

San Diego Auto Outlook

Comprehensive information on the San Diego County new vehicle market



FORECAST

New Vehicle Registrations Are Flat So Far This Year

Peak in sales has likely been reached, but market is expected to remain strong

Beginning in 2010, the San Diego County new vehicle market began an unprecedented run of six consecutive years of increasing sales. New retail registrations last year exceeded the lofty total of more than 160,000 units. Based on the heights that the market has reached, (which is clearly depicted on the graph below), the consensus view is that sales have reached their cyclical peak and will now start to drift lower.

Indeed, this has been the established historical pattern. The market has almost always resembled a roller coaster ride, with sales climbing to peaks, and falling to troughs. Escalating incentives during this year are a sign that demand is easing, as manufacturers try to protect market share in a stable, or perhaps, declining market.

So attention has now shifted from asking how high the market will go, to how fast it will fall. As discussed in the previous release of Auto Outlook, forecasting new vehicle sales

is risky. Local, national, and global economic conditions are dynamic and volatile and can have definite consequences for the course of new vehicle sales. But the way we see it now, there are some tangible reasons to believe that the market softening will be gradual and that sales will remain at relatively strong levels for the foreseeable future. Here are three key factors providing support to the county new vehicle market:

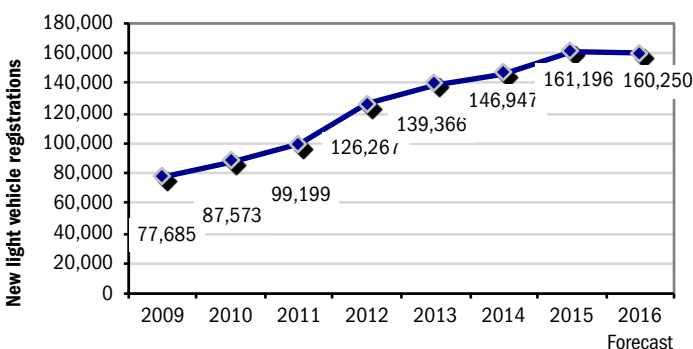
- **New vehicle affordability is at healthy levels.** Interest rates are very low, and although they are likely to drift higher in the coming months, low vehicle financing costs should remain a stimulant for the market for quite some time. Combined with aggressive discount offers and growth in personal incomes, a new vehicle purchase is within reach for many consumers.
- **Average age of cars on the road is high.** Pent up demand has eased after six years of increasing sales, but the average age for

all vehicles in operations still exceeds 10 years old.

- **Today's new vehicles offer significant improvements compared to the average 10 year old car.** Aside from the fact that their current vehicle may be wearing out, there are a multitude of compelling reasons for consumers to be inclined to purchase something new. Advances in electronic safety features, performance, fuel economy, and infotainment are all factors luring shoppers into dealerships.

Auto Outlook's latest estimate of where the market is headed: 0.6% decline for all of this year versus 2015, with another fall likely in 2017. Registrations next year should still exceed 150,000 units, which on an historical basis, is a very good performance for the county market.

Annual Trend in County Market



Historical Data Source: IHS Markit.

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 Sep.	YTD '16 thru Sep.*	% Chg. '15 to '16	Mkt. Share YTD '16*
TOTAL	120,348	120,278	-0.1%	
Car	68,781	63,658	-7.4%	52.9%
Light Truck	51,567	56,620	9.8%	47.1%
Domestic	31,017	32,017	3.2%	26.6%
European	18,134	16,786	-7.4%	14.0%
Japanese	61,847	62,494	1.0%	52.0%
Korean	9,350	8,981	-3.9%	7.5%

Source: IHS Markit.

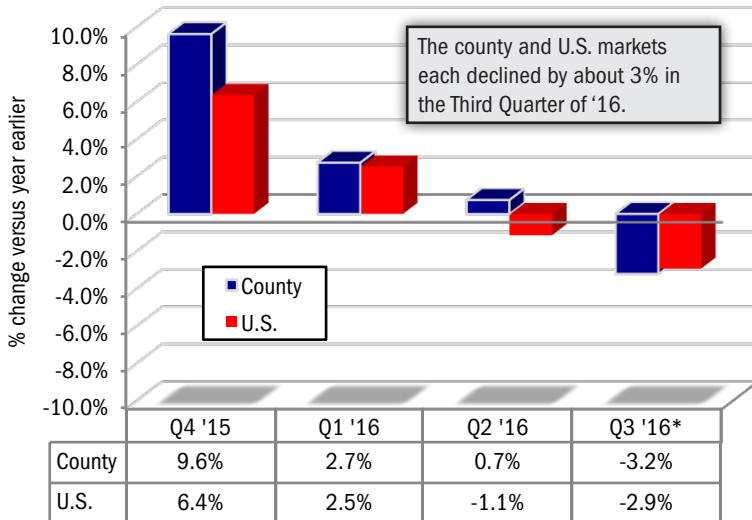
Domestics consist of vehicles sold by GM, Ford, FCA (excluding FIAT), and Tesla. Historical figures were revised by IHS Markit and will differ slightly from those shown in previous releases. *Figures for September, 2016 were estimated by Auto Outlook.

MARKET TRACKER: QUARTERLY RESULTS

Registrations Fell in 3Q '16; Market Still Remains at Strong Levels

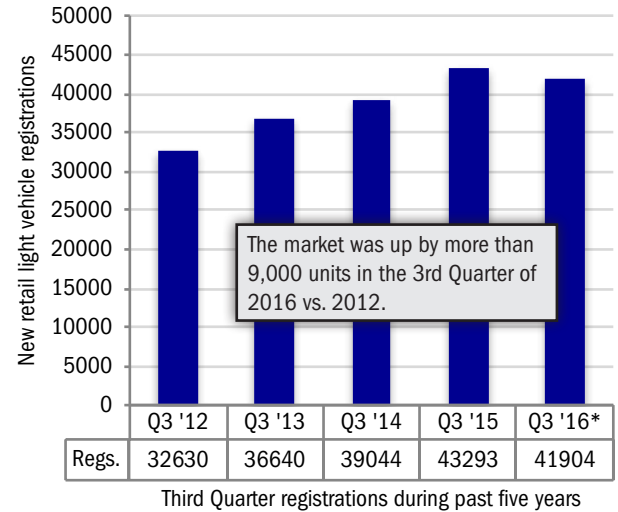
QUARTERLY TREND

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



QUARTERLY PERSPECTIVE

Five Years of Third Quarter Results in County Market



* Figures for the Third Quarter of 2016 were estimated by Auto Outlook based on data for July and August. Source: IHS Markit.

* Figures for 3Q 2016 were estimated by Auto Outlook based on data for July and August. Source: IHS Markit.

MARKET TRACKER: COUNTY MARKET VERSUS U.S.

County Car Share Falls to 52.9%

	County Market		U.S. Market	
Percent change in registrations YTD '16 thru Sept.* vs. YTD '15	-0.1%		-0.7%	
Passenger car market share YTD '16 thru Sept.*	52.9%		41.1%	
Domestic brand market share YTD '16 thru Sept.*	26.6%		41.5%	
Top 10 brands and market share YTD '16 thru Sept.*				
First	Toyota	18.2%	Toyota	13.1%
Second	Honda	12.1%	Ford	12.2%
Third	Ford	10.5%	Chevrolet	11.1%
Fourth	Nissan	9.3%	Honda	10.0%
Fifth	Chevrolet	5.9%	Nissan	7.5%
Sixth	Kia	4.1%	Jeep	5.4%
Seventh	Subaru	3.6%	Subaru	4.0%
Eighth	Jeep	3.5%	Hyundai	4.0%
Ninth	BMW	3.4%	Kia	3.8%
Tenth	Hyundai	3.4%	GMC	3.3%

*Sept. 2016 figures estimated by Auto Outlook

Source: IHS Markit

San Diego Auto Outlook

Covering Third Quarter 2016

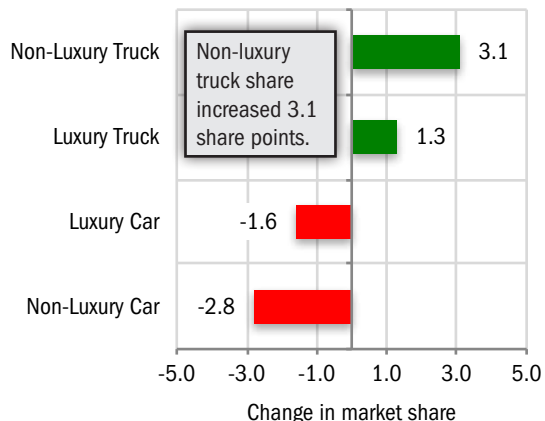
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MARKET TRACKER: PRIMARY SEGMENTS

Truck Segments Gain

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

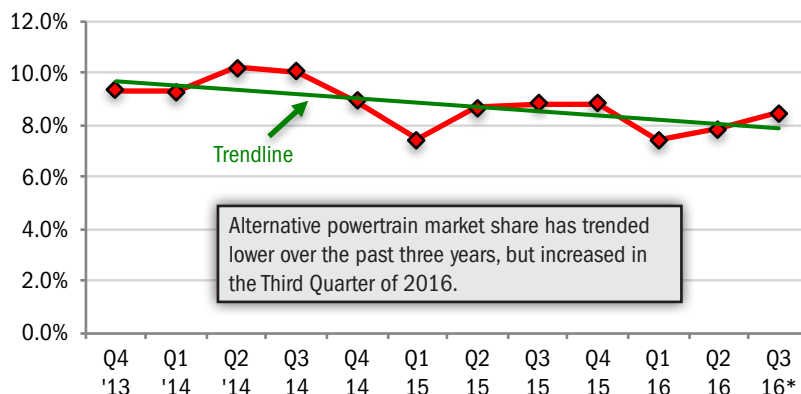


The graph above shows the change in year-to-date market share for four primary brand segments. *Figures for Sept., 2016 were estimated by Auto Outlook. Data Source: IHS Markit.

MARKET TRACKER: HYBRID AND ELECTRIC VEHICLES

Hybrid/Electric Shares Increases

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. *Third Quarter 2016 includes July and August. Source: IHS Markit.

MARKET TRACKER - SEGMENTS

Compact SUV Market Share Increases to 15.8%

San Diego County Segment Market Share Review				
Segment	Market Share YTD '15 thru August	Market Share YTD '16 thru August	Change in share YTD '15 to '16	Best selling model in segment
Sub Compact Car	23.3	22.8	-0.5	Honda Civic
Compact SUV	14.2	15.8	1.6	Toyota RAV4
Standard Mid Size Car	14.4	13.1	-1.3	Honda Accord
Full Size Pickup	6.1	6.6	0.5	Ford F Series
Mid Size SUV 3 Rows	5.1	5.1	0.0	Ford Explorer
Near Luxury Car	6.1	4.7	-1.4	BMW 3-Series
Entry Car	5.1	4.3	-0.8	Kia Soul
Compact Pickup	3.4	4.0	0.6	Toyota Tacoma
Mid Size Luxury SUV	3.4	4.0	0.6	Lexus RX
Compact Luxury SUV	3.0	3.7	0.7	Lexus NX
Luxury and Sports Cars	3.6	3.3	-0.3	Tesla Model S
Mid Size SUV 2 Rows	2.7	2.9	0.2	Jeep Grand Cherokee
Mini Van	2.4	2.3	-0.1	Toyota Sienna
Sport Compact Car	1.9	1.8	-0.1	Ford Mustang
Entry Luxury Car	1.7	1.7	0.0	Audi A3
Full Size Van	1.1	1.2	0.1	Ford Transit Connect Van
Full Size SUV	1.0	1.1	0.1	Chevrolet Tahoe
Large Mid Size Car	1.0	1.0	0.0	Toyota Avalon
Full Size Luxury SUV	0.5	0.6	0.1	Cadillac Escalade

The table above shows San Diego county market share for 19 vehicle segments during the first eight months of 2015 and 2016, 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 2016 share. Most popular segment in the county is Sub Compact Car. Compact SUV had the largest gain. Data Source: IHS Markit.

BRAND SCOREBOARD - PART ONE

Honda Registrations Increase by Over 1,100 Units

Tesla and Volvo had the biggest percentage gains so far this year

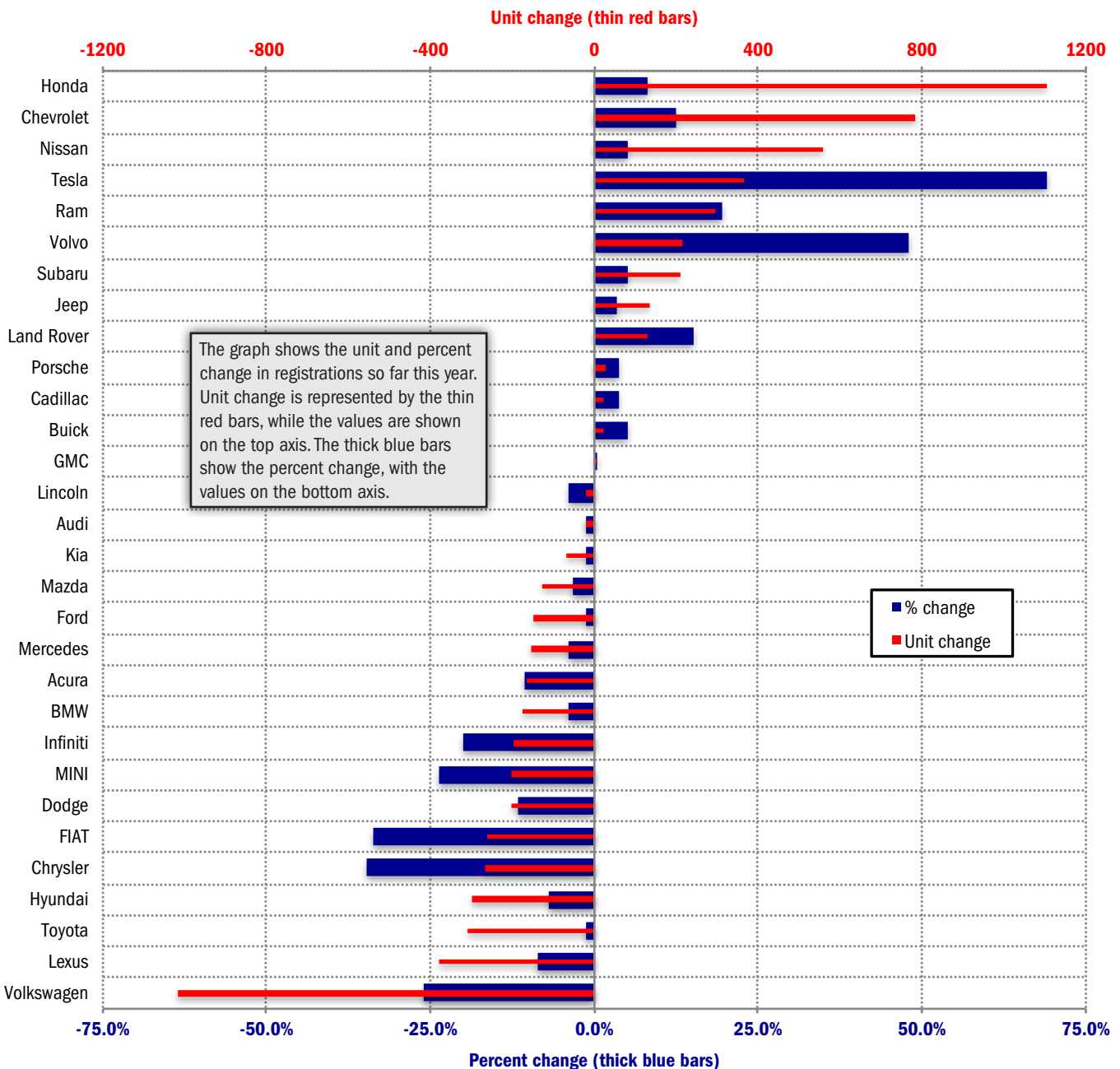
The graph below presents a comprehensive picture of brands that are gaining (or losing) ground in the county market. It shows both the unit AND percent change in registrations during the first nine months of this year versus the same period a year earlier. Viewing both

measures on the same graph provides a more clear-cut signal on how each brand is doing.

Here are a couple of examples: Volvo has had a big percentage increase so far this year (up 48.1%; shown by the thick blue bar on the graph), but it's a relatively low-selling brand.

Volvo registrations have increased by only 215 units. Honda's percentage increase is in the middle of the pack (up 8.2%), but unit registrations were up by a sizeable 1,105.

Change in County New Retail Light Vehicle Registrations (YTD 2016 thru September* vs. YTD 2015)



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

Source: IHS Markit.

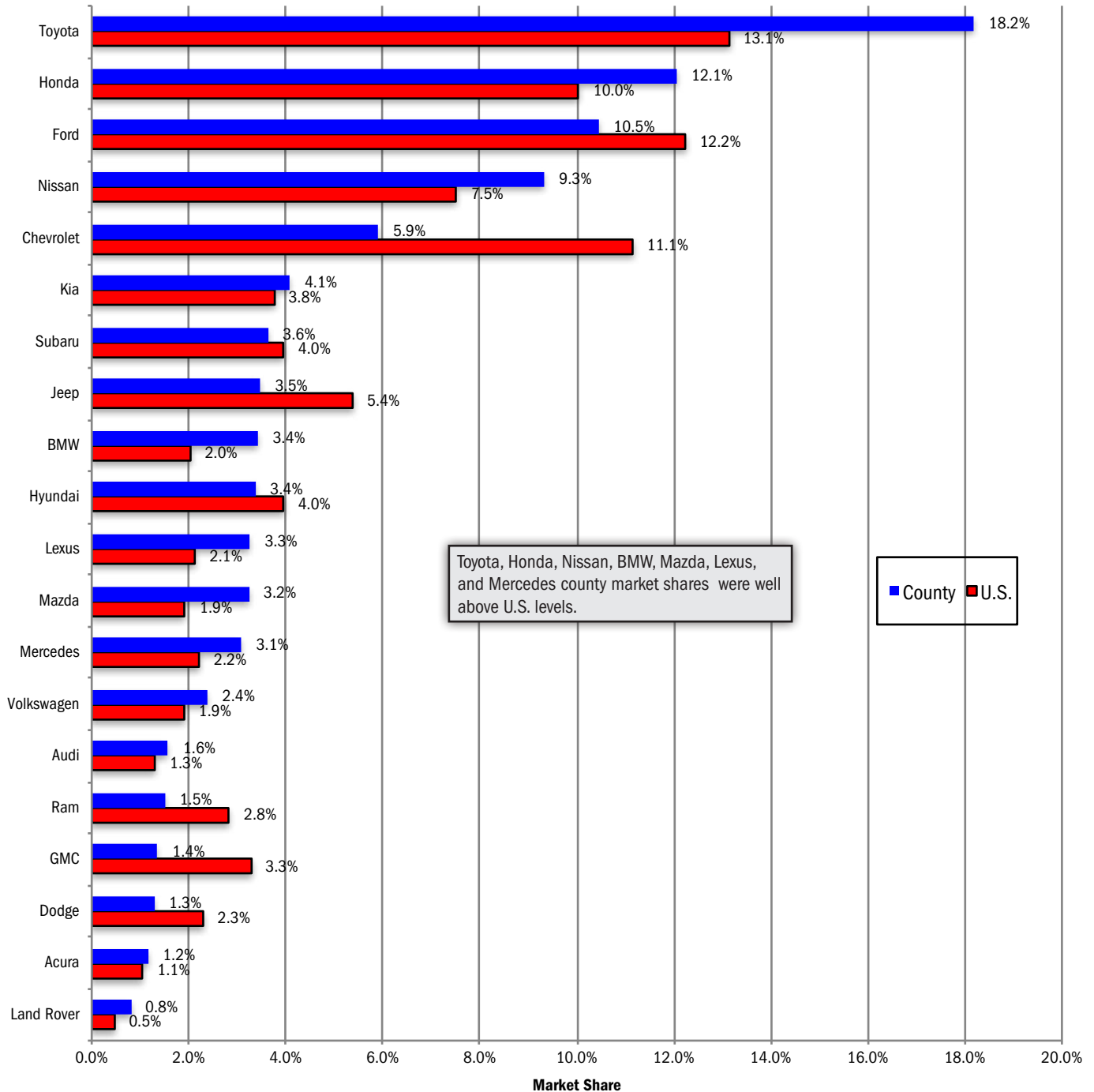
BRAND SCOREBOARD - PART TWO

Toyota County Market Share is Well Above U.S.

Toyota, Honda, Ford, Nissan, and Chevrolet were top sellers in the county

The graph below provides a comparison of San Diego County and U.S. new retail market share during the first nine months of this year for the top 20 selling brands in the county. Brands are positioned on the graph from top to bottom based on county market share. Toyota was the county leader, accounting for 18.2% of the market, well above its 13.1% share in the Nation.

County and U.S. Market Share - YTD 2016 thru September*



*Figures for September, 2016 were estimated.

Source: IHS Markit.

BRAND SCOREBOARD - PART THREE

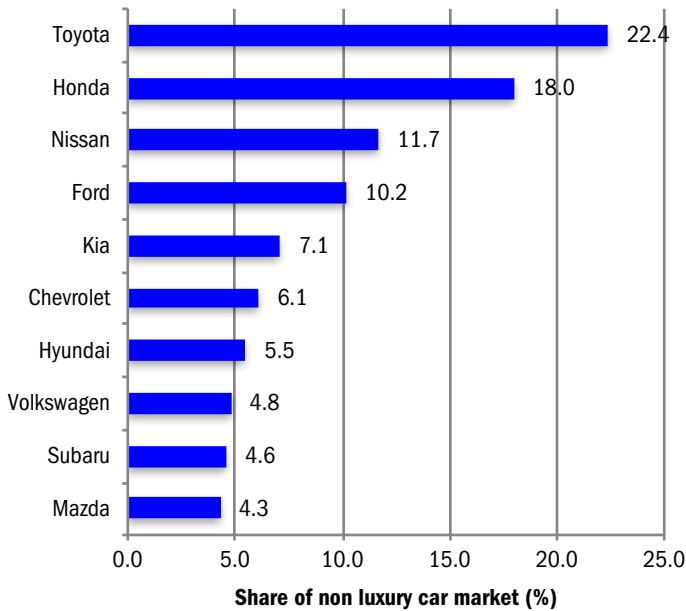
Toyota is Non-Luxury Car Brand Leader

BMW is best selling luxury car brand; Lexus leads for luxury trucks

The four graphs below show market share leaders in San Diego County during the past six months for four primary segments. (Note: figures for September, 2016 were estimated.) Toyota/Scion was the best-selling Non-Luxury Car brand, with a 4.4 point lead over second place Honda.

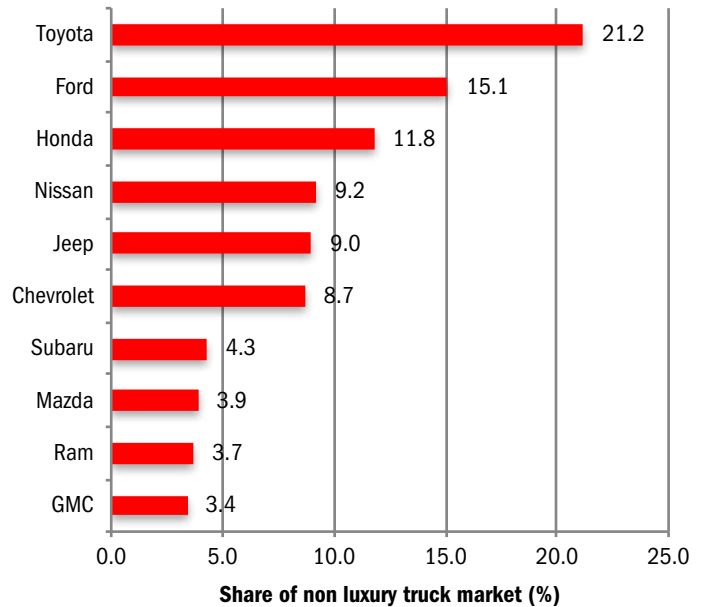
Toyota was also the top ranked Non-Luxury Light Truck brand, ahead of Ford and Honda. BMW was the best-selling Luxury Car brand, while Lexus was highest for trucks.

**Top 10 Non-Luxury Car Brands in County Market
April 2016 thru September 2016**



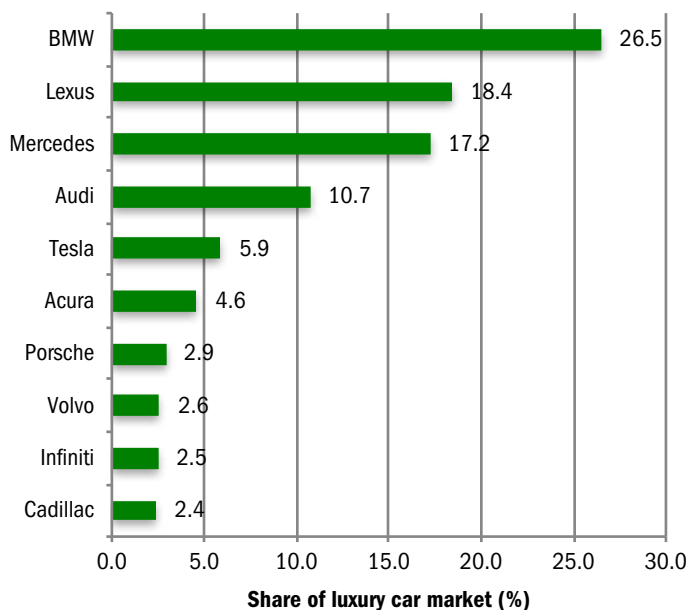
Source: IHS Markit.

**Top 10 Non-Luxury Truck Brands in County Market
April 2016 thru September 2016**



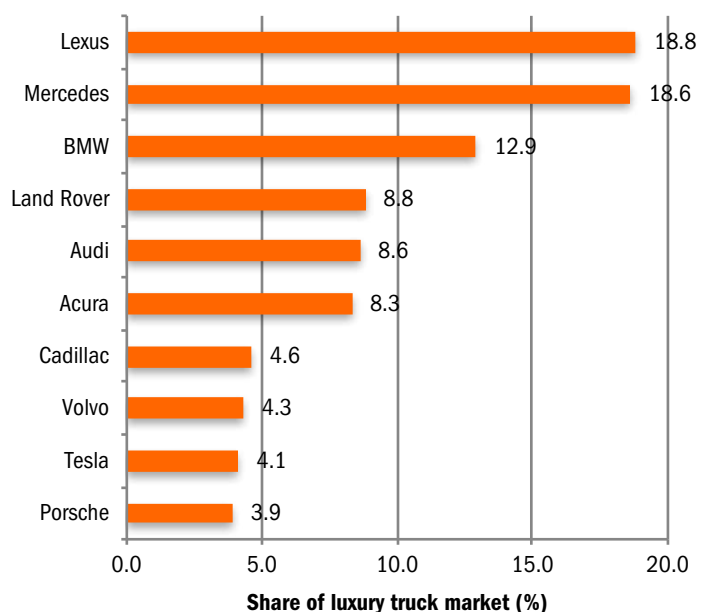
Source: IHS Markit.

**Top 10 Luxury Car Brands in County Market
April 2016 thru September 2016**



Source: IHS Markit.

**Top 10 Luxury Light Truck Brands in County Market
April 2016 thru September 2016**



Source: IHS Markit.

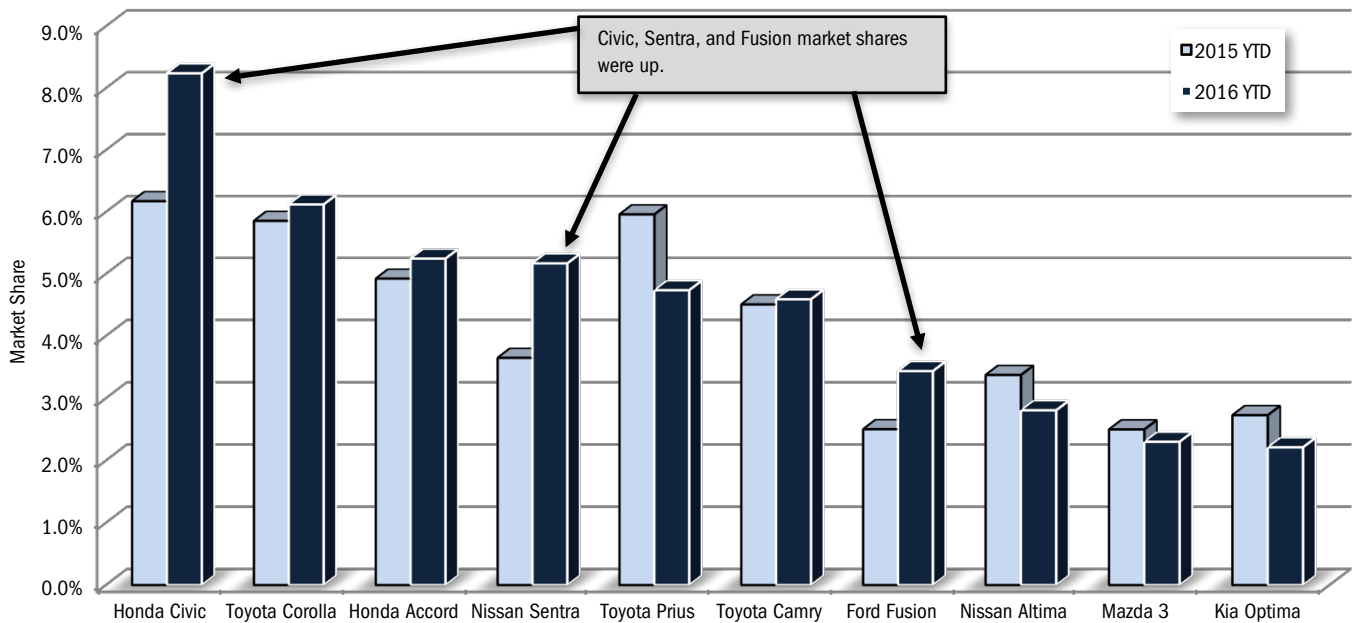
MODEL SCOREBOARD

Civic is Top Seller in Car Market; Tacoma is Truck Leader

Civic, Sentra, and Fusion have big market share gains in car market

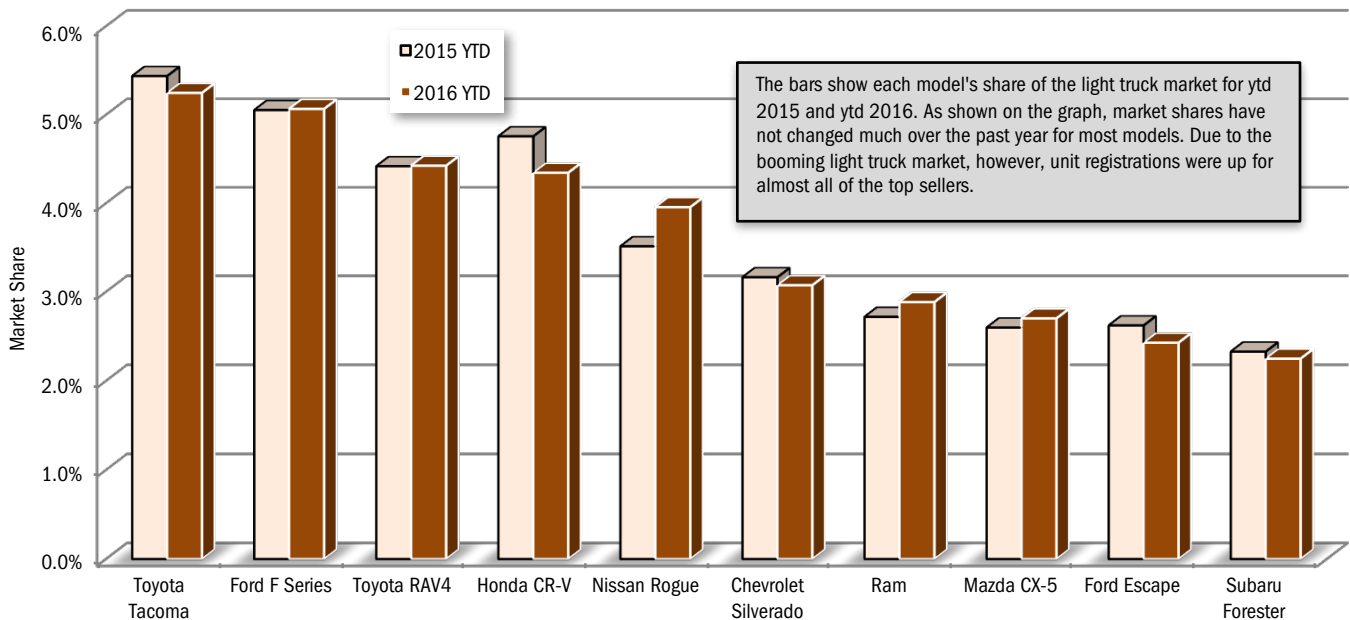
The two graphs below show market shares in the county car and light truck markets during the first eight months of 2015 and 2016. Includes the top ten selling car and light truck models.

Change in Market Share for Top 10 Selling Cars - YTD 2016 thru August vs. YTD 2015



Source: IHS Markit.

Change in Market Share for Top 10 Selling Light Trucks - YTD 2016 thru August vs. YTD 2015



Source: IHS Markit.

Brand Registrations Report												
San Diego County New Retail Car and Light Truck Registrations												
	Third Quarter*						YTD thru September					
	Registrations			Market Share (%)			Registrations			Market Share (%)		
	3Q 2015	3Q 2016	% change	3Q 2015	3Q 2016	Change	YTD '15	YTD '16	% change	YTD '15	YTD '16	Change
TOTAL	43,293	41,904	-3.2				120,348	120,278	-0.1			
Cars	24,647	22,129	-10.2	56.9	52.8	-4.1	68,781	63,658	-7.4	57.2	52.9	-4.3
Light Trucks	18,646	19,775	6.1	43.1	47.2	4.1	51,567	56,620	9.8	42.8	47.1	4.3
Domestic Brands	11,243	10,826	-3.7	26.0	25.8	-0.2	31,017	32,017	3.2	25.8	26.6	0.8
European Brands	6,301	6,091	-3.3	14.6	14.5	-0.1	18,134	16,786	-7.4	15.1	14.0	-1.1
Japanese Brands	22,300	21,772	-2.4	51.5	52.0	0.5	61,847	62,494	1.0	51.4	52.0	0.6
Korean Brands	3,449	3,215	-6.8	8.0	7.7	-0.3	9,350	8,981	-3.9	7.8	7.5	-0.3
Acura	537	460	-14.3	1.2	1.1	-0.1	1,565	1,399	-10.6	1.3	1.2	-0.1
Audi	656	700	6.7	1.5	1.7	0.2	1,925	1,902	-1.2	1.6	1.6	0.0
BMW	1,419	1,470	3.6	3.3	3.5	0.2	4,301	4,126	-4.1	3.6	3.4	-0.2
Buick	187	170	-9.1	0.4	0.4	0.0	480	504	5.0	0.4	0.4	0.0
Cadillac	211	242	14.7	0.5	0.6	0.1	672	697	3.7	0.6	0.6	0.0
Chevrolet	2,375	2,481	4.5	5.5	5.9	0.4	6,325	7,110	12.4	5.3	5.9	0.6
Chrysler	225	175	-22.2	0.5	0.4	-0.1	777	508	-34.6	0.6	0.4	-0.2
Dodge	561	495	-11.8	1.3	1.2	-0.1	1,755	1,553	-11.5	1.5	1.3	-0.2
FIAT	278	193	-30.6	0.6	0.5	-0.1	771	510	-33.9	0.6	0.4	-0.2
Ford	4,680	4,197	-10.3	10.8	10.0	-0.8	12,729	12,578	-1.2	10.6	10.5	-0.1
GMC	638	574	-10.0	1.5	1.4	-0.1	1,632	1,635	0.2	1.4	1.4	0.0
Honda	4,935	4,964	0.6	11.4	11.8	0.4	13,401	14,506	8.2	11.1	12.1	1.0
Hyundai	1,619	1,482	-8.5	3.7	3.5	-0.2	4,367	4,066	-6.9	3.6	3.4	-0.2
Infiniti	324	273	-15.7	0.7	0.7	0.0	989	790	-20.1	0.8	0.7	-0.1
Jaguar	46	123	167.4	0.1	0.3	0.2	139	270	94.2	0.1	0.2	0.1
Jeep	1,422	1,423	0.1	3.3	3.4	0.1	4,047	4,184	3.4	3.4	3.5	0.1
Kia	1,830	1,733	-5.3	4.2	4.1	-0.1	4,983	4,915	-1.4	4.1	4.1	0.0
Land Rover	269	306	13.8	0.6	0.7	0.1	837	964	15.2	0.7	0.8	0.1
Lexus	1,587	1,377	-13.2	3.7	3.3	-0.4	4,309	3,930	-8.8	3.6	3.3	-0.3
Lincoln	182	161	-11.5	0.4	0.4	0.0	522	501	-4.0	0.4	0.4	0.0
Mazda	1,450	1,443	-0.5	3.3	3.4	0.1	4,028	3,900	-3.2	3.3	3.2	-0.1
Mercedes	1,322	1,341	1.4	3.1	3.2	0.1	3,869	3,714	-4.0	3.2	3.1	-0.1
MINI	269	210	-21.9	0.6	0.5	-0.1	840	640	-23.8	0.7	0.5	-0.2
Mitsubishi	158	139	-12.0	0.4	0.3	-0.1	518	479	-7.5	0.4	0.4	0.0
Nissan	3,806	3,809	0.1	8.8	9.1	0.3	10,668	11,225	5.2	8.9	9.3	0.4
Other	147	172	17.0	0.3	0.4	0.1	461	448	-2.8	0.4	0.4	0.0
Porsche	230	225	-2.2	0.5	0.5	0.0	690	717	3.9	0.6	0.6	0.0
Ram	562	614	9.3	1.3	1.5	0.2	1,521	1,816	19.4	1.3	1.5	0.2
Subaru	1,440	1,555	8.0	3.3	3.7	0.4	4,167	4,379	5.1	3.5	3.6	0.1
Tesla	190	273	43.7	0.4	0.7	0.3	529	894	69.0	0.4	0.7	0.3
Toyota	8,060	7,748	-3.9	18.6	18.5	-0.1	22,189	21,879	-1.4	18.4	18.2	-0.2
Volkswagen	1,506	1,144	-24.0	3.5	2.7	-0.8	3,895	2,877	-26.1	3.2	2.4	-0.8
Volvo	172	232	34.9	0.4	0.6	0.2	447	662	48.1	0.4	0.6	0.2

*September 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 Third 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 Shows Signs of Strength

Used vehicle registrations increased by 4.5% thru August

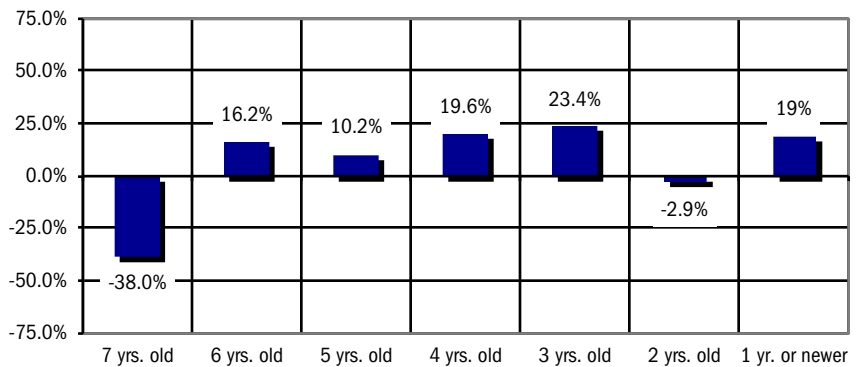
Below is a list of key trends in the San Diego County retail used vehicle market:

- Retail used car and light truck registrations in the county were up 4.5 during the first eight 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 during the Summer of 2016. New vehicle registrations were flat during the first nine months of 2016 (versus a year earlier), while 6 year old or newer used registrations were up 13.7% thru August.
- Used registrations for vehicles 6 years old or newer have increased so far this year. As shown on the graph to the right, most age categories were up by more than 10%. The 7 year old market declined 38%.
- Korean brand used registrations increased 11.6%. Japanese brands were up 5.8%.
- Toyota Corolla was the best-selling model in the county among 6 year old or newer vehicles. Camry was second, followed by Honda Civic, Toyota Prius, and Nissan Altima.

San Diego County Retail Used Light Vehicle Registrations					
YTD thru August					
	Registrations		% Change '15 TO '16	Market Share	
	YTD '15	YTD '16		YTD '15	YTD '16
TOTAL	204,209	213,352	4.5%		
Cars	123,559	128,071	3.7%	60.5%	60.0%
Light Trucks	80,650	85,281	5.7%	39.5%	40.0%
Detroit Three	72,040	73,999	2.7%	35.3%	34.7%
European	32,701	33,540	2.6%	16.0%	15.7%
Japanese	89,448	94,629	5.8%	43.8%	44.4%
Korean	10,020	11,184	11.6%	4.9%	5.2%

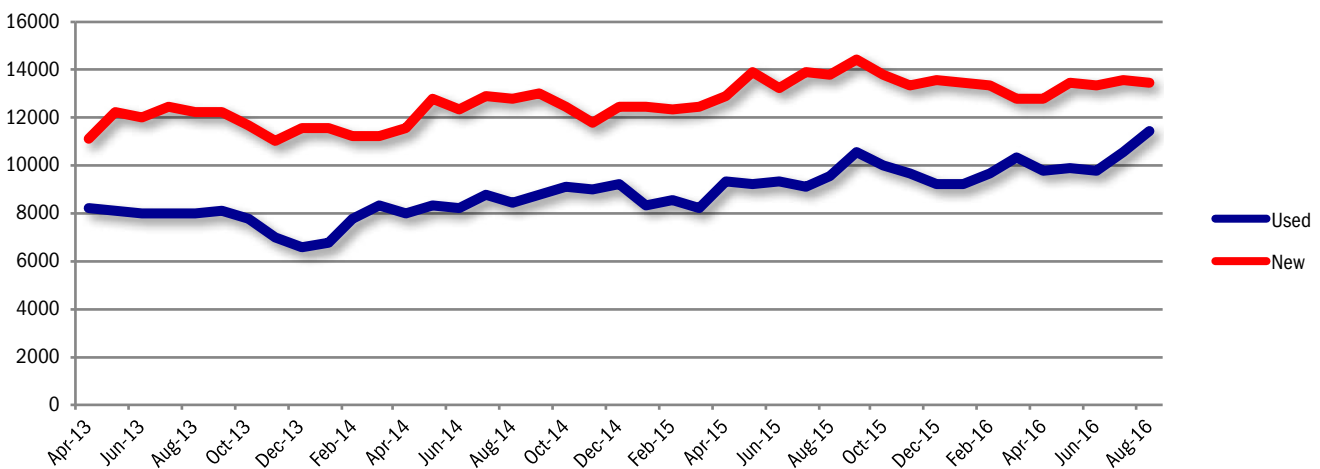
Source: IHS Markit.

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



Source: IHS Markit.

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



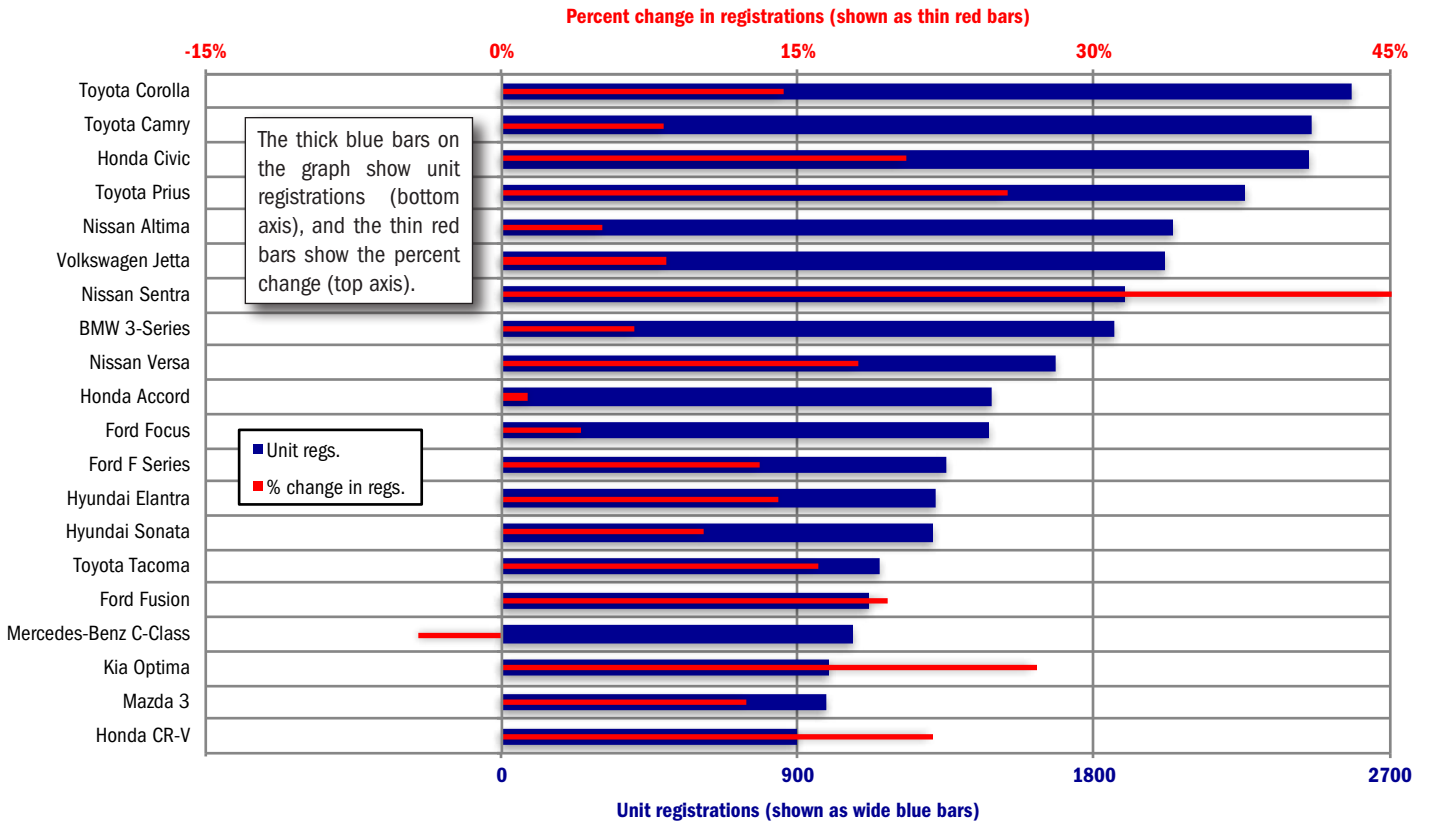
Source: IHS Markit.

TOP SELLING MODELS

Corolla is Best Seller in Used Vehicle Market

Sentra, Optima, and Prius have largest percentage gains

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



Source: IHS Markit.

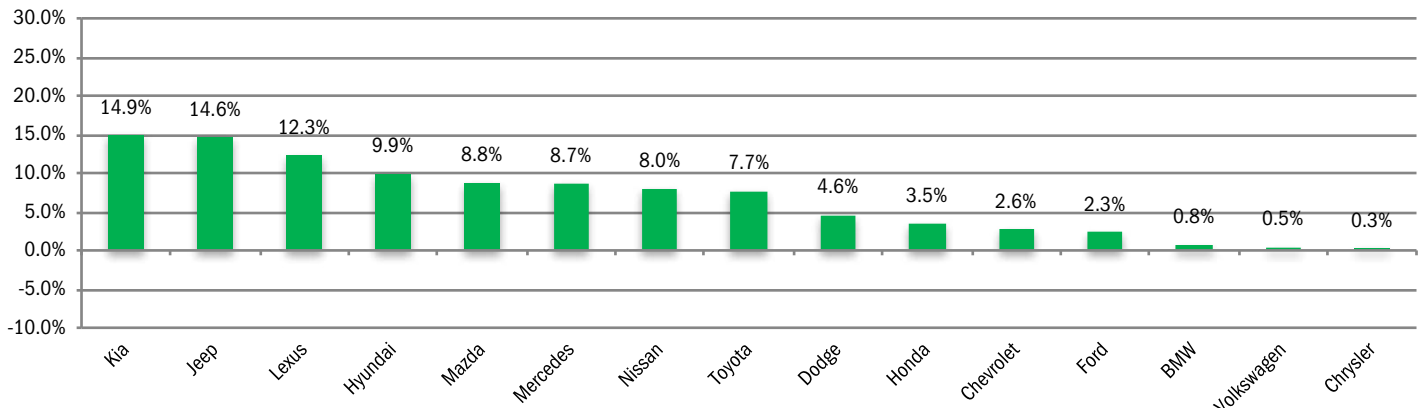
USED VEHICLE BRAND SCOREBOARD

Used Kia Registrations Increase 14.9%

Each of the top 15 selling brands have increases

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

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



Source: IHS Markit.