0.9%	15.8	16.7	0.9
Volkswagen	964	930	-3.5%	2.3	2.3	0.0
Volvo	305	315	3.3%	0.7	0.8	0.1
Other	140	180	28.6%	0.3	0.4	0.1

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

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.