

#### FORECAST

## New Vehicle Market Shows Resiliency During Pandemic

2020 has been a year unlike any other for the Orange County new vehicle market, with several, seemingly paradoxical events occurring at the same time. Despite a preponderance of bad economic news, the main factor restricting growth in the new vehicle market has been tight inventories, not weak demand. The latest evidence: September registrations were essentially unchanged versus a year earlier. And even with a 20.3% decline in year-to-date new vehicle sales, dealership profits have for the most part, held steady. It's unprecedented that these events would take place simultaneously.

In times such as these, it is challenging to get a clear picture of what lies ahead for the county new vehicle market. But despite the elevated uncertainty, there are four identifiable trends that should dictate the course of the new vehicle market over the next year:

- **Pent up demand is growing.** Pent up demand has grown significantly due to the sales slowdown resulting from the pandemic (see page 2). These delayed purchases will occur at some point in the future and will give a boost to sales during the next several years.
- **Vehicle affordability will remain strong.** Interest rates are low and the Fed has indicated that they will stay that way for an extended period, which is key factor in helping to keep monthly lease and finance payments affordable. Incentives have eased during the summer as vehicle supplies have dwindled, but the manufacturers will almost certainly increase discounts once inventories improve. In addition, record high used vehicle prices have boosted vehicle trade in values.
- **Robust economic recovery will take a while.** Employment levels and GDP growth have rebounded during the summer, but most economists believe it will take years, not months, for the labor market to return to full employment. Until then, the new vehicle market will be limited to about 85% of its baseline potential.
- **Pandemic will likely fuel increased desire for vehicle ownership.** As discussed in last issue of Auto Outlook, new vehicle sales will get a boost by changes in consumer behavior brought about by the virus. Vehicle ownership provides freedom, independence, and a sense of personal control that is now front and center in peoples' minds. These benefits are likely to impact consumer behavior, even when COVID-19 fades.

**Bottom line:** There are some encouraging signs pointing to a recovery in the new vehicle market, but until the virus is no longer a factor, significant economic headwinds are likely to prevent sales from taking off. Auto Outlook predicts that 144,200 new vehicles will be registered in the county this year, a 17% decline from 2019. Assuming there is not a major spike in the virus that would lead to the reoccurrence of widespread business closures, the market should move higher next year. However, even with the increase, registrations are predicted to remain below 156,000 units, which is about 18,000 units lower than the total in 2019.

### Key Indicators for County New Vehicle Market

#### Annual Forecasts

2020:  
144,200 units

Down 17%  
vs. 2019



2021:  
155,900 units

Up 8%  
vs. 2020



#### County Market vs. U.S.

Percent change in new retail registrations  
YTD '20 thru Sept. vs. YTD '19

Orange County:  
**DOWN 20.3%**

U.S. Market:  
**DOWN 16.4%**

Historical Data Source: AutoCount data from Experian.  
Forecast projections: Auto Outlook.

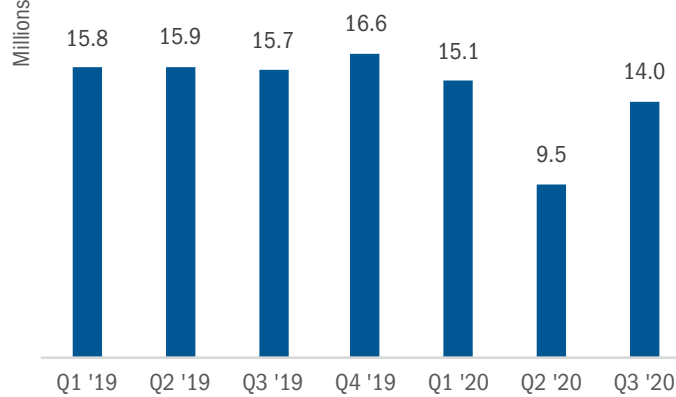


# Orange County New Vehicle Market Dashboard



## MARKET PERFORMANCE DURING PAST TWO YEARS

**Orange County Quarterly Registrations**  
**Seasonally Adjusted Annual Rate, Converted to Equivalent U.S. New Vehicle Market SAAR (millions of units)**



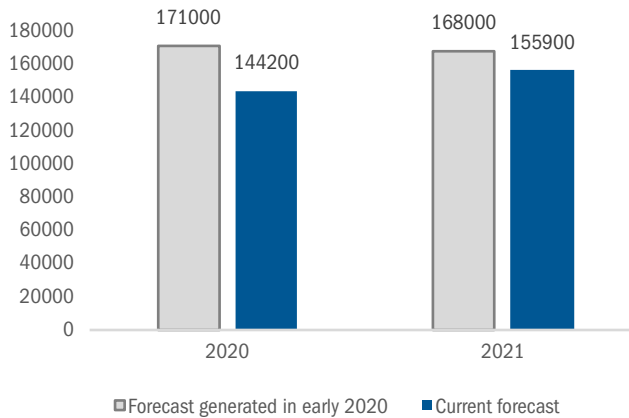
Data Source: AutoCount data from Experian.

The graph on the left provides an easily recognizable way to gauge the strength of the county market. It shows quarterly registrations in the county, based on a seasonally adjusted annual rate. These figures are then indexed to SAAR sales figures for the U.S. new vehicle market. So just like in the national market, when the quarterly SAAR is above 17 million units, the county market is strong, 15 million is about average, and below 13 million is weak. Quarterly registrations in the county plummeted to a U.S. equivalent level of 9.5 million units in the Second Quarter, and recovered to a better, but still not great 14.0 million in the Third Quarter.



## PENT UP DEMAND

**County market forecasts for 2020 and 2021**  
**Before and after onset of COVID Pandemic**



**38,900**  
**new vehicle purchases will be postponed during 2020 and 2021, representing about**  
**25%**  
**of sales in an average year**

Historical Data Source: AutoCount data from Experian. Forecast projections: Auto Outlook.

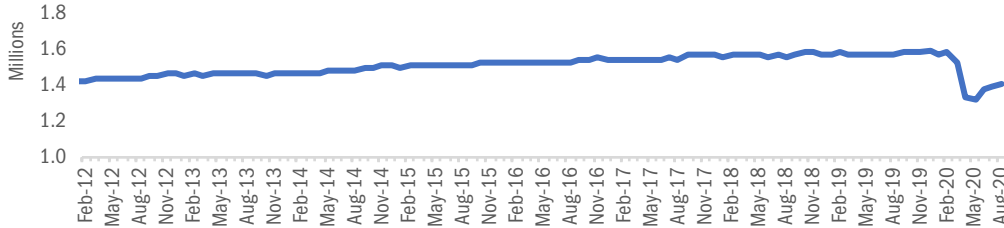
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# Orange County New Vehicle Market Dashboard



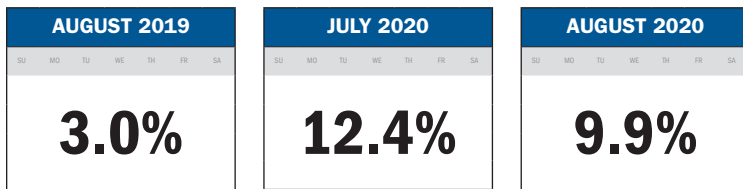
## TRACKING ECONOMIC INDICATORS

### Total Employment in Orange County



Following the sharp decline in April, total employment in Orange County has trended upward, but still remains well below pre-pandemic levels. The county unemployment rate was 9.9% in August, down from 12.4% in July, but higher than a year earlier. Consumer sentiment has improved somewhat during the past few months, but is still off from recent highs.

### Monthly Unemployment Rates in Orange County



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



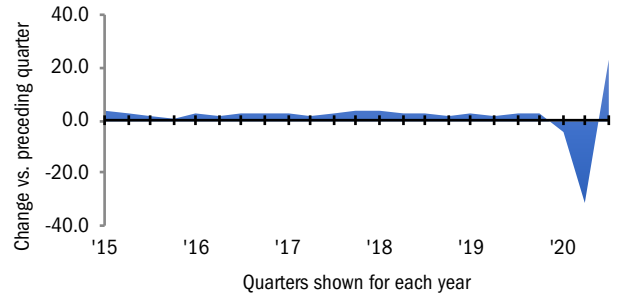
### University of Michigan Consumer Sentiment

Key Values During Past 10 Years



10 year high - 101.4 (Mar. 2018)  
12 month high - 101.0 (Feb. 2020)  
  
Most recent - 78.1 (Sept. 2020)  
  
10 year low - 55.7 (Aug. 2011)

**Percent Change in U.S. Gross Domestic Product**  
  
**Change vs. previous quarter**

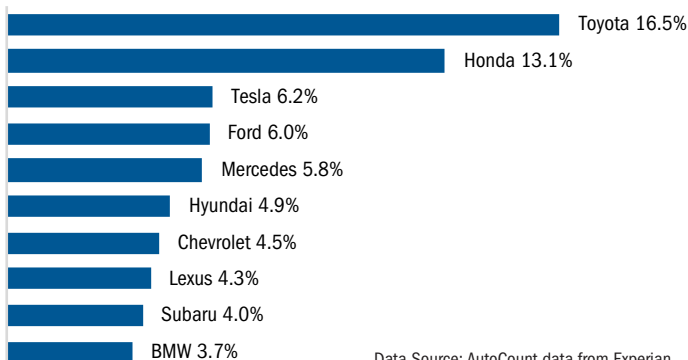


Sources: Bureau of Labor Statistics, University of Michigan, and U.S. Bureau of Econ. analysis.



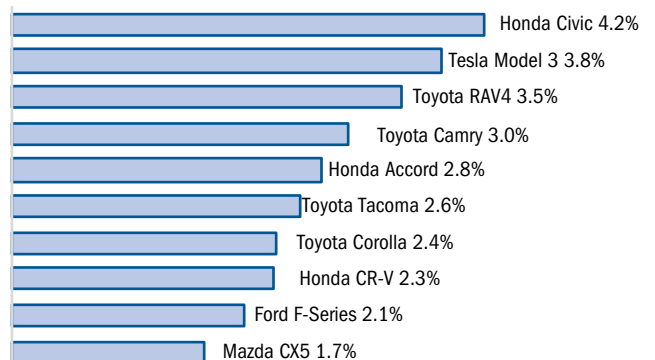
## TOP TEN RANKINGS IN COUNTY MARKET

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



Data Source: AutoCount data from Experian.

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



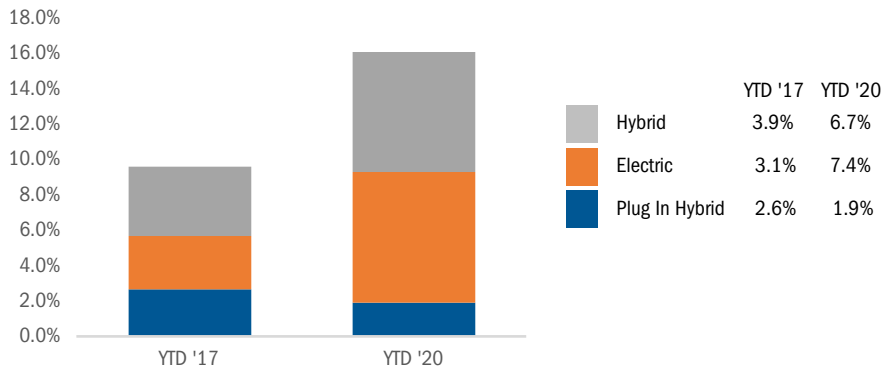
# Three Long Term Trends in Orange County New Vehicle Market

Trend...	The numbers...	Primary conclusion...
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## Alternative Powertrains



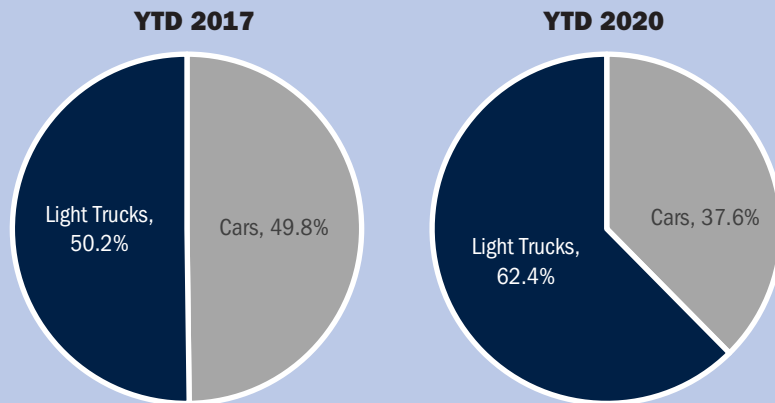
Estimated Alternative Powertrain Share\*-YTD '17 and '20, thru Sept.



**Electric vehicle market share in the county has increased by 4.3 share points during the past three years. Hybrid vehicle share was up 2.8 points.**

Light Truck and Passenger Car Share - YTD '17 and '20, thru Sept.

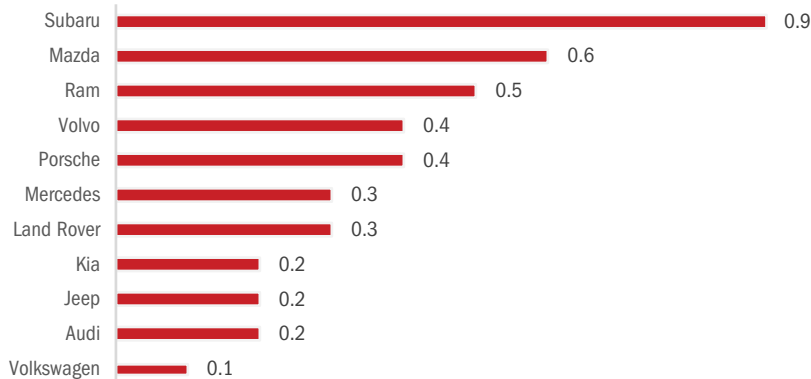
## Light Trucks



**Light truck market share increased to 62.4% during the first nine months of 2020, up 12.2 points from 2017.**

Brands with Largest Market Share Increases - YTD '17 to YTD '20

## New Vehicle Brands



**Five brands had market share increases of 0.4 of a point or higher: Subaru, Mazda, Ram, Volvo, and Porsche**

Data Source: AutoCount data from Experian. \*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. The graph above showing largest market share increases excludes Tesla, since the Model 3 was introduced during 2017.

SEGMENT CLOSE-UP: MID SIZE SUVs

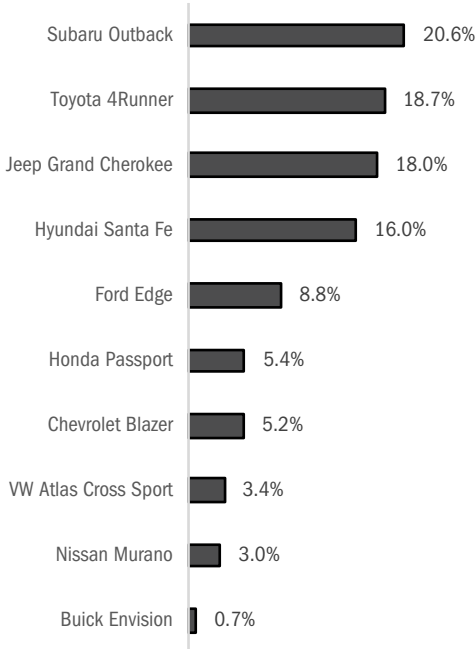
# Toyota & Subaru Lead County Mid Size SUV Segment



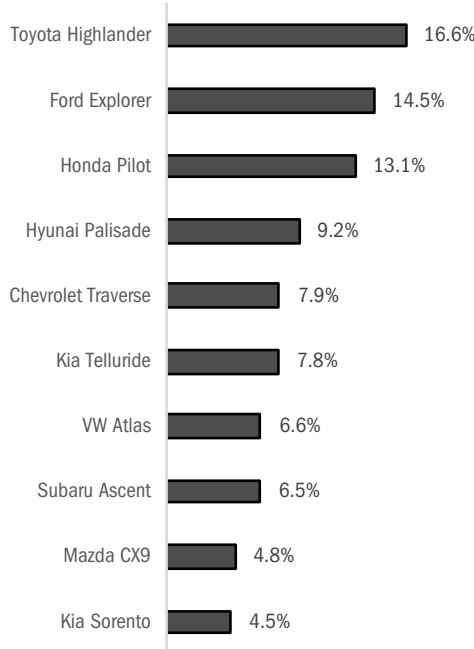
## Model Sales Leaders

Top 10 Selling Models in County for Two Row and Three Row Mid Size SUVs - YTD 2020 thru Sept.

### Market Share for Two Row Mid Size SUVs



### Market Share for Three Row Mid Size SUVs



Data Source: AutoCount data from Experian.



## Two Key Trends

**#1** Mid Size SUV segment is performing better than the overall market...

% Change in New Vehicle Registrations  
YTD '17 thru Sept. to YTD '20

Mid Size SUVs: **DOWN 10.9%**

Industry **DOWN 25.9%**

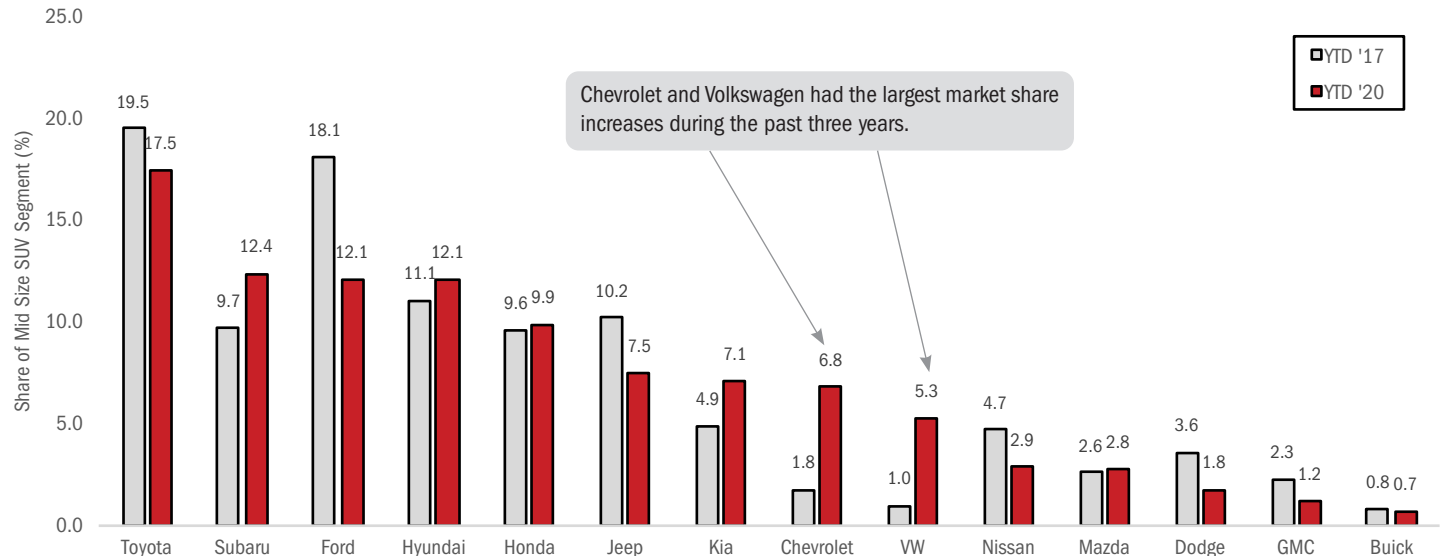
**#2** Three row SUVs have been gaining market share in Mid Size SUV segment...

3 Row SUV Share of Mid Size SUV Segment - YTD '17 and YTD '20 (Sept.)

YTD 2017: **54.0%**

YTD 2020: **58.4%**

## Brand Market Share in County Mid Size SUV Segment - YTD 2017 and YTD 2020 (thru Sept.)



Data Source: AutoCount data from Experian.

BRAND SCOREBOARD

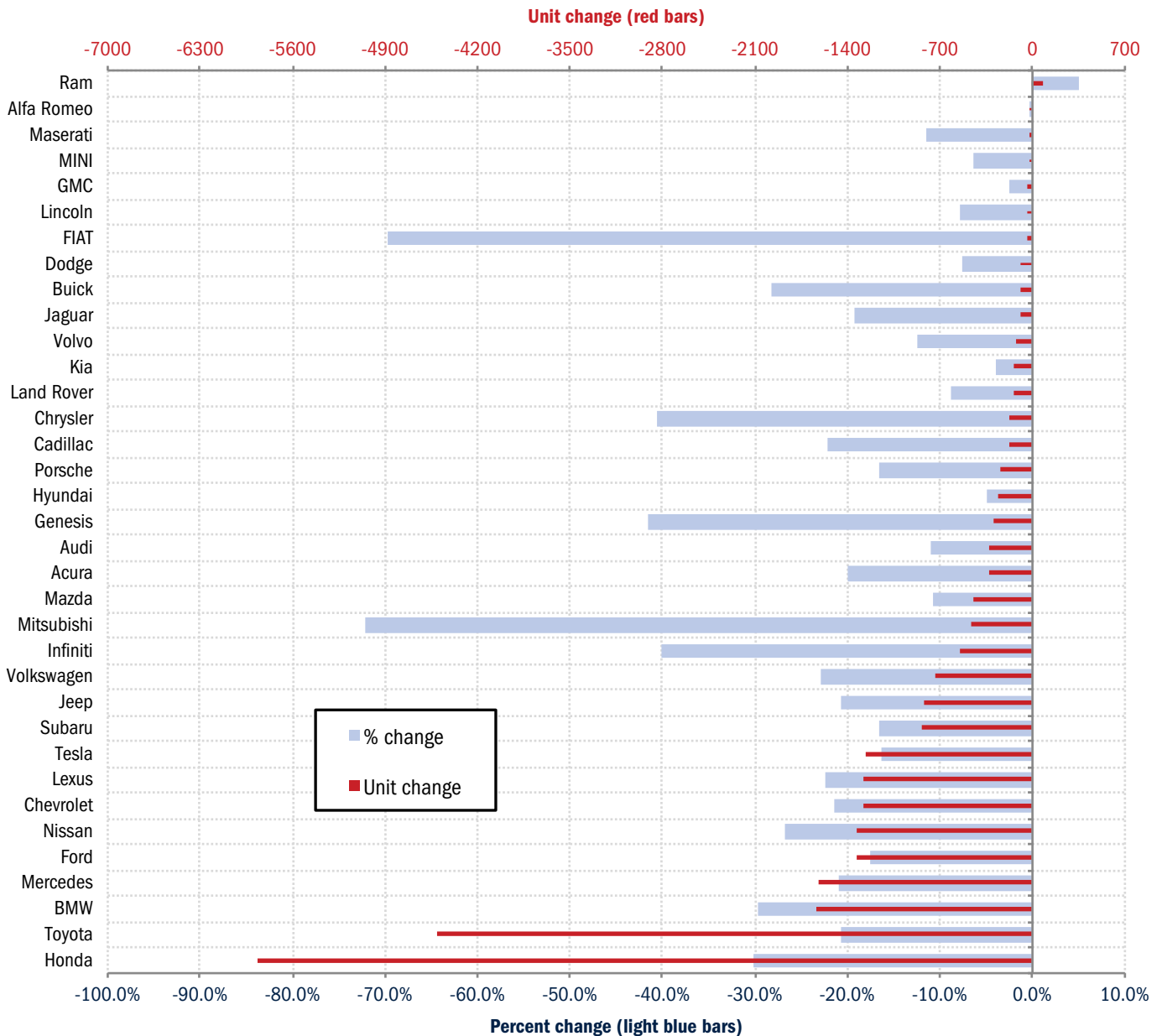
# Registrations Have Declined for Most Brands So Far This Year

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 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 9% for:**

Ram	MINI
Alfa Romeo	Dodge
GMC	Lincoln
Kia	Land Rover
Hyundai	

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



Source: AutoCount data from Experian.

## 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 September vs. YTD '19	-20.3%	-18.4%
Car share of industry retail light vehicle market YTD 2020 thru September	37.6%	24.5%
Domestic brand share of industry retail light vehicle market YTD 2020 thru September	24.8%	45.7%

Brand	New Retail Registrations - YTD thru September				Market Share (YTD '20 thru September)		
	Orange County		U.S.		Orange County	U.S.	Variance
	Regs.	% ch. vs. 2019	Regs.	% ch. vs. 2019			
Acura	1,324	-20.0%	95,654	-15.2%	1.3	0.9	0.4
Alfa Romeo	250	-0.4%	12,493	-6.4%	0.2	0.1	0.1
Audi	2,684	-10.9%	124,103	-21.7%	2.6	1.2	1.4
BMW	3,893	-29.6%	179,982	-24.1%	3.7	1.7	2.0
Buick	227	-28.2%	118,553	-24.9%	0.2	1.1	-0.9
Cadillac	587	-22.1%	86,586	-25.2%	0.6	0.8	-0.2
Chevrolet	4,723	-21.4%	1,217,656	-16.6%	4.5	11.6	-7.1
Chry Dodge Jeep Ram	5,967	-14.4%	1,305,143	-20.4%	5.7	12.5	-6.8
Chrysler	244	-40.6%	75,850	-19.3%	0.2	0.7	-0.5
Dodge	1,063	-7.6%	204,350	-38.5%	1.0	2.0	-1.0
Jeep	3,171	-20.6%	581,598	-17.1%	3.1	5.6	-2.5
Ram	1,489	5.1%	443,345	-13.5%	1.4	4.2	-2.8
Fiat	20	-69.7%	3,569	-52.2%	0.0	0.0	0.0
Ford	6,275	-17.4%	1,421,669	-17.8%	6.0	13.6	-7.6
Genesis	417	-41.5%	11,285	-24.3%	0.4	0.1	0.3
GMC	1,199	-2.5%	353,221	-15.5%	1.2	3.4	-2.2
Honda	13,596	-30.2%	885,066	-19.1%	13.1	8.5	4.6
Hyundai	5,078	-5.0%	443,425	-12.4%	4.9	4.2	0.7
Infiniti	811	-40.2%	59,020	-32.9%	0.8	0.6	0.2
Jaguar	384	-19.2%	16,286	-27.4%	0.4	0.2	0.2
Kia	3,352	-3.9%	428,350	-7.6%	3.2	4.1	-0.9
Land Rover	1,520	-8.8%	52,334	-21.5%	1.5	0.5	1.0
Lexus	4,459	-22.4%	182,087	-13.1%	4.3	1.7	2.6
Lincoln	441	-7.9%	74,396	-5.6%	0.4	0.7	-0.3
Maserati	155	-11.4%	5,070	-39.1%	0.1	0.0	0.1
Mazda	3,624	-10.8%	203,280	-2.3%	3.5	1.9	1.6
Mercedes	6,075	-21.0%	230,609	-8.9%	5.8	2.2	3.6
MINI	366	-6.4%	19,589	-28.5%	0.4	0.2	0.2
Mitsubishi	177	-72.2%	72,617	-24.0%	0.2	0.7	-0.5
Nissan	3,636	-26.7%	597,064	-37.6%	3.5	5.7	-2.2
Porsche	1,197	-16.5%	39,734	-11.8%	1.2	0.4	0.8
Subaru	4,209	-16.5%	436,560	-16.9%	4.0	4.2	-0.2
Tesla	6,399	-16.4%	196,000	21.4%	6.2	1.9	4.3
Toyota	17,163	-20.8%	1,270,139	-19.1%	16.5	12.2	4.3
Volkswagen	2,468	-22.9%	231,454	-16.8%	2.4	2.2	0.2
Volvo	840	-12.4%	73,604	-4.9%	0.8	0.7	0.1
Other	416	-0.7%	6,165	-37.7%	0.4	0.1	0.3

The two tables above provide a comparison of the Orange County and U.S. new light vehicle markets. \*U.S. figures include fleet transactions

Data Source for Orange County registrations: AutoCount data from Experian. Source for U.S. data: Automotive News.

Orange County New Retail Car and Light Truck Registrations												
	September			Three Month Period July '20 thru Sept. '20			YTD thru September			YTD Market Share (%)		
	2019	2020	% chg.	2019	2020	% chg.	2019	2020	% chg.	2019	2020	Chg.
<b>MARKET SUMMARY</b>												
TOTAL	14,352	14,437	0.6%	43,826	36,896	-15.8%	130,428	103,932	-20.3%			
Cars	5,890	4,986	-15.3%	18,765	12,972	-30.9%	56,665	39,063	-31.1%	43.4	37.6	-5.9
Light Trucks	8,462	9,451	11.7%	25,061	23,924	-4.5%	73,763	64,869	-12.1%	56.6	62.4	5.9
Domestic	3,130	3,274	4.6%	10,146	9,180	-9.5%	31,020	25,818	-16.8%	23.8	24.8	1.1
European	2,805	2,778	-1.0%	8,545	7,225	-15.4%	25,268	20,268	-19.8%	19.4	19.5	0.1
Japanese	7,289	7,071	-3.0%	21,571	17,278	-19.9%	64,593	48,999	-24.1%	49.5	47.1	-2.4
Korean	1,128	1,314	16.5%	3,564	3,213	-9.8%	9,547	8,847	-7.3%	7.3	8.5	1.2
<b>BRAND REGISTRATIONS</b>												
Acura	165	151	-8.5%	481	421	-12.5%	1,654	1,324	-20.0%	1.3	1.3	0.0
Alfa Romeo	22	18	-18.2%	89	81	-9.0%	251	250	-0.4%	0.2	0.2	0.0
Audi	332	357	7.5%	1,016	911	-10.3%	3,012	2,684	-10.9%	2.3	2.6	0.3
BMW	643	501	-22.1%	1,903	1,267	-33.4%	5,530	3,893	-29.6%	4.2	3.7	-0.5
Buick	26	31	19.2%	91	84	-7.7%	316	227	-28.2%	0.2	0.2	0.0
Cadillac	90	73	-18.9%	265	207	-21.9%	754	587	-22.1%	0.6	0.6	0.0
Chevrolet	669	743	11.1%	1,912	1,681	-12.1%	6,010	4,723	-21.4%	4.6	4.5	-0.1
C/D/J/R	773	893	15.5%	2,438	2,216	-9.1%	6,974	5,967	-14.4%	5.3	5.7	0.4
Chrysler	29	32	10.3%	137	88	-35.8%	411	244	-40.6%	0.3	0.2	-0.1
Dodge	170	141	-17.1%	467	326	-30.2%	1,151	1,063	-7.6%	0.9	1.0	0.1
Jeep	438	476	8.7%	1,326	1,225	-7.6%	3,995	3,171	-20.6%	3.1	3.1	0.0
Ram	136	244	79.4%	508	577	13.6%	1,417	1,489	5.1%	1.1	1.4	0.3
FIAT	4	2	-50.0%	16	5	-68.8%	66	20	-69.7%	0.1	0.0	-0.1
Ford	864	867	0.3%	2,579	2,118	-17.9%	7,600	6,275	-17.4%	5.8	6.0	0.2
Genesis	73	46	-37.0%	344	122	-64.5%	713	417	-41.5%	0.5	0.4	-0.1
GMC	149	208	39.6%	405	433	6.9%	1,230	1,199	-2.5%	0.9	1.2	0.3
Honda	2,266	1,759	-22.4%	6,424	4,479	-30.3%	19,467	13,596	-30.2%	14.9	13.1	-1.8
Hyundai	673	747	11.0%	1,912	1,941	1.5%	5,346	5,078	-5.0%	4.1	4.9	0.8
Infiniti	144	93	-35.4%	425	252	-40.7%	1,357	811	-40.2%	1.0	0.8	-0.2
Jaguar	45	41	-8.9%	137	125	-8.8%	475	384	-19.2%	0.4	0.4	0.0
Kia	382	521	36.4%	1,308	1,150	-12.1%	3,488	3,352	-3.9%	2.7	3.2	0.5
Land Rover	184	200	8.7%	500	498	-0.4%	1,666	1,520	-8.8%	1.3	1.5	0.2
Lexus	566	704	24.4%	1,873	1,631	-12.9%	5,745	4,459	-22.4%	4.4	4.3	-0.1
Lincoln	70	77	10.0%	168	164	-2.4%	479	441	-7.9%	0.4	0.4	0.0
Maserati	10	16	60.0%	39	38	-2.6%	175	155	-11.4%	0.1	0.1	0.0
Mazda	503	576	14.5%	1,338	1,437	7.4%	4,065	3,624	-10.8%	3.1	3.5	0.4
Mercedes	846	846	0.0%	2,660	2,344	-11.9%	7,689	6,075	-21.0%	5.9	5.8	-0.1
MINI	36	62	72.2%	148	154	4.1%	391	366	-6.4%	0.3	0.4	0.1
Mitsubishi	68	17	-75.0%	204	50	-75.5%	637	177	-72.2%	0.5	0.2	-0.3
Nissan	440	482	9.5%	1,602	1,232	-23.1%	4,961	3,636	-26.7%	3.8	3.5	-0.3
Porsche	146	199	36.3%	466	468	0.4%	1,434	1,197	-16.5%	1.1	1.2	0.1
Subaru	585	640	9.4%	1,724	1,507	-12.6%	5,040	4,209	-16.5%	3.9	4.0	0.1
Tesla	489	382	-21.9%	2,288	2,277	-0.5%	7,657	6,399	-16.4%	5.9	6.2	0.3
Toyota	2,552	2,649	3.8%	7,500	6,269	-16.4%	21,667	17,163	-20.8%	16.6	16.5	-0.1
Volkswagen	380	381	0.3%	1,114	913	-18.0%	3,201	2,468	-22.9%	2.5	2.4	-0.1
Volvo	109	111	1.8%	327	302	-7.6%	959	840	-12.4%	0.7	0.8	0.1
Other	48	44	-8.3%	130	119	-8.5%	419	416	-0.7%	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.