

San Diego Auto Outlook

Comprehensive information on the San Diego County new vehicle market



FORECAST

County Market Up Slightly in First Half of 2016

Small increase predicted for all of this year

Information overload is hard to avoid these days. Here's our attempt to cut through the clutter. Below is a concise summary of key trends and developments in the San Diego County new vehicle market.

County market posts gain during first half of '16; increase is almost identical to U.S.

County new retail registrations were up 1.6% for the first six months of this year (June figures were estimated) versus a year earlier, slightly above the 1.5% uptick in the National market.

New vehicle market was up slightly in Second Quarter of this year

The Second Quarter increase was just 0.6%, lower than the 2.7% improvement in the First Quarter (see page 2).

Seventh consecutive annual increase likely in 2016

County new retail light vehicle registrations are projected to improve by 2% from 2015 to 2016. It's possible that the annual total this year could approach 165,000 units.

Market will likely reach sales peak in 2016; but don't bet on it

There are times when it's relatively easy to discern what direction the new vehicle market is headed in. When sales tumbled in 2009, everybody knew that there would be a recovery. And while many analysts were pessimistic that the market would return to the peaks reached in the 2000's, Auto Outlook was confident that sales would return to those levels. Our regular review of key market predictors unambiguously indicated that the market had a very good chance to return to near record-high levels within about five years.

But the outlook for where sales are headed over the next 12 to 18 months is cloudier. It's great to be able to predict sales with certainty, but frankly, sometimes that's just not possible. And that's where we are right now. At this point, it looks like the market will be flat, or perhaps decline slightly in 2017. But the impact of the Presidential election, fallout from Brexit, stagnant global economic growth, and the aggressiveness with which manufacturers will ratchet

up incentives are all wild cards for the new vehicle market. Core fundamentals are pointing to another good year for sales in 2017, but it's basically a coin flip to decide whether sales will inch higher, or decline slightly.

Tesla, Volvo, Jaguar, Ram, Land Rover, Buick, Chevrolet, Jeep, Nissan, and Honda gain a lot of ground so far this year

These 10 brands had the largest percentage increases during the first six months of this year versus a year earlier. Registrations for each brand were up by more than 10%

Honda Civic and Toyota Corolla are top sellers in county market

Civic and Corolla were at the top of the county sales chart so far this year. They were followed by Nissan Sentra, Honda Accord, Toyota Tacoma, Toyota Prius, Ford F-Series, and Toyota Camry.

Annual Trend in County Market



Historical Data Source: IHS Automotive.

The graph above shows annual new retail light vehicle registrations in the county from 2009 thru 2015 and Auto Outlook's projection for 2016.

Market Summary

	YTD '15 thru June	YTD '16 thru June*	% Chg. '15 to '16	Mkt. Share YTD '16*
TOTAL	77,055	78,324	1.6%	
Car	44,134	41,425	-6.1%	52.9%
Light Truck	32,921	36,899	12.1%	47.1%
Domestic	19,774	21,077	6.6%	26.9%
European	11,833	10,821	-8.6%	13.8%
Japanese	39,547	40,568	2.6%	51.8%
Korean	5,901	5,858	-0.7%	7.5%

Source: IHS Automotive.

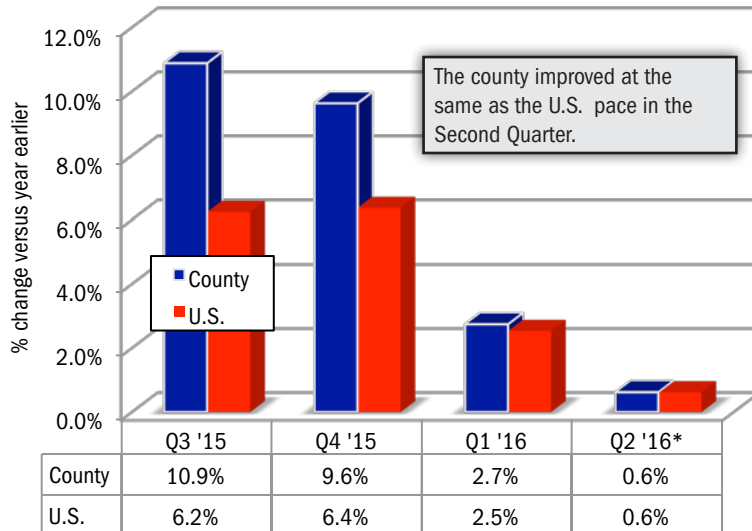
Domestics consist of vehicles sold by GM, Ford, FCA (excluding FIAT), and Tesla. Historical figures were revised by IHS Automotive and will differ slightly from those shown in previous releases. *Figures for June, 2016 were estimated by Auto Outlook.

MARKET TRACKER: QUARTERLY RESULTS

County Market Up Less Than 1% in Second Quarter of 2016

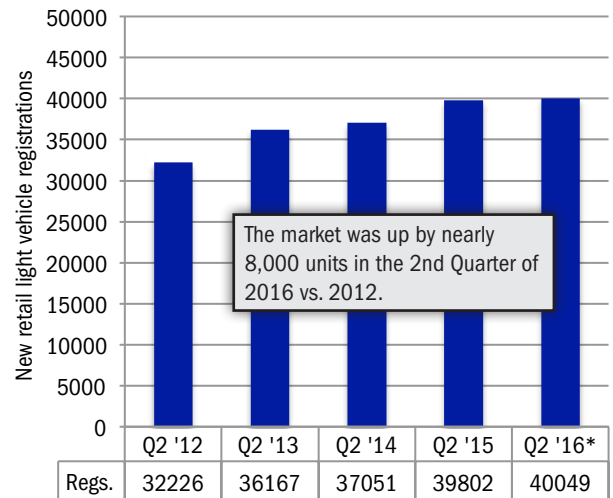
QUARTERLY TREND

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



QUARTERLY PERSPECTIVE

Five Years of Second Quarter Results in County Market



Second Quarter registrations during past five years

* Figures for the Second Quarter of 2016 were estimated by Auto Outlook based on data for April and May. Source: IHS Automotive.

* Figures for 2Q 2016 were estimated by Auto Outlook based on data for April and May. Source: IHS Automotive.

MARKET TRACKER: COUNTY MARKET VERSUS U.S.

U.S. Market Has Small Increase

	County Market		U.S. Market	
Percent change in registrations YTD '16 thru June* vs. YTD '15	1.6%		1.5%	
Passenger car market share YTD '16 thru June*	52.9%		41.1%	
Domestic brand market share YTD '16 thru June*	26.9%		41.7%	
Top 10 brands and market share YTD '16 thru June*				
First	Toyota	17.7%	Toyota	13.0%
Second	Honda	12.0%	Ford	12.3%
Third	Ford	10.6%	Chevrolet	11.1%
Fourth	Nissan	9.7%	Honda	9.9%
Fifth	Chevrolet	5.7%	Nissan	7.8%
Sixth	Kia	4.1%	Jeep	5.6%
Seventh	Jeep	3.7%	Subaru	3.9%
Eighth	Subaru	3.7%	Hyundai	3.9%
Ninth	BMW	3.4%	Kia	3.9%
Tenth	Hyundai	3.4%	GMC	3.2%

*June 2016 figures estimated by Auto Outlook

Source: IHS Automotive

San Diego Auto Outlook

Covering Second Quarter 2016

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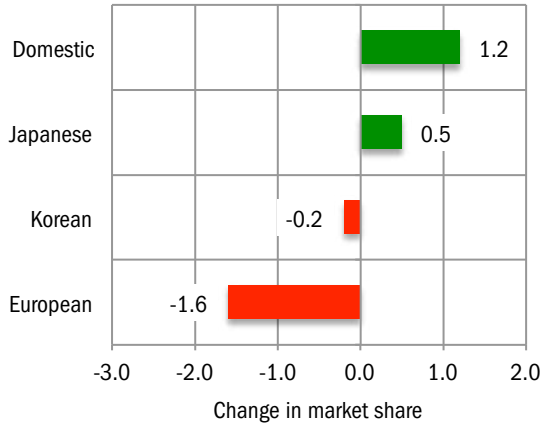
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MARKET TRACKER: PRIMARY SEGMENTS

Domestic Brands Gain

Change in County Market Share
YTD 2016 thru June* vs. YTD 2015

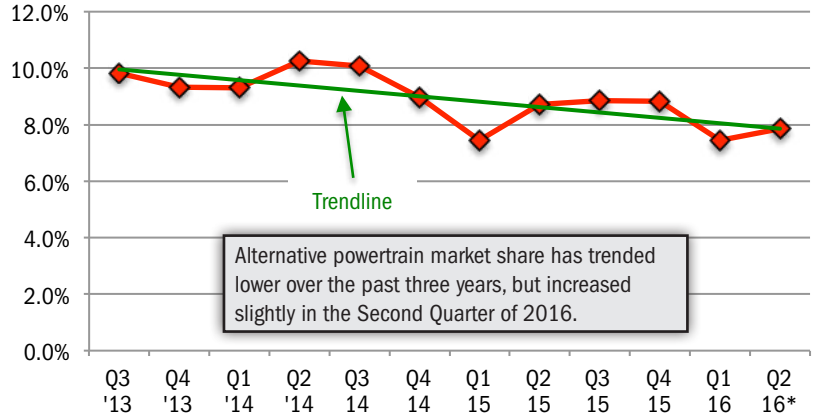


The graph above shows the change in year-to-date market share for four primary brand segments. *Figures for June, 2016 were estimated by Auto Outlook. Data Source: IHS Automotive.

MARKET TRACKER: HYBRID AND ELECTRIC VEHICLES

Hybrid/Electric Share Up Slightly

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. *Second Quarter 2016 includes April and May. Source: IHS Automotive.

MARKET TRACKER - SEGMENTS

SUV Market Share Continues to March Higher

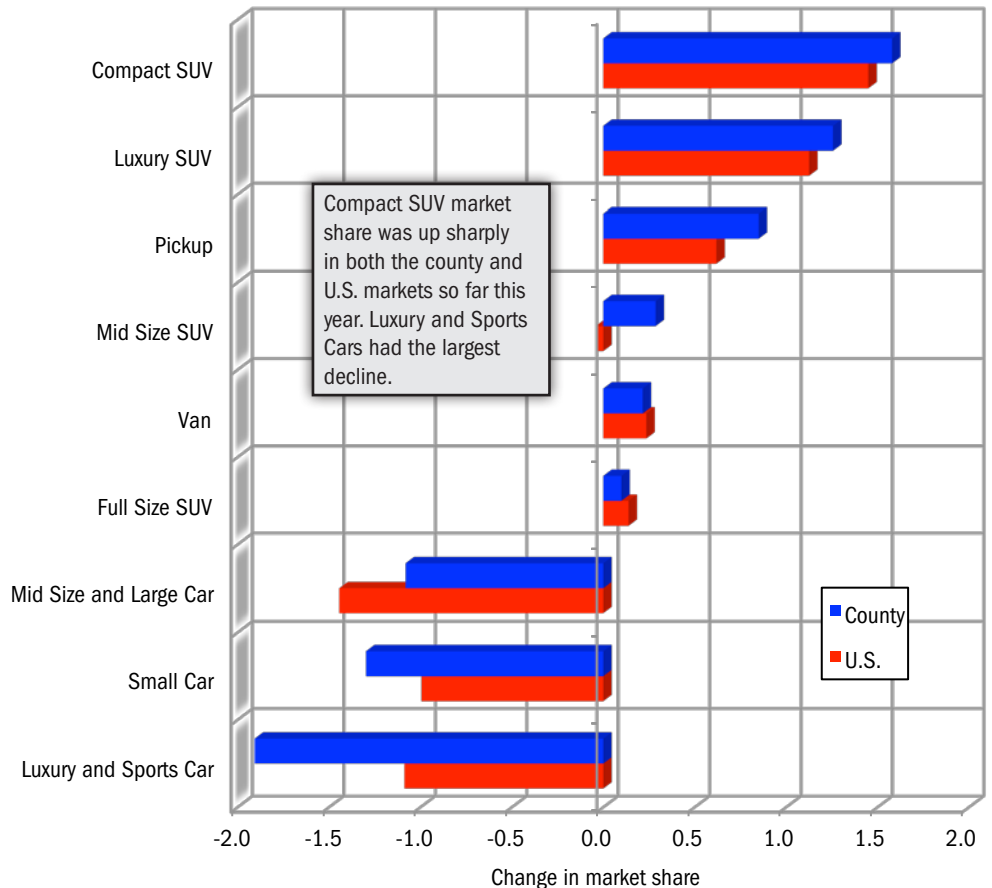
Change in Segment Market Share

YTD 2016 thru May
vs.
YTD 2015

San Diego County and
U.S. Markets

Typical models in segments:

- Small Car: Hyundai Elantra
- Mid Size & Large Car: Toyota Camry
- Luxury & Sports Car: BMW 3-Series
- Pickup: Ford F-Series
- Van: Honda Odyssey
- Compact SUV: Jeep Cherokee
- Mid Size SUV: Kia Sorento
- Full Size SUV: Chevrolet Tahoe
- Luxury SUV: Lexus RX



Source: IHS Automotive.

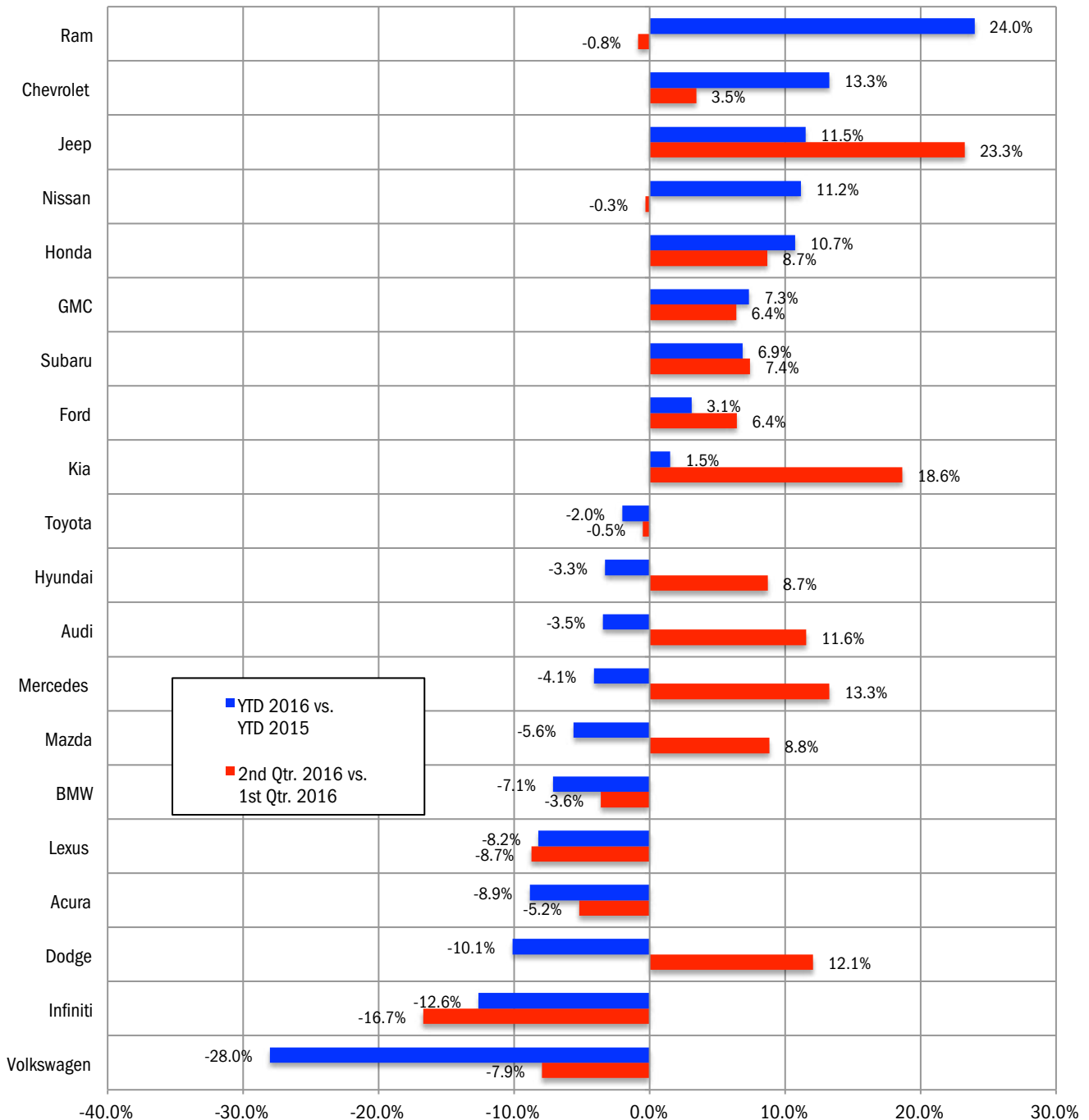
BRAND SCOREBOARD - PART ONE

Ram Had Largest Gain So Far This Year Among Top 20 Brands

Jeep new retail registrations improved 23.3% from First to Second Quarter of this year

The graph below provides a quick snapshot of brand sales performance in the county market. For the top 20 selling brands, it shows the percent change in new retail light vehicle registrations during the first six months of this year versus the same period a year earlier, and the change from the First Quarter of 2016 to the Second Quarter. Brands are shown from top to bottom based on the year-to-date percent change.

**Percent Change in County New Retail Light Vehicle Registrations (Top 20 Selling Brands)
YTD 2016 thru June* vs. YTD 2015, and Second Quarter 2016* vs. First Quarter 2016**



*Figures for June, 2016 were estimated by Auto Outlook.

Source: IHS Automotive.

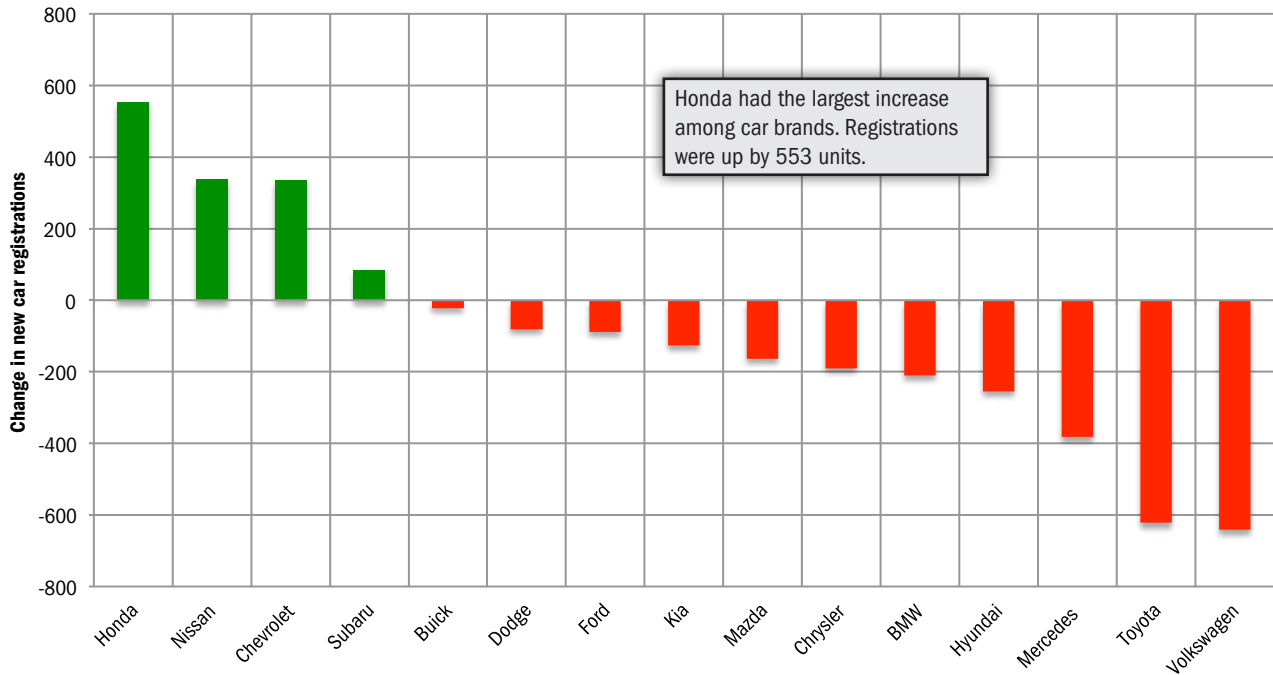
BRAND SCOREBOARD - PART TWO

Toyota Has Biggest Gain Among Light Truck Brands

Honda had largest gain for cars; most brands had declines in passenger car registrations

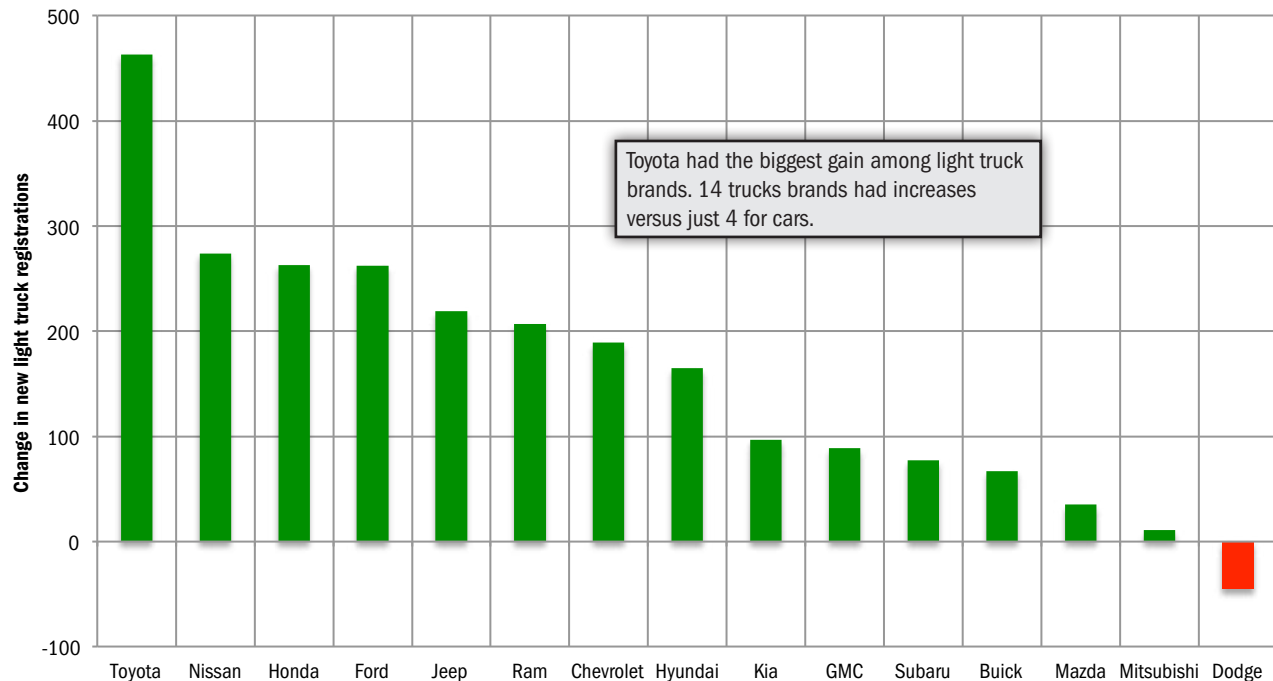
The two graphs below show the change in retail registrations for the top 15 selling car and light truck brands during the first five months of 2016 versus the same period a year earlier.

Change in County Car Registrations - YTD 2016 thru May versus YTD 2015 (top 15 selling brands)



Source: IHS Automotive.

Change in County Light Truck Registrations - YTD 2016 thru May versus YTD 2015 (top 15 selling brands)



Source: IHS Automotive.

BRAND SCOREBOARD - PART THREE

Toyota is a Strong Performer in San Diego County

Honda, Nissan, BMW, Mazda, Lexus, and Mercedes also rank high

The graph below provides an indicator of brands that are popular in San Diego County (relative to the National standard), and those that are not.

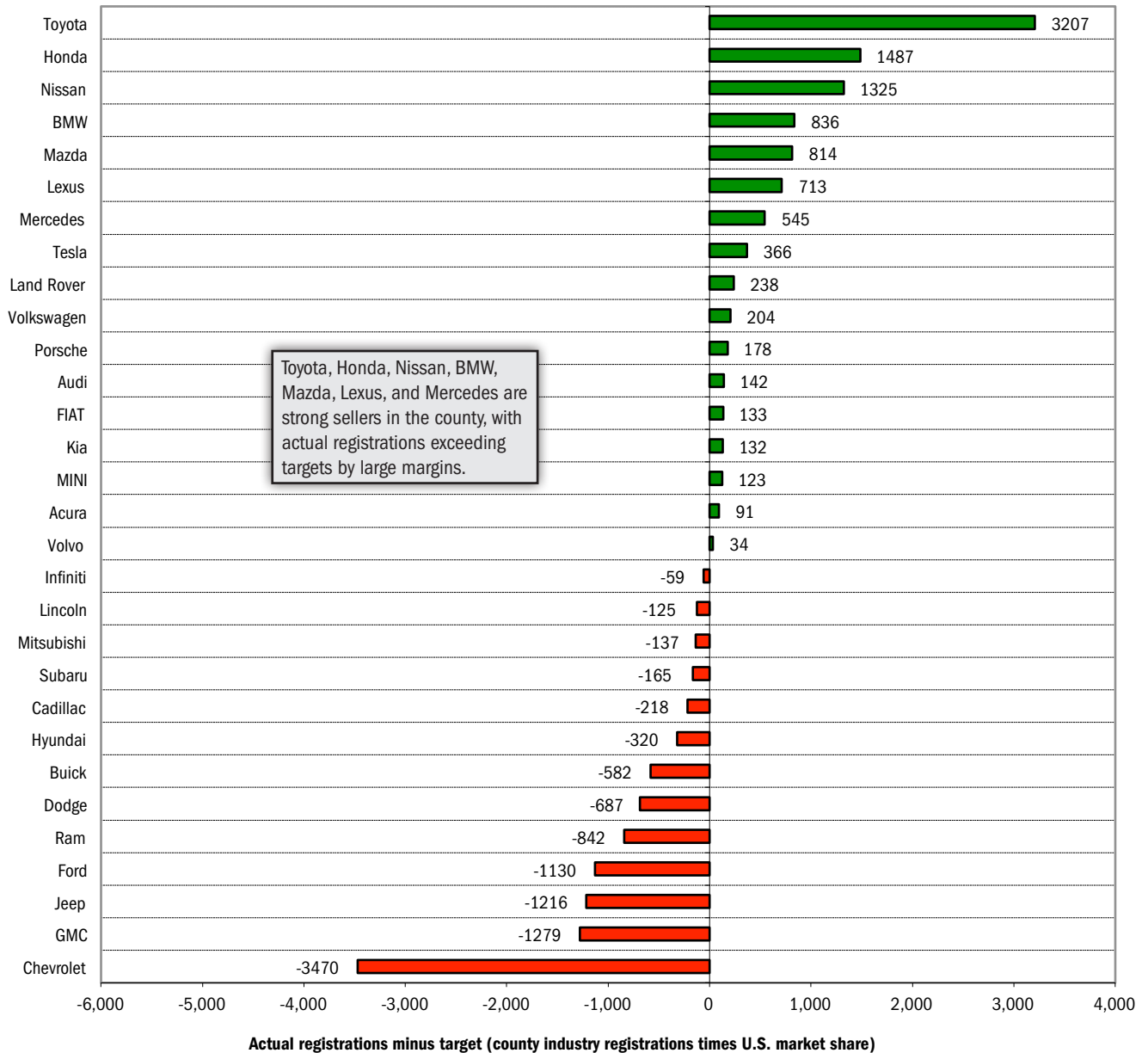
Here's how it works: For the top 30 selling brands in the county, each brand's share of the U.S. market is multiplied by retail registrations

in the county during the first half of this year. This yields a "target" for the county market. Target registrations are subtracted from actual registrations to derive the measurement of sales performance.

Brands at the top of the graph (i.e., Toyota, Honda, Nissan, BMW, Mazda, Lexus, and

Mercedes) are relatively strong sellers in the county, with actual registrations exceeding calculated targets by large margins. For instance, Toyota registrations exceeded the target by 3,207 units.

San Diego County Retail Market Performance based on registrations for YTD 2016 thru June*
Actual registrations minus target (county industry registrations times U.S. market share)



*Figures for June, 2016 were estimated.

Source for registration data: IHS Automotive.

TRENDS IN LUXURY VEHICLE MARKET

SUV Share of County Luxury Vehicle Market Takes Off

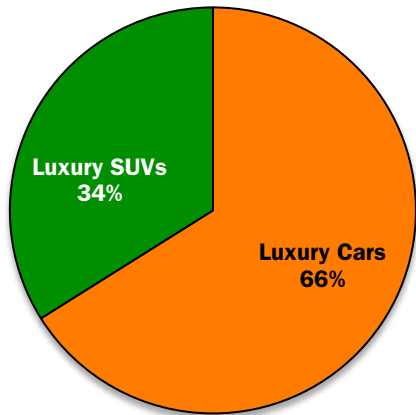
County luxury car registrations have increased 18% during past four years; luxury SUVs are up 114%

Consumer demand has clearly shifted from cars to trucks, but this trend is perhaps most acute in the luxury market. As shown on the two pie charts below, SUVs now account for well over half of the San Diego County luxury

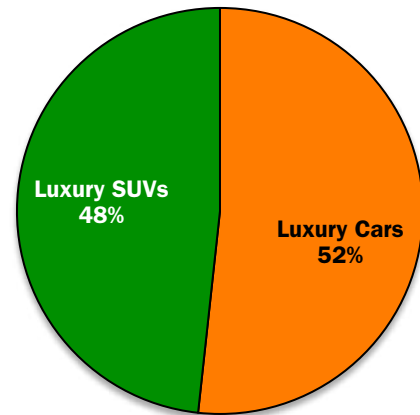
vehicle segment. And for most brands the variation in sales gains (and losses) between cars and SUVs is striking. For instance, Infiniti new car registrations declined by 37% during the first five months of this year versus the same

period in 2012, while SUVs were up 71%. Infiniti's mid size QX60 crossover outsells the Q70 mid size sedan by a ratio of nearly five to one. This trend is not likely to change as long as gas prices remain low.

Passenger Car and SUV Share of County Luxury Vehicle Market - YTD 2012 thru May



Passenger Car and SUV Share of County Luxury Vehicle Market - YTD 2016 thru May

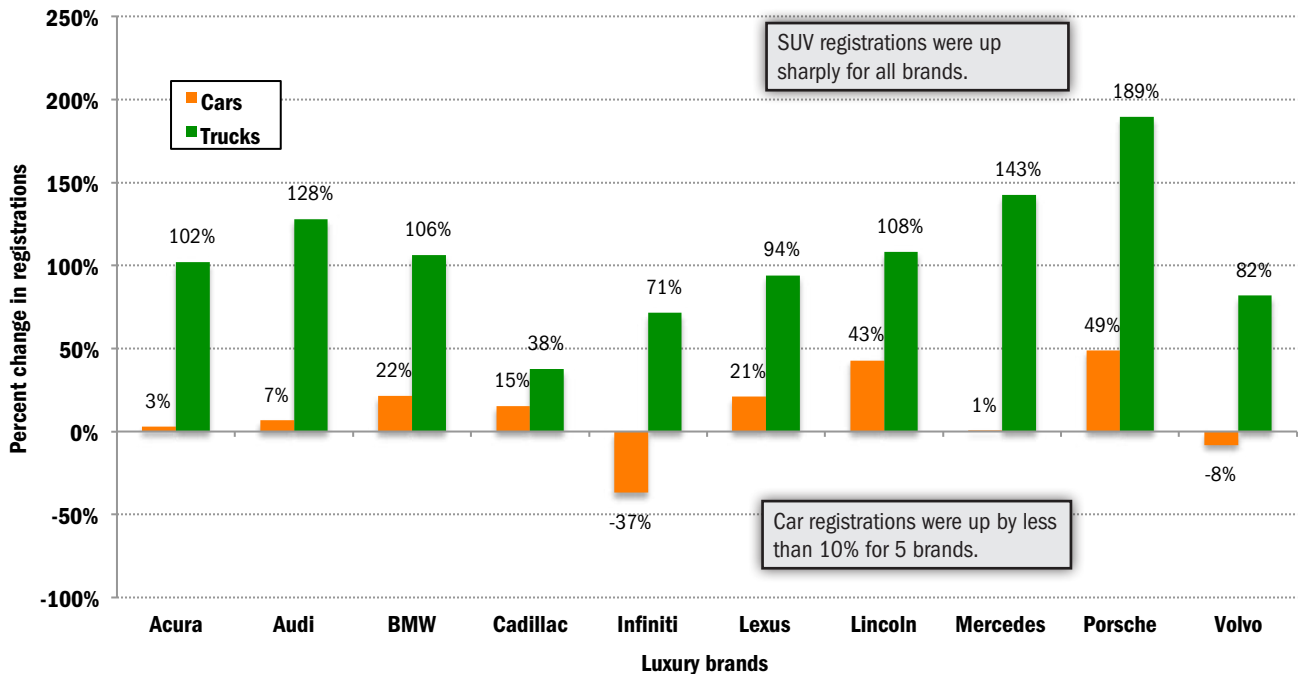


SUV share of the county luxury vehicle market increased from 34% during the first five months of 2012 to 48% this year.

Source: IHS Automotive.

Source: IHS Automotive.

Percent Change in County New Retail Car and SUV Registrations for Luxury Brands - YTD '16 (May) vs. YTD '12



Source: IHS Automotive.

Excludes Jaguar, Land Rover, and exotic brands.

Brand Registrations Report												
San Diego County New Retail Car and Light Truck Registrations												
	Second Quarter*						YTD thru June*					
	Registrations			Market Share (%)			Registrations			Market Share (%)		
	2Q 2015	2Q 2016	% change	2Q 2015	2Q 2016	Change	YTD '15	YTD '16	% change	YTD '15	YTD '16	Change
TOTAL	39,802	40,049	0.6				77,055	78,324	1.6			
Cars	22,741	20,670	-9.1	57.1	51.6	-5.5	44,134	41,425	-6.1	57.3	52.9	-4.4
Light Trucks	17,061	19,379	13.6	42.9	48.4	5.5	32,921	36,899	12.1	42.7	47.1	4.4
Domestic Brands	10,420	10,970	5.3	26.2	27.4	1.2	19,774	21,077	6.6	25.7	26.9	1.2
European Brands	6,102	5,503	-9.8	15.3	13.7	-1.6	11,833	10,821	-8.6	15.4	13.8	-1.6
Japanese Brands	20,244	20,455	1.0	50.9	51.1	0.2	39,547	40,568	2.6	51.3	51.8	0.5
Korean Brands	3,036	3,121	2.8	7.6	7.8	0.2	5,901	5,858	-0.7	7.7	7.5	-0.2
Acura	531	456	-14.1	1.3	1.1	-0.2	1,028	937	-8.9	1.3	1.2	-0.1
Audi	680	646	-5.0	1.7	1.6	-0.1	1,269	1,225	-3.5	1.6	1.6	0.0
BMW	1,466	1,314	-10.4	3.7	3.3	-0.4	2,882	2,677	-7.1	3.7	3.4	-0.3
Buick	164	170	3.7	0.4	0.4	0.0	293	335	14.3	0.4	0.4	0.0
Cadillac	217	243	12.0	0.5	0.6	0.1	461	453	-1.7	0.6	0.6	0.0
Chevrolet	2,217	2,275	2.6	5.6	5.7	0.1	3,950	4,474	13.3	5.1	5.7	0.6
Chrysler	268	179	-33.2	0.7	0.4	-0.3	552	336	-39.1	0.7	0.4	-0.3
Dodge	590	567	-3.9	1.5	1.4	-0.1	1,194	1,073	-10.1	1.5	1.4	-0.1
FIAT	200	167	-16.5	0.5	0.4	-0.1	493	326	-33.9	0.6	0.4	-0.2
Ford	4,130	4,279	3.6	10.4	10.7	0.3	8,049	8,299	3.1	10.4	10.6	0.2
GMC	554	550	-0.7	1.4	1.4	0.0	994	1,067	7.3	1.3	1.4	0.1
Honda	4,532	4,883	7.7	11.4	12.2	0.8	8,466	9,375	10.7	11.0	12.0	1.0
Hyundai	1,375	1,384	0.7	3.5	3.5	0.0	2,748	2,657	-3.3	3.6	3.4	-0.2
Infiniti	325	264	-18.8	0.8	0.7	-0.1	665	581	-12.6	0.9	0.7	-0.2
Jaguar	46	78	69.6	0.1	0.2	0.1	93	133	43.0	0.1	0.2	0.1
Jeep	1,424	1,616	13.5	3.6	4.0	0.4	2,625	2,927	11.5	3.4	3.7	0.3
Kia	1,661	1,737	4.6	4.2	4.3	0.1	3,153	3,201	1.5	4.1	4.1	0.0
Land Rover	289	306	5.9	0.7	0.8	0.1	568	682	20.1	0.7	0.9	0.2
Lexus	1,267	1,192	-5.9	3.2	3.0	-0.2	2,722	2,498	-8.2	3.5	3.2	-0.3
Lincoln	172	146	-15.1	0.4	0.4	0.0	340	334	-1.8	0.4	0.4	0.0
Mazda	1,314	1,268	-3.5	3.3	3.2	-0.1	2,578	2,433	-5.6	3.3	3.1	-0.2
Mercedes	1,380	1,297	-6.0	3.5	3.2	-0.3	2,547	2,442	-4.1	3.3	3.1	-0.2
MINI	315	249	-21.0	0.8	0.6	-0.2	571	446	-21.9	0.7	0.6	-0.1
Mitsubishi	181	170	-6.1	0.5	0.4	-0.1	360	356	-1.1	0.5	0.5	0.0
Nissan	3,380	3,808	12.7	8.5	9.5	1.0	6,862	7,628	11.2	8.9	9.7	0.8
Other	166	177	6.6	0.4	0.4	0.0	314	283	-9.9	0.4	0.4	0.0
Porsche	189	254	34.4	0.5	0.6	0.1	460	485	5.4	0.6	0.6	0.0
Ram	512	592	15.6	1.3	1.5	0.2	959	1,189	24.0	1.2	1.5	0.3
Subaru	1,355	1,509	11.4	3.4	3.8	0.4	2,727	2,914	6.9	3.5	3.7	0.2
Tesla	163	348	113.5	0.4	0.9	0.5	339	580	71.1	0.4	0.7	0.3
Toyota	7,356	6,904	-6.1	18.5	17.2	-1.3	14,129	13,843	-2.0	18.3	17.7	-0.6
Volkswagen	1,248	824	-34.0	3.1	2.1	-1.0	2,389	1,719	-28.0	3.1	2.2	-0.9
Volvo	135	197	45.9	0.3	0.5	0.2	275	416	51.3	0.4	0.5	0.1

*June 2016 figures were estimated by Auto Outlook.

Source: IHS Automotive.

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

USED VEHICLE MARKET REPORT

County Used Vehicle Market Holds Steady

Used vehicle registrations increased by less than 1% thru May

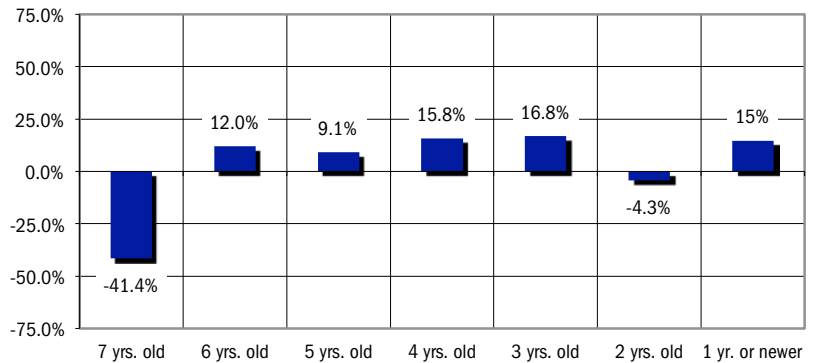
Below is a list of key trends in the San Diego County retail used vehicle market:

- Retail used car and light truck registrations in the county were essentially unchanged (up 0.3%) during the first five months of 2016 versus a year earlier.
- As shown on the graph below, the gap between the size of the new and used vehicle markets (vehicles six year old or newer) narrowed earlier this year. New vehicle registrations increased 1.6% during the first six months of 2016 (versus a year earlier), while 6 year old or newer used registrations were up 10.1%.
- Used registrations for vehicles 6 years old or newer have increased so far this year. As shown on the graph to the right, of vehicles six years old or newer, the 2 year old category had the only decline. The 7 year old market declined 41.4%.
- Korean brand used registrations increased 7.5%, while European and Detroit Three brands were down slightly.
- Toyota Corolla was the best-selling model in the county among 6 year old or newer vehicles. Nissan Sentra used registrations were up by 44%.

San Diego County Retail Used Light Vehicle Registrations YTD thru May					
	Registrations		% Change '15 TO '16	Market Share	
	YTD '15	YTD '16		YTD '15	YTD '16
TOTAL	127,307	127,726	0.3%		
Cars	76,720	76,560	-0.2%	60.3%	59.9%
Light Trucks	50,587	51,166	1.1%	39.7%	40.1%
Detroit Three	45,367	45,019	-0.8%	35.6%	35.2%
European	20,463	20,151	-1.5%	16.1%	15.8%
Japanese	55,386	56,010	1.1%	43.5%	43.9%
Korean	6,091	6,546	7.5%	4.8%	5.1%

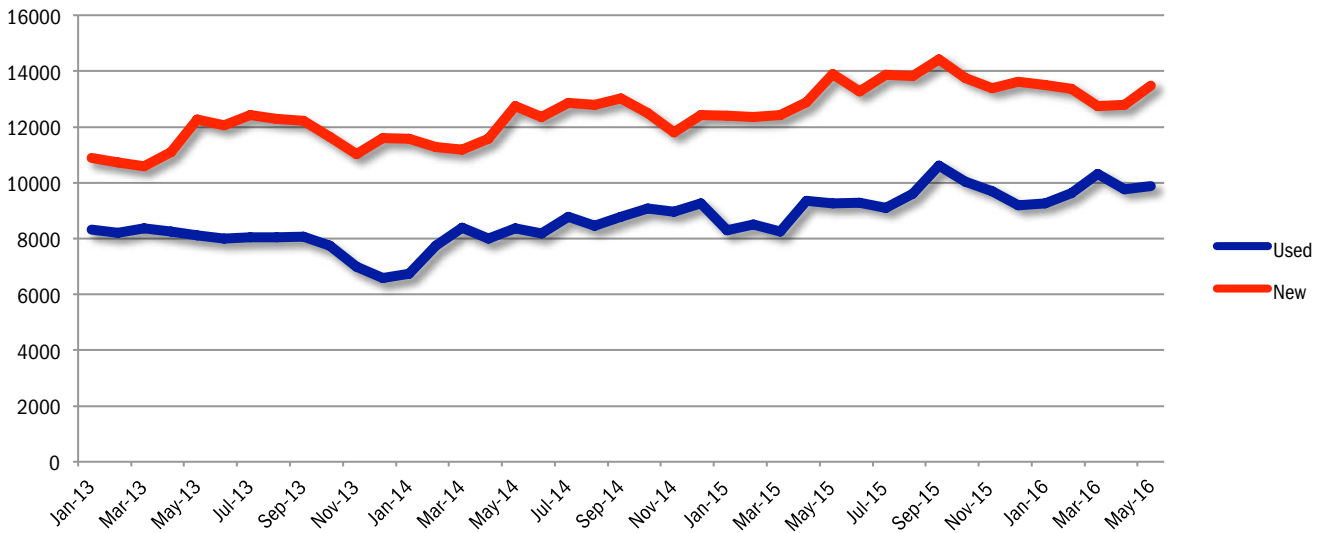
Source: IHS Automotive.

**Percent Change in County Retail Used Registrations
by Vehicle Age, YTD '16 thru May vs. YTD '15**



Source: IHS Automotive.

**San Diego County New and Used Retail Registrations - Three Month Moving Average
(used only includes vehicles 6 years old or newer)**



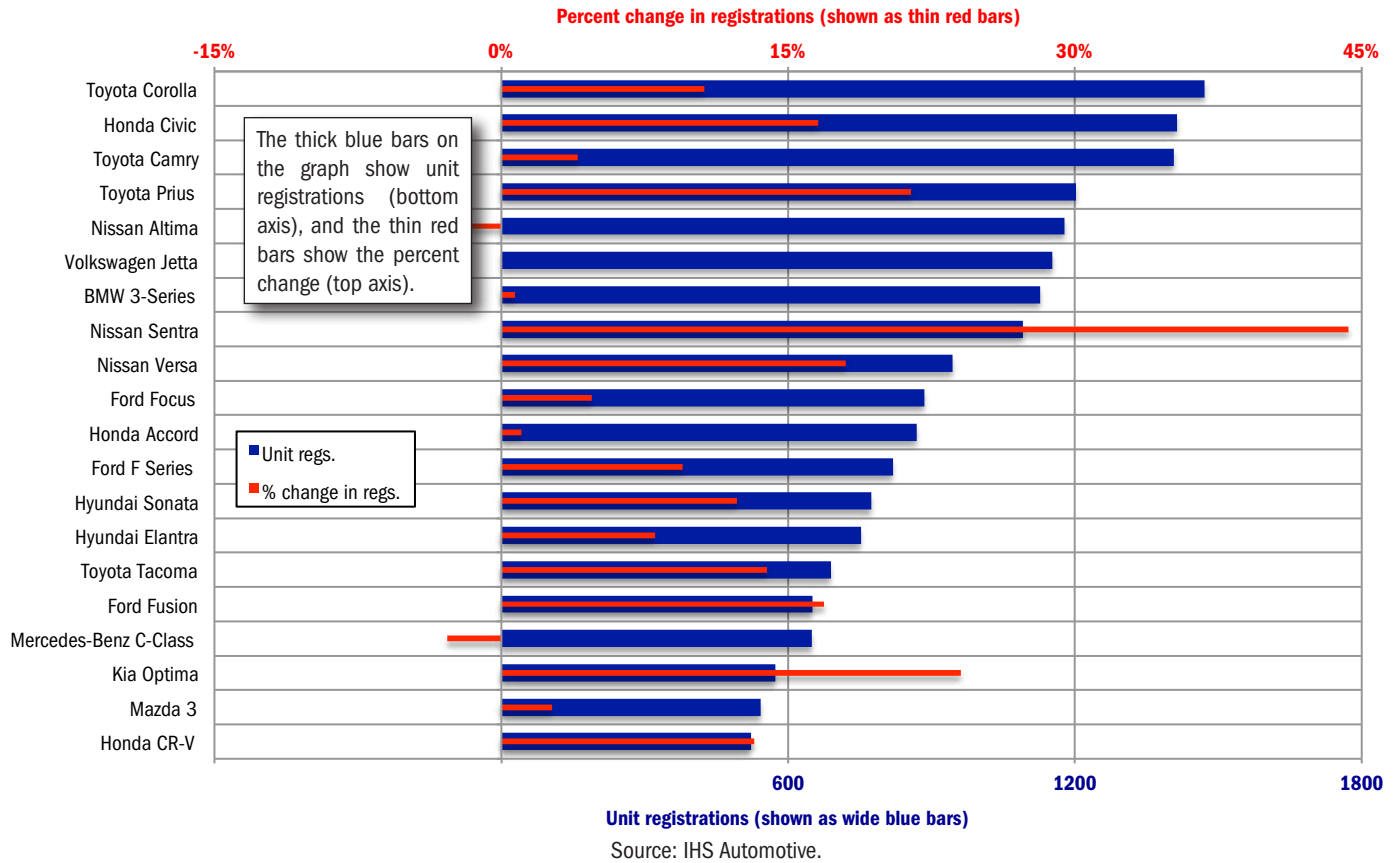
Source: IHS Automotive.

TOP SELLING MODELS

Sentra, Optima, and Prius Have Big Gains in Used Market

Corolla, Civic, and Camry are best sellers

**Registrations (YTD '16 thru May) and Percent Change (YTD '16 thru May vs. year earlier)
Top 20 Selling Models (6 years old or newer)**



USED VEHICLE BRAND SCOREBOARD

Used Jeep Registrations Increase 13.9%

Kia registrations were also up sharply

The graph below shows the percent change in used registrations for the top 15 selling makes during the first five months of 2016 vs. year earlier.

Percent Change in Used Registrations (top 15 brands in county) - YTD '16 thru May vs. YTD '15

