

San Diego Auto Outlook



NEW CAR DEALERS ASSOCIATION
SAN DIEGO COUNTY

Comprehensive information on the San Diego County new vehicle market

FORECAST

Market Has Small Drop in 1Q '17 vs. Strong 1Q '16

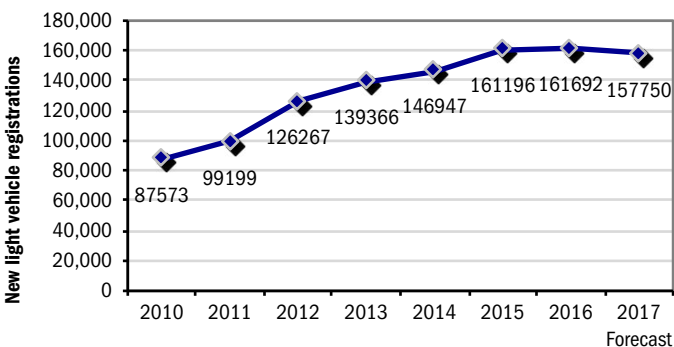
New vehicle registrations predicted to remain at healthy levels in 2017

Predicting new vehicle sales is, without question, an inexact science. There are a multitude of forces impacting the market on an ongoing basis. Some of these forces are pushing the market higher, while others are pulling it lower. Making sense of it all and coming up with an **exact** picture of where the market is headed is nearly impossible. But the basic direction that sales are likely to head in is easier to identify. And right now, most signs are pointing to a gradual slowdown. The market was essentially unchanged last year and pent up demand is easing. In addition, interest rates are increasing, used vehicle prices are sliding, and incentives are on the rise; all signs of a market that is running out of steam.

We do expect sales to drift lower over the next several years, but a sharp drop seems highly unlikely. Unemployment rates are very low, incomes are moving higher, household net worth is at an all-time high, GDP growth is solid (if not spectacular), and consumer confidence is strong. It would be unprecedented for new vehicle sales to collapse in an environment with such strong core economic fundamentals. In addition, technological advances in today's new vehicles are a strong motivation for many consumers to upgrade.

Bottom line: The county new vehicle market is expected to soften over the next several years, but sales should remain strong, based on historical standards.

Annual Trend in County Market



Historical Data Source: IHS Markit.

The graph above shows annual new retail light vehicle registrations in the county from 2010 thru 2016 and Auto Outlook's projection for 2017.

6 Key Market Trends

1. County new registrations were 161,692 units in 2016, about the same as 2015. The U.S. market increased slightly.
2. The market is predicted to post a small decline in 2017.
3. County light truck market share increased from 46.8% in the First Quarter of 2016 to 52.9% this year.
4. Hybrid and electric vehicle market share was 9.5% in the first two months of this year, up from a year earlier.
5. County market shares for Toyota, Honda, Mazda, and BMW are higher than in the U.S.
6. Compact SUVs have gained ground, while Compact car share fell sharply in the First Quarter of this year.

Note: used vehicle registration data was incomplete during the first two months of 2017. For this reason, the used vehicle market analysis was not included in this release of San Diego Auto Outlook. It should return in the issue appearing in the Third Quarter of 2017.

Market Summary

	YTD '16 thru Mar.	YTD '17 thru Mar.*	% Chg. '16 to '17	Mkt. Share 2017*
TOTAL	38,325	37,513	-2.1%	
Car	20,406	17,653	-13.5%	47.1%
Light Truck	17,919	19,860	10.8%	52.9%
Domestic	10,120	10,193	0.7%	27.2%
European	5,359	5,534	3.3%	14.8%
Japanese	20,109	19,124	-4.9%	51.0%
Korean	2,737	2,662	-2.7%	7.1%

Source: IHS Markit.

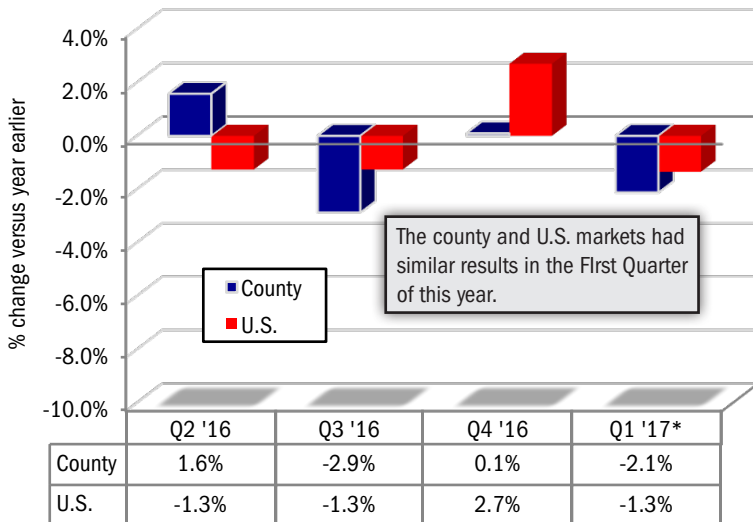
Domestics consist of vehicles sold by GM, Ford, FCA (excluding FIAT), and Tesla. Historical figures were revised by IHS Markit and will differ slightly from those shown in previous releases. *Figures for March, 2017 were estimated by Auto Outlook.

MARKET TRACKER: QUARTERLY RESULTS

County Registrations are at High Level in 1Q '17; Despite Small Drop

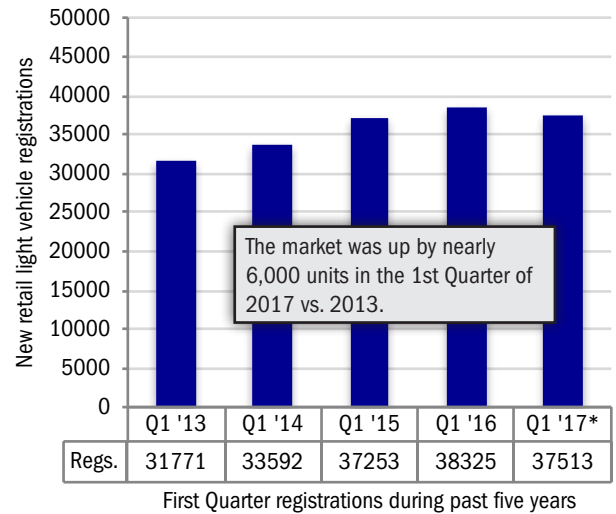
QUARTERLY TREND

Percent Change in County and U.S. New Vehicle Market



QUARTERLY PERSPECTIVE

Five Years of First Quarter Results in County Market



* Figures for the First Quarter of 2017 were estimated by Auto Outlook based on data for January and February. Source: IHS Markit.

* Figures for 1Q 2017 were estimated by Auto Outlook based on data for January and February. Source: IHS Markit.

MARKET TRACKER: COUNTY MARKET VERSUS U.S.

County Car Share Falls to 47.1%

	County Market		U.S. Market	
Percent change in registrations YTD '17 thru March* vs. YTD '16	-2.1%		-1.3%	
Passenger car market share YTD '17 thru March*	47.1%		35.7%	
Domestic brand market share YTD '17 thru March	27.2%		42.0%	
Top 10 brands and market share YTD '17 thru March*				
First	Toyota	17.1%	Toyota	12.7%
Second	Honda	12.1%	Ford	12.3%
Third	Ford	10.5%	Chevrolet	11.3%
Fourth	Nissan	8.6%	Honda	10.0%
Fifth	Chevrolet	6.2%	Nissan	7.7%
Sixth	Subaru	4.2%	Jeep	5.2%
Seventh	Kia	3.8%	Subaru	4.4%
Eighth	Jeep	3.5%	GMC	3.6%
Ninth	Mazda	3.5%	Hyundai	3.5%
Tenth	BMW	3.5%	Kia	3.4%

*March 2017 figures estimated by Auto Outlook

Source: IHS Markit

San Diego Auto Outlook

Covering First Quarter 2017

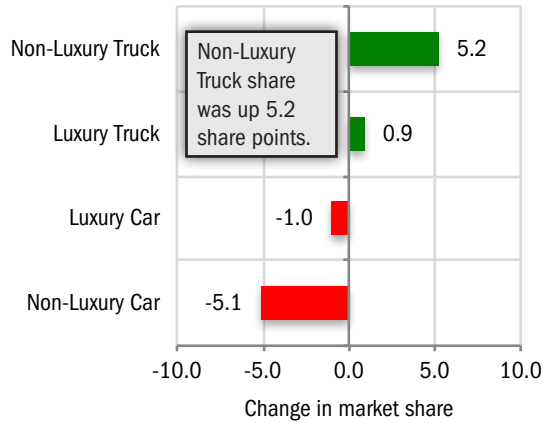
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MARKET TRACKER: PRIMARY SEGMENTS

Non Luxury Trucks Surge

Change in County Market Share
YTD 2017 thru March* vs. YTD 2016

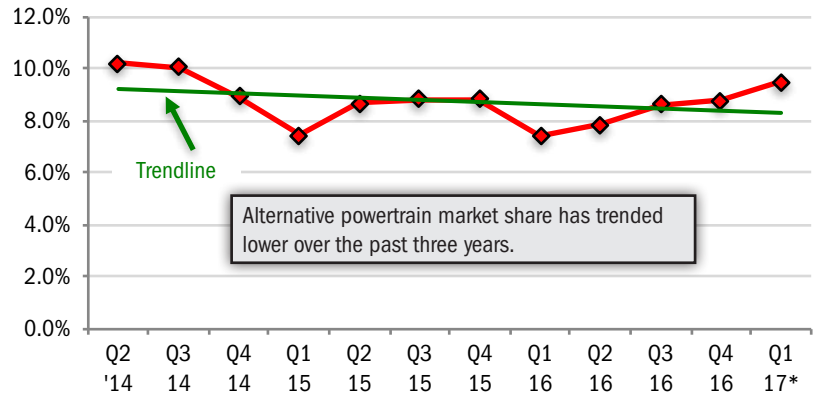


The graph above shows the change in year-to-date market share for four primary brand segments. *Figures for March 2017 were estimated by Auto Outlook. Data Source: IHS Markit.

MARKET TRACKER: HYBRID AND ELECTRIC VEHICLES

Hybrid/Electric Share is 9.5%

Quarterly Alternative Powertrain Market Share
(includes hybrid and electric vehicles)



The graph above shows hybrid powertrain and electric vehicle quarterly market share in the county. The line shows market share trend over the past 12 quarters. *First Quarter 2017 includes January and February. Source: IHS Markit.

MARKET TRACKER - SEGMENTS

Compact Car Market Share Falls by 3.9 Share Points

San Diego County Segment Market Share Review				
Segment	Market Share YTD '16 thru February	Market Share YTD '17 thru February	Change in share YTD '16 to '17	Best selling model in segment
Compact Car	24.0	20.1	-3.9	Honda Civic
Compact SUV	13.6	16.3	2.7	Honda CR-V
Mid Size SUV	8.8	10.7	1.9	Ford Explorer
Mid Size Car	12.7	10.1	-2.6	Honda Accord
Full Size Pickup	6.1	7.1	1.0	Ford F Series
Subcompact Car	3.6	4.8	1.2	Kia Soul
Compact/Mid-Size Pickup	3.6	4.3	0.7	Toyota Tacoma
Luxury Mid Size SUV	3.8	4.1	0.3	Lexus RX
Near Luxury Car	5.0	4.1	-0.9	Mercedes C-Class
Luxury Compact SUV	2.8	3.3	0.5	Lexus NX
Luxury and High-end Sports Cars	3.3	3.2	-0.1	Tesla Model S
Subcompact SUV	1.8	2.1	0.3	Honda HR-V
Sports/Pony cars	2.2	1.9	-0.3	Ford Mustang
Mini Van	2.3	1.8	-0.5	Toyota Sienna
Large Van	1.2	1.3	0.1	Ford Transit Connect Van
Entry Luxury Car	1.6	1.1	-0.5	Audi A3
Large Car	1.2	1.1	-0.1	Dodge Charger
Large SUV	1.0	1.0	0.0	Chevrolet Tahoe
Luxury Large SUV	0.6	0.8	0.2	Land Rover Range Rover
Luxury Subcompact SUV	0.6	0.8	0.2	BMW X1

The table above shows San Diego County market share for 20 vehicle segments during the first two months of 2016 and 2017, 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 2017 share. Data Source: IHS Markit.

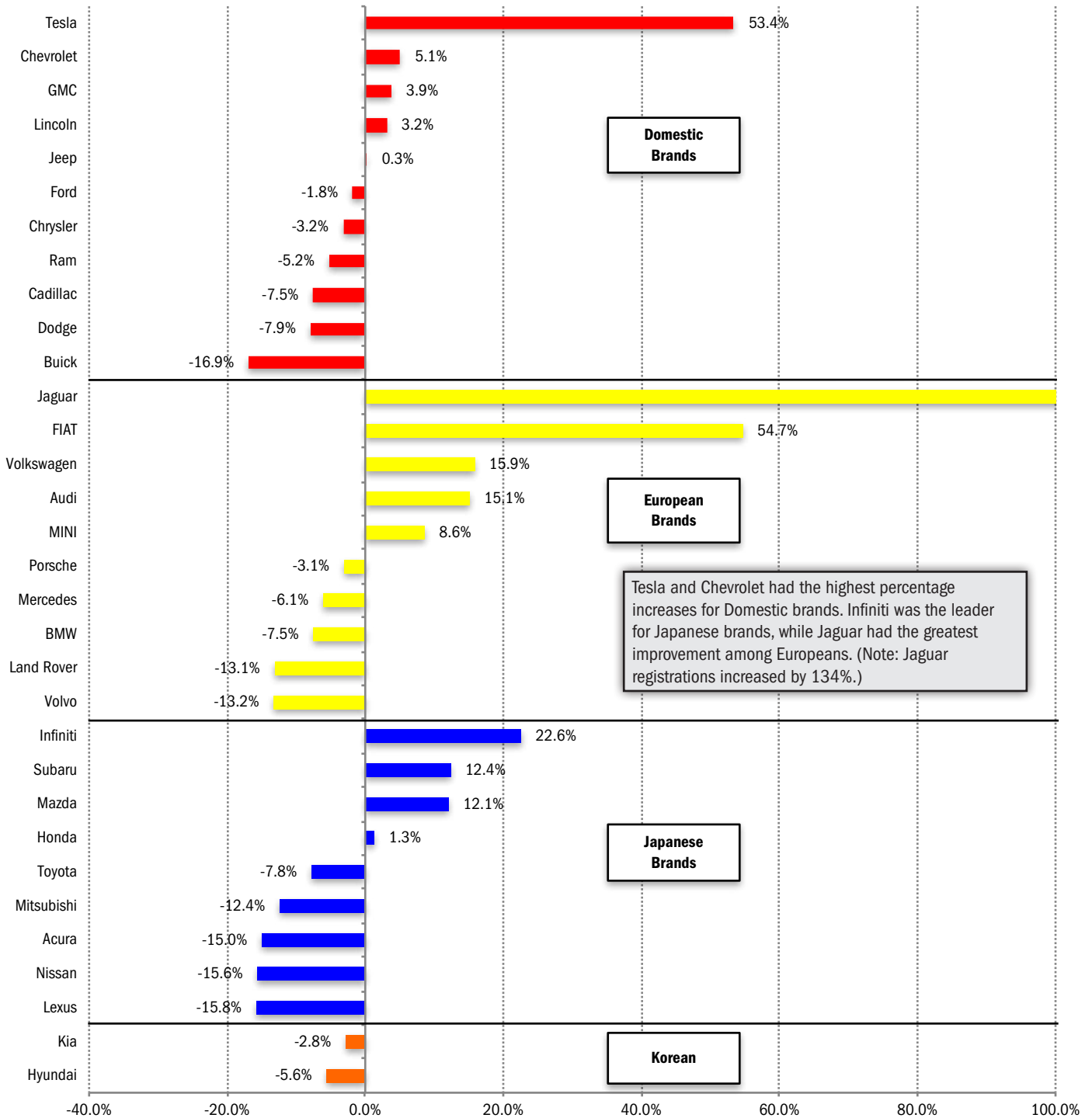
BRAND SCOREBOARD - PART ONE

Jaguar Has Largest Percentage Gain

Eight brands had gains of higher than 10%

The graph below provides a comparative evaluation of brand sales performance in the county market. It shows the year-to-date percent change in registrations for each brand, organized by category (i.e., Domestic, European, Japanese, and Korean).

**Percent Change in County New Retail Light Vehicle Registrations
YTD 2017 thru March* vs. YTD 2016**



Tesla and Chevrolet had the highest percentage increases for Domestic brands. Infiniti was the leader for Japanese brands, while Jaguar had the greatest improvement among Europeans. (Note: Jaguar registrations increased by 134%.)

*Figures for March, 2017 were estimated by Auto Outlook.

Source: IHS Markit.

BRAND SCOREBOARD - PART TWO

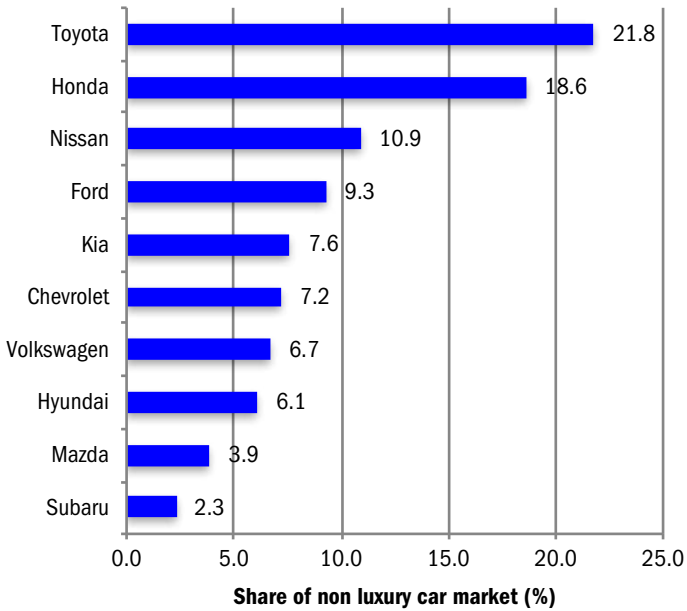
Toyota is Non-Luxury Light Truck Leader

BMW is best selling luxury car brand

The four graphs below show market share leaders in San Diego County during the past six months for four primary segments. (Note: figures for March, 2017 were estimated.) Toyota was the best-selling Non Luxury Car brand, with a 3.2 point lead over second place Honda. Toyota was

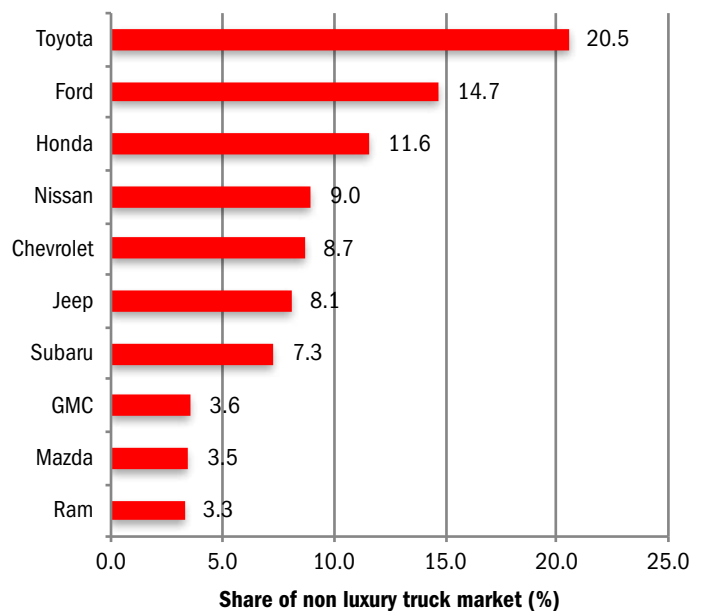
also the top ranked Non Luxury Light Truck brand, ahead of Ford and Honda. BMW was the best-selling Luxury Car brand, while Lexus was the Luxury Light Truck leader.

**Top 10 Non Luxury Car Brands in County Market
October 2016 thru March 2017**



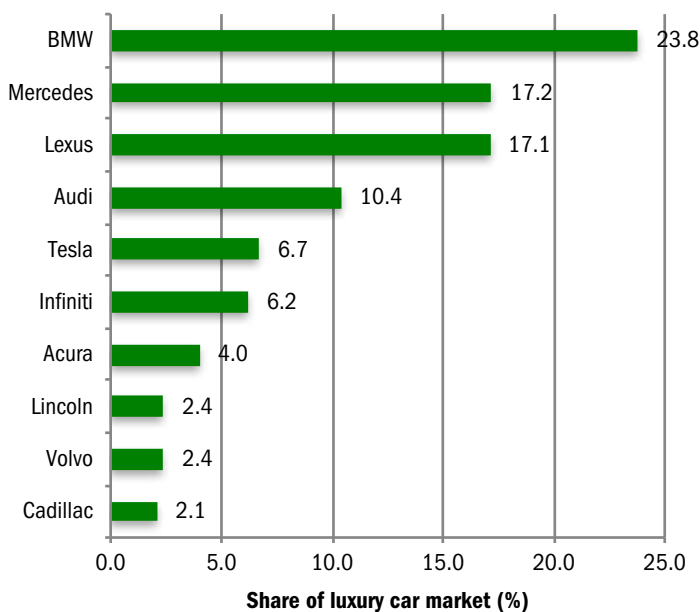
Source: IHS Markit.

**Top 10 Non Luxury Light Truck Brands in County
October 2016 thru March 2017**



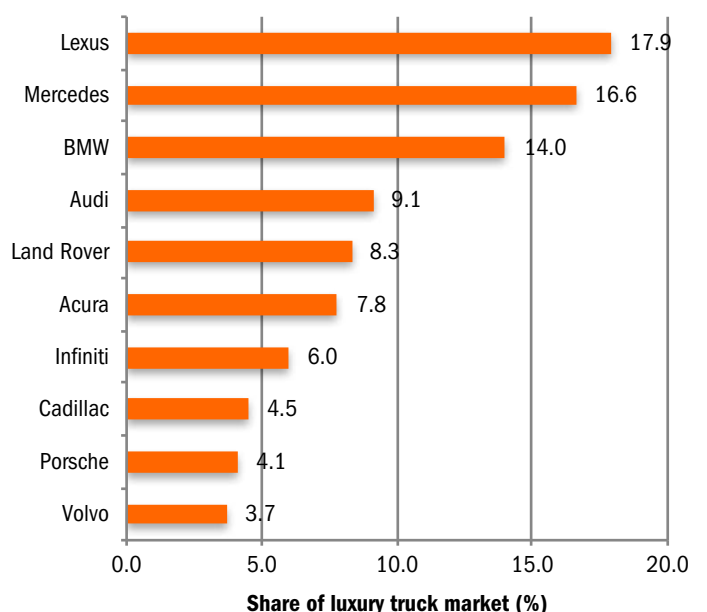
Source: IHS Markit.

**Top 10 Luxury Car Brands in County Market
October 2016 thru March 2017**



Source: IHS Markit.

**Top 10 Luxury Light Truck Brands in County Market
October 2016 thru March 2017**



Source: IHS Markit.

BRAND SCOREBOARD-PART THREE

Toyota and Honda Have Big Gains During Past Five Years

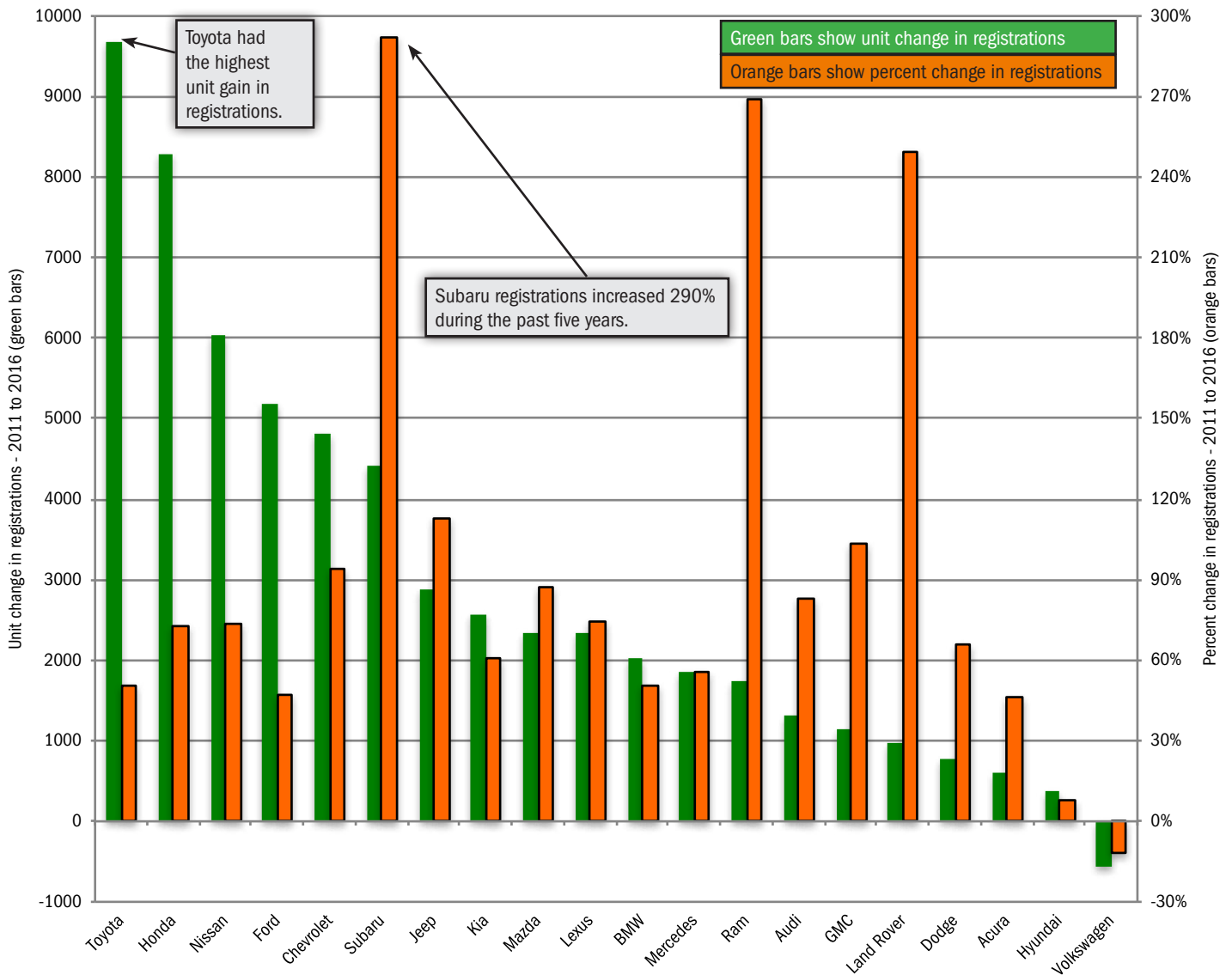
County registrations for both brands were up more than 8,000 units between 2011 and 2016

The graph below provides a balanced appraisal of brand sales performance in the San Diego County market during the past five years. It shows both the **unit** change in registrations between 2011 and 2016 (green bars) and the **percent** change (orange bars) for the top 20 selling brands in 2016.

Viewing both indicators on the same graph makes it easy to identify brands that have posted significant and consistent gains during the past five years. Toyota, Honda, Nissan, and Ford had the largest unit gains. Registrations for each of the four brands were up by more than 5,000 units. Subaru, Ram, and Land

Rover had the largest percentage gains with increases of more than 250%. 19 of the top 20 brands had an increase in registrations during the five year period.

Five Year Unit and Percent Change in County New Retail Light Vehicle Registrations (Top 20 Brands) 2016 vs. 2011



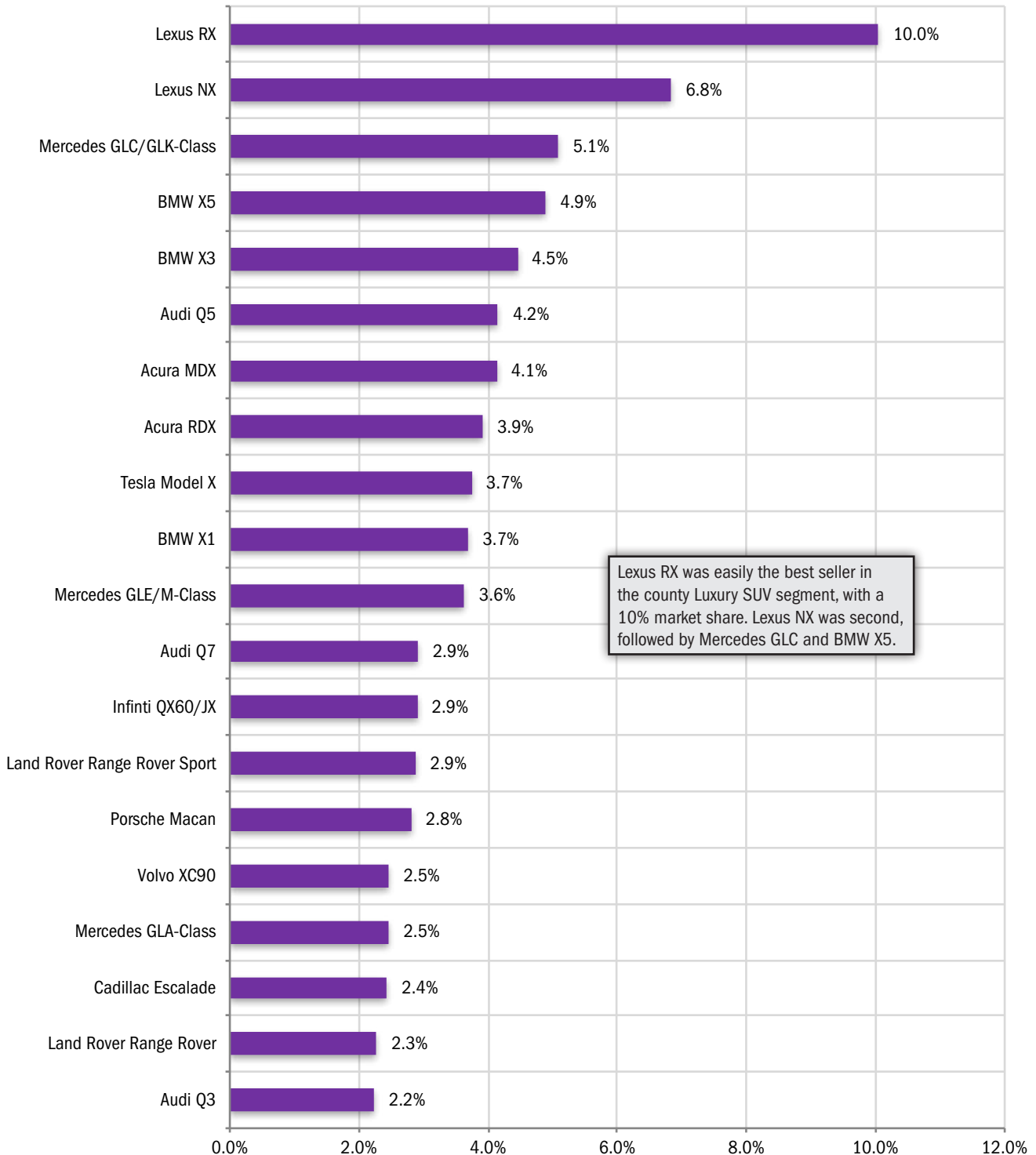
Source: IHS Markit.

LUXURY SUV CLOSE-UP

Lexus is Best-Selling Luxury SUV in County Market

Lexus NX and Mercedes GLC are ranked second and third, respectively

Market Share for Top 15 Selling Luxury SUVs (Most recent six months - Sept. '16 thru February '17)



Lexus RX was easily the best seller in the county Luxury SUV segment, with a 10% market share. Lexus NX was second, followed by Mercedes GLC and BMW X5.

Source: IHS Markit.

Brand Registrations Report												
San Diego County New Retail Car and Light Truck Registrations												
	First Quarter*						Annual Totals					
	Registrations			Market Share (%)			Registrations			Market Share (%)		
	1Q '16	1Q '17*	% change	1Q '16	1Q '17*	Change	2015	2016	% change	2015	2016	Change
TOTAL	38,325	37,513	-2.1				161,196	161,692	0.3			
Cars	20,406	17,653	-13.5	53.2	47.1	-6.1	89,744	82,250	-8.4	55.7	50.9	-4.8
Light Trucks	17,919	19,860	10.8	46.8	52.9	6.1	71,452	79,442	11.2	44.3	49.1	4.8
Domestic Brands	10,120	10,193	0.7	26.4	27.2	0.8	41,684	42,513	2.0	25.9	26.3	0.4
European Brands	5,359	5,534	3.3	14.0	14.8	0.8	24,673	24,094	-2.3	15.3	14.9	-0.4
Japanese Brands	20,109	19,124	-4.9	52.5	51.0	-1.5	82,497	82,832	0.4	51.2	51.2	0.0
Korean Brands	2,737	2,662	-2.7	7.1	7.1	0.0	12,342	12,253	-0.7	7.7	7.6	-0.1
Acura	481	409	-15.0	1.3	1.1	-0.2	2,096	1,874	-10.6	1.3	1.2	-0.1
Audi	581	669	15.1	1.5	1.8	0.3	2,611	2,897	11.0	1.6	1.8	0.2
BMW	1,400	1,295	-7.5	3.7	3.5	-0.2	5,992	5,981	-0.2	3.7	3.7	0.0
Buick	166	138	-16.9	0.4	0.4	0.0	648	684	5.6	0.4	0.4	0.0
Cadillac	213	197	-7.5	0.6	0.5	-0.1	931	1,001	7.5	0.6	0.6	0.0
Chevrolet	2,223	2,337	5.1	5.8	6.2	0.4	8,839	9,936	12.4	5.5	6.1	0.6
Chrysler	157	152	-3.2	0.4	0.4	0.0	952	636	-33.2	0.6	0.4	-0.2
Dodge	506	466	-7.9	1.3	1.2	-0.1	2,230	1,941	-13.0	1.4	1.2	-0.2
FIAT	159	246	54.7	0.4	0.7	0.3	925	734	-20.6	0.6	0.5	-0.1
Ford	4,005	3,933	-1.8	10.5	10.5	0.0	16,876	16,172	-4.2	10.5	10.0	-0.5
GMC	519	539	3.9	1.4	1.4	0.0	2,269	2,267	-0.1	1.4	1.4	0.0
Honda	4,492	4,552	1.3	11.7	12.1	0.4	18,104	19,625	8.4	11.2	12.1	0.9
Hyundai	1,273	1,202	-5.6	3.3	3.2	-0.1	5,737	5,435	-5.3	3.6	3.4	-0.2
Infiniti	314	385	22.6	0.8	1.0	0.2	1,277	1,307	2.3	0.8	0.8	0.0
Jaguar	55	129	134.5	0.1	0.3	0.2	201	432	114.9	0.1	0.3	0.2
Jeep	1,311	1,315	0.3	3.4	3.5	0.1	5,376	5,460	1.6	3.3	3.4	0.1
Kia	1,464	1,423	-2.8	3.8	3.8	0.0	6,605	6,778	2.6	4.1	4.2	0.1
Land Rover	374	325	-13.1	1.0	0.9	-0.1	1,221	1,351	10.6	0.8	0.8	0.0
Lexus	1,307	1,101	-15.8	3.4	2.9	-0.5	5,843	5,474	-6.3	3.6	3.4	-0.2
Lincoln	188	194	3.2	0.5	0.5	0.0	715	667	-6.7	0.4	0.4	0.0
Mazda	1,165	1,306	12.1	3.0	3.5	0.5	5,305	5,018	-5.4	3.3	3.1	-0.2
Mercedes	1,152	1,082	-6.1	3.0	2.9	-0.1	5,357	5,156	-3.8	3.3	3.2	-0.1
MINI	197	214	8.6	0.5	0.6	0.1	1,083	853	-21.2	0.7	0.5	-0.2
Mitsubishi	186	163	-12.4	0.5	0.4	-0.1	682	612	-10.3	0.4	0.4	0.0
Nissan	3,822	3,226	-15.6	10.0	8.6	-1.4	14,021	14,265	1.7	8.7	8.8	0.1
Other	105	170	61.9	0.3	0.5	0.2	637	632	-0.8	0.4	0.4	0.0
Porsche	229	222	-3.1	0.6	0.6	0.0	912	945	3.6	0.6	0.6	0.0
Ram	595	564	-5.2	1.6	1.5	-0.1	2,048	2,375	16.0	1.3	1.5	0.2
Subaru	1,405	1,579	12.4	3.7	4.2	0.5	5,591	5,942	6.3	3.5	3.7	0.2
Tesla	232	356	53.4	0.6	0.9	0.3	767	1,338	74.4	0.5	0.8	0.3
Toyota	6,935	6,397	-7.8	18.1	17.1	-1.0	29,563	28,704	-2.9	18.3	17.8	-0.5
Volkswagen	895	1,037	15.9	2.3	2.8	0.5	5,073	4,235	-16.5	3.1	2.6	-0.5
Volvo	219	190	-13.2	0.6	0.5	-0.1	709	965	36.1	0.4	0.6	0.2

*March 2017 figures were estimated by Auto Outlook.

Source: IHS Markit.

The table above shows new retail light vehicle (car and light truck) registrations in San Diego County. Figures are shown for the First Quarters of 2016 and 2017, and annual totals for 2015 and 2016. The top ten ranked brands in each category are shaded yellow.