

#### SPECIAL REPORT

## Sales Low Point Likely Reached; Here's What Recovery Looks Like

Thankfully, the first half of 2020 is now history. New vehicle registrations in the county declined 22.6% during the first six months of 2020 versus a year earlier, although there was a glimmer of hope in June, as the market fell by just 7.3% vs. 2019. Attention is now squarely focused on what lies ahead. The following page shows Auto Outlook's annual forecast for the next two years. These projections are subject to above average uncertainty, while defining the **exact** shape of the recovery is even trickier. The outlook is almost exclusively dependent on the course of a never-before seen virus, not the normal forecast determinants that analysts typically track.

Nevertheless, there are enough clues to piece together a general impression of what lies ahead. On the right is an illustration of how Auto Outlook believes new vehicle sales will progress during the next two years. It is not drawn to scale and does not represent an actual forecast. Instead, it shows the basic trajectory and cyclical patterns that could emerge. There are four phases indicated on the graph that are described below:

**Phase 1** The pandemic arrived, businesses closed, and new vehicle sales collapsed. That's all we need to say.

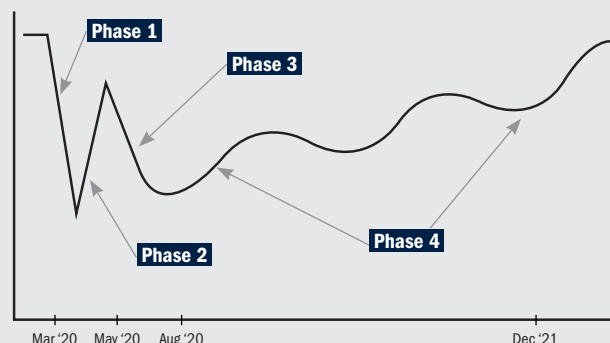
**Phase 2** Sales got a short term boost from the release of some pent up demand (partially resulting from lease turn-ins that were postponed), resilient household incomes (supported by unemployment compensation benefits and stimulus checks), and the advance of online/remote sales.

**Phase 3** Sales soften as initial pent up demand is released, new vehicle inventories are tight, restrictions on business operations are lifted slowly, stimulus checks are ending, unemployment compensation benefits ease, and consumer sentiment is impacted by concerns related to how long the pandemic will last and consequences for employment and income. This is where the market is now.

**Phase 4** An extended period that could last for two years. The trend is gradually upward, but sales will be subject to periods of ups and downs due to possible surges in the virus and any business shutdowns. The economic shock has been significant, and it will likely take years for a full rebound. The trend should be "upward sloping" (see list on the right), but is unlikely to be steady or consistent.

The chances of a fast recovery seem slim, but there is more "upside potential" for the outlook than downside. The likelihood that the economic slump will significantly worsen is low, but the introduction of a vaccine or highly effective treatment for the virus would significantly increase the slope of the upward trend and decrease the frequency of the stops and starts.

#### Overall Trend for County New Vehicle Sales



There has been much debate on what the shape of the auto sales recovery will look like. Some initially thought it would resemble a V, consensus then shifted to a W, and many are now suggesting shapes that look nothing like letters. Above is our general view of how the recovery could progress. Key phases indicated on the graph are explained on the left.

### Recovery may be uneven, but trend is positive - Here are three reasons why:

1. Vehicle affordability is improving. The Federal Reserve has practically guaranteed that interest rates will be near zero for at least two years. In addition, the manufacturers have the ability to open the incentives spigot when needed.
2. Pent up demand is rising. Sales are likely to be 17% below anticipated pre-crisis levels in 2020. Vehicles wear out, leases expire, and the technology gap between new vehicles and the average ten year old car on the road widens. About 35,000 new vehicle purchases are likely to be postponed in the county by the end of '21, but they will occur eventually (see page 4).
3. Sales will get a boost by changes in behavior caused by the virus. People are reluctant to board a plane, get on a train, or take a shared ride. Using your own vehicle is the best safe haven from the risks inherent in other modes of transportation. When the threat from the virus wanes, some will return to planes, trains, and shared rides, but the advantages of having your own vehicle will remain. Vehicle ownership provides freedom, independence, and a sense of personal control. These benefits are garnering more attention right now, and should still impact consumer behavior, even when COVID-19 fades.

# Orange County New Vehicle Market Dashboard



## MARKET PERFORMANCE IN 2020

**YTD 2020 thru June**  
**% Change In**  
**New Retail Market vs.**  
**Year Earlier**

**Orange County**  
**DOWN 22.6%**

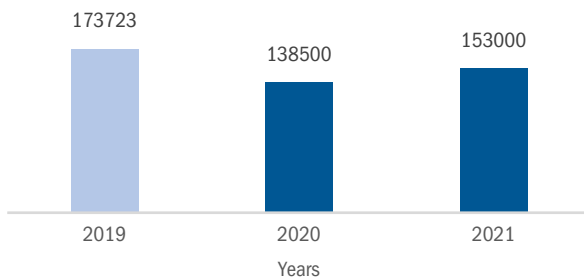
**U.S.**  
**DOWN 20.7%**

Both markets declined sharply in the first half of this year, although the county had a slightly larger drop. Source for county registrations: AutoCount data from Experian. U.S. figures estimated by Auto Outlook.



## ANNUAL FORECASTS

### County New Retail Light Vehicle Registrations



### Annual Percent Change

**2019 to 2020:**

**↓ 20.3%**

**2020 to 2021:**

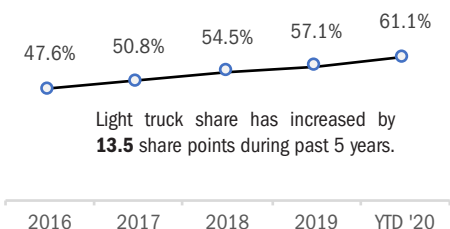
**↑ 10.5%**

Auto Outlook predicts that the county market will decline 20.3% for all of this year versus year earlier. Barring a big negative surprise related to the pandemic, the market is likely to post a sizeable increase in 2021. And if there is an effective treatment or vaccine, the gain could be higher.

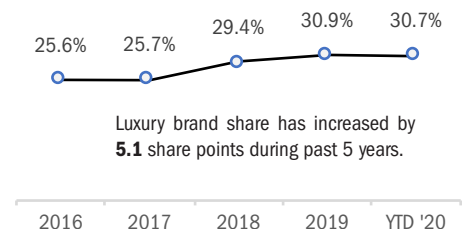


## KEY TRENDS DURING PAST 5 YEARS

**Light Truck Market Share**  
**2016 thru 2019**  
**and**  
**YTD '20 (June)**



**Luxury Brand Market Share**  
**2016 thru 2019**  
**and**  
**YTD '20 (June)**



Data Source: AutoCount data from Experian.

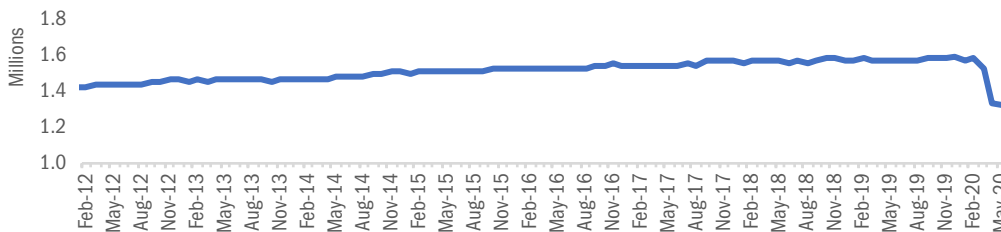
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# Orange County New Vehicle Market Dashboard



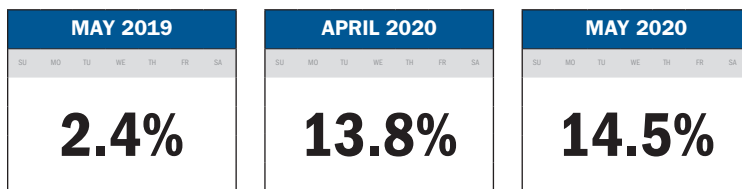
## TRACKING ECONOMIC INDICATORS

### Total Employment in Orange County



After trending upward for the past eight years, county employment tumbled in April as the COVID crisis hammered the county economy. Employment ticked lower in May. The county unemployment rate was 14.5% in May, up from 2.4% a year earlier, and up slightly from April. Although employment declined, compensation for those still working increased in May vs. year earlier.

### Monthly Unemployment Rates in Orange County



### Average Hourly Earnings for All Workers in County - May 2020



### University of Michigan Consumer Sentiment

Key Values During Past 10 Years



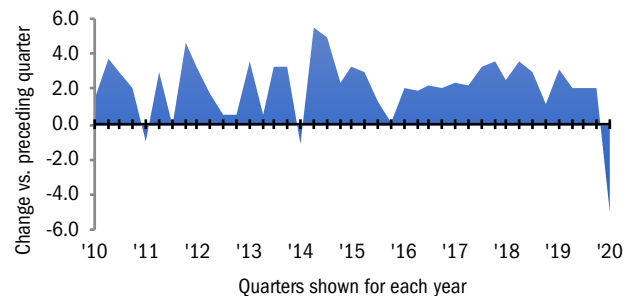
10 year high - 101.4 (Mar. 2018)  
12 month high - 101.0 (Feb. 2020)

Most recent - 78.1 (Jun. 2020)

10 year low - 55.7 (Aug. 2011)

### Percent Change in U.S. Gross Domestic Product

Change vs. previous quarter

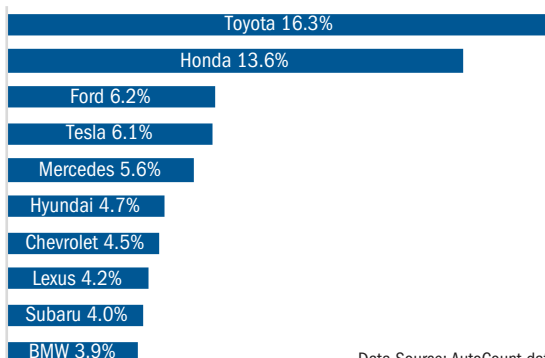


Sources: Bureau of Labor Statistics, University of Michigan, and U.S. Bureau of Econ. analysis.

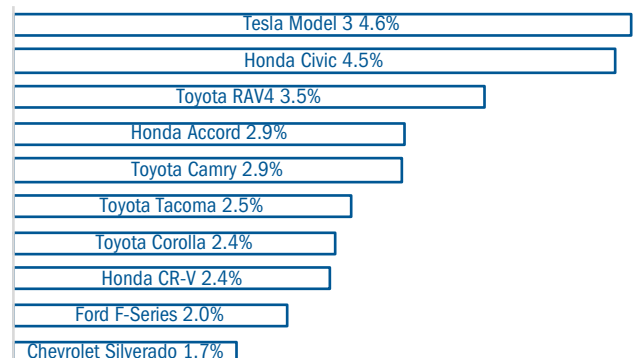


## TOP TEN RANKINGS IN COUNTY MARKET

### Market Share for Top Ten Selling Brands in County Market YTD 2020 thru June



### Market Share for Top Ten Selling Models in County Market YTD 2020 thru June



Data Source: AutoCount data from Experian.

## IMPACT OF COVID-19 ON LONG TERM TREND FOR COUNTY MARKET

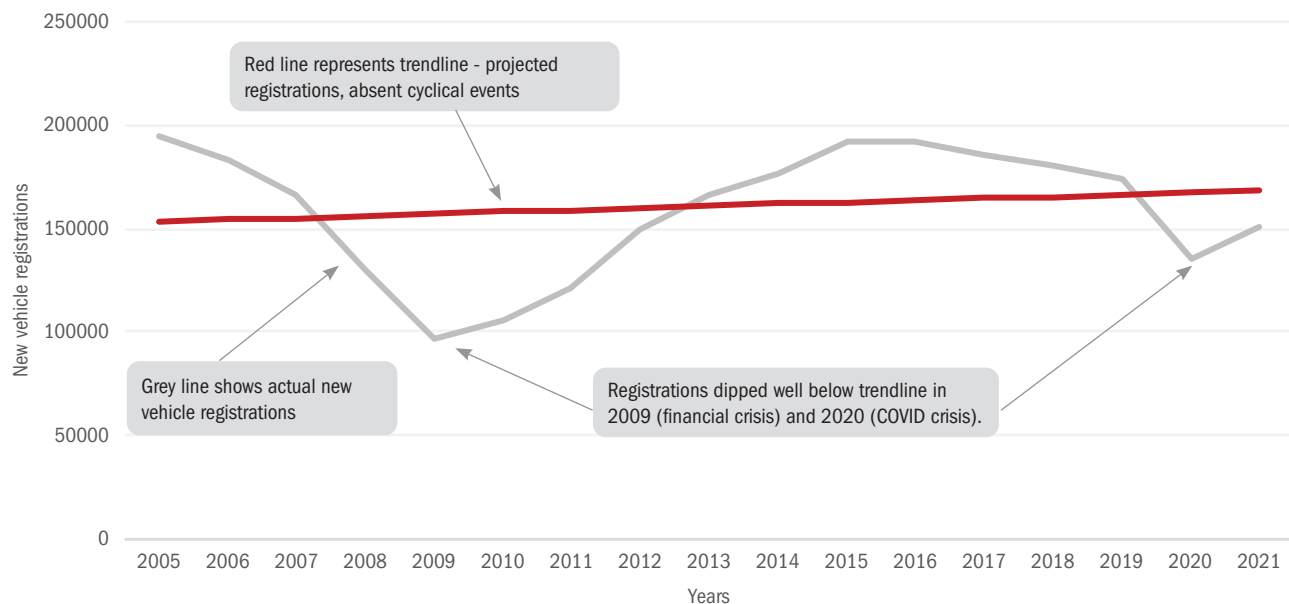
## Postponed Purchases Could Approach 35,000 Units by 2021

The first graph below shows actual new retail light vehicle registrations in the county between 2005 and 2019, and Auto Outlook's forecast for 2020 and 2021. The graph also shows the long term trendline, which is primarily a function of driving age population. Actual registrations typically move above and below the baseline due to changing economic conditions. Of course, in 2020, the shift below baseline occurred due to the pandemic. The second graph shows the cumulative difference between actual registrations and trendline levels. In years when actual registrations exceed baseline, the bars grow taller. When actual registrations fall below baseline, the bars grow smaller.

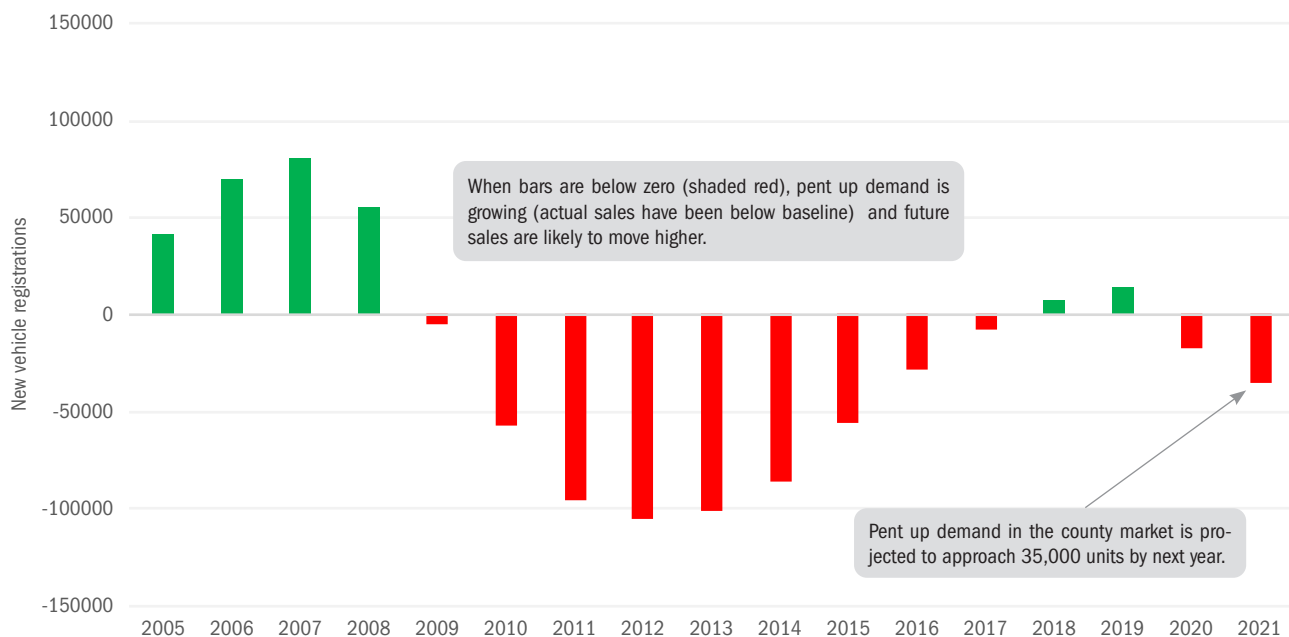


The new vehicle sales slump resulting from the COVID-19 pandemic will lead to estimated pent up demand of 34,713 units by the end of 2021. This will provide a boost to sales when the pandemic fades and the economy recovers.

**County Annual New Retail Light Vehicle Registrations - 2005 thru 2019, 2020 and 2021 Forecast**



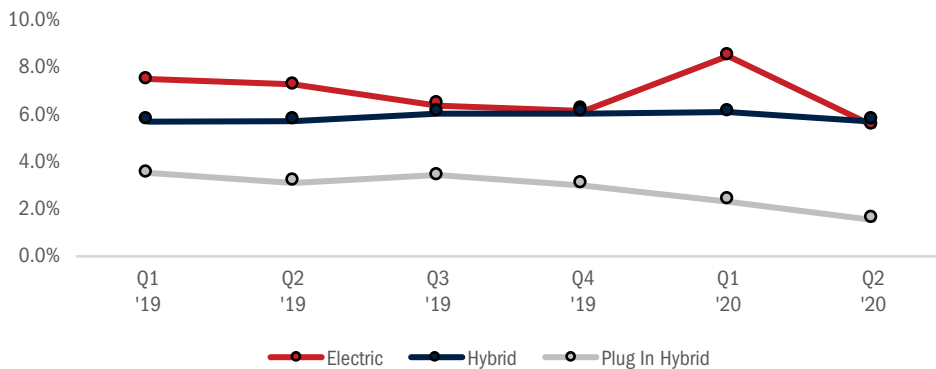
**Cumulative Actual Registrations Minus Baseline - 2005 thru 2021**



Source for historical registrations: AutoCount data from Experian.

## HYBRID AND ELECTRIC VEHICLES

## Electric Vehicle Share Declines In Second Quarter of 2020

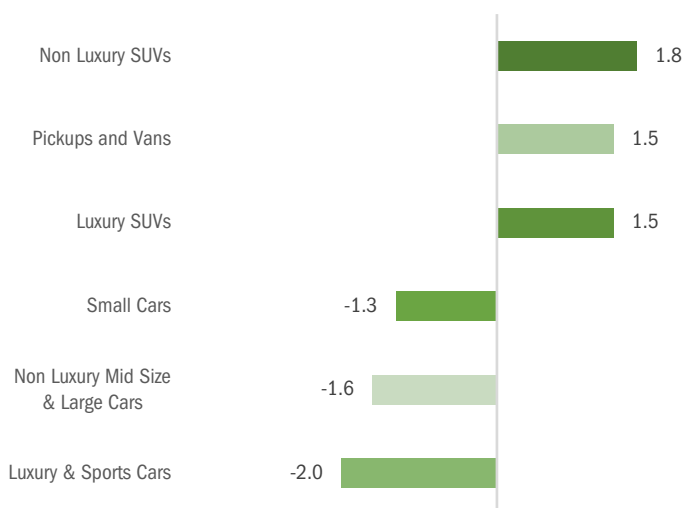
Estimated Quarterly Alternative Powertrain Market Share  
(includes hybrid and electric vehicles)Year To Date Share by Engine Type  
(2019 and 2020, thru June)

	YTD '19	YTD '20	
Electric	7.3%	7.3%	NO CHANGE
Hybrid	5.7%	6.0%	↑
Plug In Hybrid	3.3%	2.0%	↓

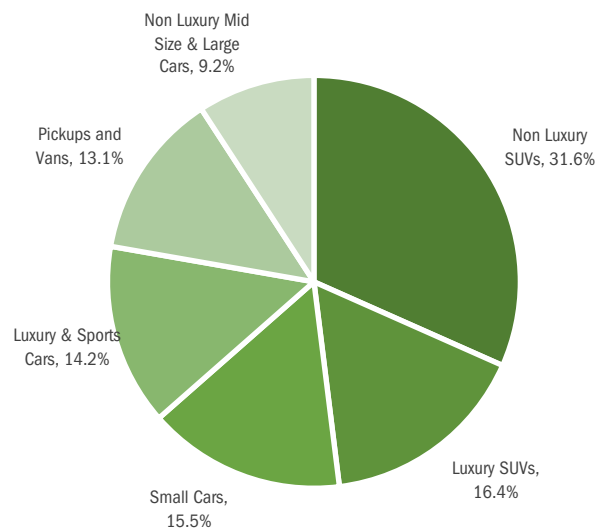
The graph above shows estimated hybrid powertrain and electric vehicle market share in the county. Registrations by powertrain for vehicles equipped with multiple engine types were estimated by Auto Outlook. The estimates are based on model registrations compiled by Experian, and engine installation rates collected from other sources.

## SEGMENT MARKET SHARES

## Non Luxury SUV Market Share Increases to 31.6%

Change in Segment Market Share  
YTD 2020 thru June vs. YTD 2019

The graph above shows the change in market share so far this year vs. year earlier. The colors for each segment are identical to the pie chart. Darker shades are larger segments (i.e., Non Luxury SUV has the highest market share, and is dark green). Data Source: AutoCount data from Experian.

Segment Market Shares in County  
YTD 2020 thru June

The pie chart above shows market share in the county for six primary segments. Non Luxury SUV was the largest, followed by Pickups and Vans. Data Source: AutoCount data from Experian.

## BRAND SCOREBOARD

## Registrations Declined for Most Brands in First Half of 2020

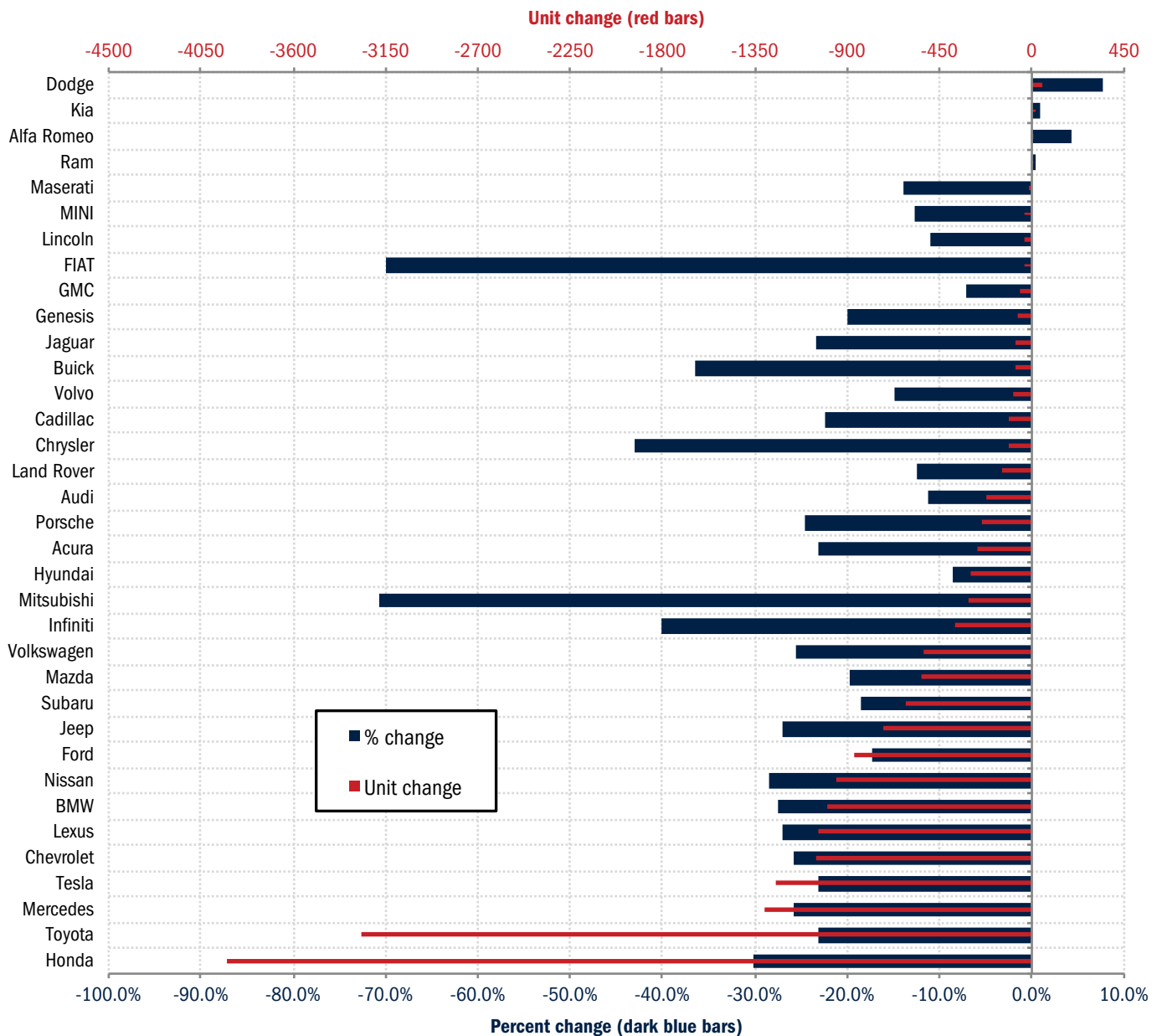
The graph below presents a comprehensive picture of brands that are gaining (or losing) ground in the county market. It shows both the unit and percent change in registrations during the first six months of 2020 versus a year earlier. Viewing both measures on the same graph provides a more clear-cut signal on how each brand is doing.

**Registrations increased  
or declined by less than 13% for:**

Dodge  
Alfa Romeo  
Kia  
Ram  
GMC

Hyundai  
Lincoln  
Audi  
Land Rover  
MINI

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



## COMPARISON OF ORANGE COUNTY AND U.S. MARKETS

## Orange County and U.S. Markets Post Similar Results

	Orange County Retail Market	U.S. Retail Market
% change in registrations YTD 2020 thru June vs. YTD '19	-22.6%	-20.2%
Car share of industry retail light vehicle market YTD 2020 thru June	38.9%	24.8%
Domestic brand share of industry retail light vehicle market YTD 2020 thru June	24.8%	41.1%

Brand	New Retail Registrations - YTD thru June				Market Share (YTD '20 thru June)		
	Orange County		U.S.		Orange County	U.S.	Variance
	Regs.	% ch. vs. 2019	Regs.	% ch. vs. 2019			
Acura	903	-23.0%	51,196	-27.4%	1.3	1.0	0.3
Alfa Romeo	169	4.3%	6,467	-24.3%	0.3	0.1	0.2
Audi	1,773	-11.2%	66,183	-24.8%	2.6	1.3	1.3
BMW	2,626	-27.6%	106,992	-24.2%	3.9	2.1	1.8
Buick	143	-36.4%	58,318	-36.2%	0.2	1.1	-0.9
Cadillac	380	-22.3%	46,018	-19.5%	0.6	0.9	-0.3
Chevrolet	3,042	-25.8%	555,063	-19.1%	4.5	10.9	-6.4
Chry Dodge Jeep Ram	3,751	-17.3%	586,430	-20.4%	5.6	11.5	-5.9
Chrysler	156	-43.1%	24,278	-40.9%	0.2	0.5	-0.3
Dodge	737	7.7%	79,499	-23.8%	1.1	1.6	-0.5
Jeep	1,946	-27.1%	297,784	-20.1%	2.9	5.8	-2.9
Ram	912	0.3%	184,869	-15.3%	1.4	3.6	-2.2
Fiat	15	-70.0%	1,818	-61.1%	0.0	0.0	0.0
Ford	4,157	-17.2%	560,435	-17.8%	6.2	11.0	-4.8
Genesis	295	-20.1%	7,292	-4.5%	0.4	0.1	0.3
GMC	766	-7.2%	173,804	-17.4%	1.1	3.4	-2.3
Honda	9,117	-30.1%	502,586	-26.5%	13.6	9.8	3.8
Hyundai	3,137	-8.6%	232,777	-5.6%	4.7	4.6	0.1
Infiniti	559	-40.0%	25,715	-41.1%	0.8	0.5	0.3
Jaguar	259	-23.4%	8,865	-28.9%	0.4	0.2	0.2
Kia	2,202	1.0%	225,713	-7.9%	3.3	4.4	-1.1
Land Rover	1,022	-12.3%	31,238	-21.1%	1.5	0.6	0.9
Lexus	2,828	-27.0%	98,035	-23.5%	4.2	1.9	2.3
Lincoln	277	-10.9%	40,390	-4.3%	0.4	0.8	-0.4
Maserati	117	-14.0%	2,291	-33.3%	0.2	0.0	0.2
Mazda	2,187	-19.8%	106,951	-11.6%	3.3	2.1	1.2
Mercedes	3,731	-25.8%	124,899	-5.9%	5.6	2.4	3.2
MINI	212	-12.8%	9,703	-38.4%	0.3	0.2	0.1
Mitsubishi	127	-70.7%	26,467	-33.6%	0.2	0.5	-0.3
Nissan	2,404	-28.4%	267,687	-30.9%	3.6	5.2	-1.6
Porsche	729	-24.7%	20,556	-19.9%	1.1	0.4	0.7
Subaru	2,702	-18.5%	246,039	-21.8%	4.0	4.8	-0.8
Tesla	4,122	-23.2%	77,654	-13.6%	6.1	1.5	4.6
Toyota	10,894	-23.1%	674,974	-20.4%	16.3	13.2	3.1
Volkswagen	1,555	-25.5%	121,832	-16.8%	2.3	2.4	-0.1
Volvo	538	-14.9%	36,799	-12.9%	0.8	0.7	0.1
Other	297	2.8%	5,618	-11.2%	0.4	0.1	0.3

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												
	June			Three Month Period Apr. '20 thru June '20			YTD thru June			YTD Market Share (%)		
	2019	2020	% chg.	2019	2020	% chg.	2019	2020	% chg.	2019	2020	Chg.
MARKET SUMMARY												
TOTAL	14,402	13,356	-7.3%	43,882	26,216	-40.3%	86,602	67,036	-22.6%			
Cars	6,097	4,541	-25.5%	19,434	9,487	-51.2%	37,900	26,091	-31.2%	43.8	38.9	-4.8
Light Trucks	8,305	8,815	6.1%	24,448	16,729	-31.6%	48,702	40,945	-15.9%	56.2	61.1	4.8
Domestic	3,612	3,246	-10.1%	10,458	7,009	-33.0%	20,874	16,638	-20.3%	24.1	24.8	0.7
European	2,647	2,907	9.8%	8,526	5,313	-37.7%	16,723	13,043	-22.0%	19.3	19.5	0.1
Japanese	7,087	6,192	-12.6%	21,716	11,953	-45.0%	43,022	31,721	-26.3%	49.7	47.3	-2.4
Korean	1,056	1,011	-4.3%	3,182	1,941	-39.0%	5,983	5,634	-5.8%	6.9	8.4	1.5
BRAND REGISTRATIONS												
Acura	179	170	-5.0%	547	305	-44.2%	1,173	903	-23.0%	1.4	1.3	-0.1
Alfa Romeo	32	40	25.0%	79	67	-15.2%	162	169	4.3%	0.2	0.3	0.1
Audi	316	388	22.8%	1,030	658	-36.1%	1,996	1,773	-11.2%	2.3	2.6	0.3
BMW	619	591	-4.5%	1,869	964	-48.4%	3,627	2,626	-27.6%	4.2	3.9	-0.3
Buick	29	34	17.2%	104	63	-39.4%	225	143	-36.4%	0.3	0.2	-0.1
Cadillac	84	82	-2.4%	254	142	-44.1%	489	380	-22.3%	0.6	0.6	0.0
Chevrolet	723	679	-6.1%	2,060	1,304	-36.7%	4,098	3,042	-25.8%	4.7	4.5	-0.2
C/D/J/R	740	835	12.8%	2,242	1,787	-20.3%	4,536	3,751	-17.3%	5.2	5.6	0.4
Chrysler	48	32	-33.3%	120	56	-53.3%	274	156	-43.1%	0.3	0.2	-0.1
Dodge	109	127	16.5%	351	319	-9.1%	684	737	7.7%	0.8	1.1	0.3
Jeep	439	474	8.0%	1,349	954	-29.3%	2,669	1,946	-27.1%	3.1	2.9	-0.2
Ram	144	202	40.3%	422	458	8.5%	909	912	0.3%	1.0	1.4	0.4
FIAT	4	3	-25.0%	21	7	-66.7%	50	15	-70.0%	0.1	0.0	-0.1
Ford	1,017	1,080	6.2%	2,560	1,982	-22.6%	5,021	4,157	-17.2%	5.8	6.2	0.4
Genesis	49	25	-49.0%	254	46	-81.9%	369	295	-20.1%	0.4	0.4	0.0
GMC	151	221	46.4%	407	390	-4.2%	825	766	-7.2%	1.0	1.1	0.1
Honda	2,122	1,772	-16.5%	6,564	3,411	-48.0%	13,043	9,117	-30.1%	15.1	13.6	-1.5
Hyundai	632	563	-10.9%	1,792	1,097	-38.8%	3,434	3,137	-8.6%	4.0	4.7	0.7
Infiniti	149	111	-25.5%	453	210	-53.6%	932	559	-40.0%	1.1	0.8	-0.3
Jaguar	45	53	17.8%	144	83	-42.4%	338	259	-23.4%	0.4	0.4	0.0
Kia	375	423	12.8%	1,136	798	-29.8%	2,180	2,202	1.0%	2.5	3.3	0.8
Land Rover	130	213	63.8%	511	379	-25.8%	1,166	1,022	-12.3%	1.3	1.5	0.2
Lexus	607	528	-13.0%	1,894	988	-47.8%	3,872	2,828	-27.0%	4.5	4.2	-0.3
Lincoln	60	46	-23.3%	144	100	-30.6%	311	277	-10.9%	0.4	0.4	0.0
Maserati	18	26	44.4%	60	48	-20.0%	136	117	-14.0%	0.2	0.2	0.0
Mazda	457	529	15.8%	1,282	911	-28.9%	2,727	2,187	-19.8%	3.1	3.3	0.2
Mercedes	847	921	8.7%	2,645	1,756	-33.6%	5,029	3,731	-25.8%	5.8	5.6	-0.2
MINI	40	40	0.0%	132	89	-32.6%	243	212	-12.8%	0.3	0.3	0.0
Mitsubishi	58	21	-63.8%	211	39	-81.5%	433	127	-70.7%	0.5	0.2	-0.3
Nissan	496	468	-5.6%	1,595	927	-41.9%	3,359	2,404	-28.4%	3.9	3.6	-0.3
Porsche	128	157	22.7%	436	297	-31.9%	968	729	-24.7%	1.1	1.1	0.0
Subaru	579	548	-5.4%	1,773	1,101	-37.9%	3,316	2,702	-18.5%	3.8	4.0	0.2
Tesla	808	269	-66.7%	2,687	1,241	-53.8%	5,369	4,122	-23.2%	6.2	6.1	-0.1
Toyota	2,440	2,045	-16.2%	7,397	4,061	-45.1%	14,167	10,894	-23.1%	16.4	16.3	-0.1
Volkswagen	300	298	-0.7%	1,123	625	-44.3%	2,087	1,555	-25.5%	2.4	2.3	-0.1
Volvo	125	130	4.0%	327	223	-31.8%	632	538	-14.9%	0.7	0.8	0.1
Other	43	47	9.3%	149	117	-21.5%	289	297	2.8%	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

Published by Auto Outlook, Inc.

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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.