

# San Diego Auto Outlook

Comprehensive information on the San Diego County new vehicle market



## FORECAST

### County New Vehicle Market Predicted to Move Higher in 2014

**New retail registrations are expected to approach 148,000 units and increase for the fifth straight year**

Forecasting automotive sales is a delicate balancing act. There are frequently conflicting indicators that can provide mixed signals on future market conditions. The trick is identifying these trends, separating the meaningful from the meaningless, and forming a consensus on where the market is headed. Below, we identify the key positive and negative forces that are likely to impact the market in 2014.

#### Forces leading the market higher

- Low interest rates and strong affordability. Low interest rates and mild inflation, combined with decent personal income growth have kept new vehicle affordability at historically strong levels.
- Improving economic growth. Most economists expect GDP growth to accelerate in 2014, which should give a boost to the job market.
- Pent up demand and benefits to “upgrade.” The average age of vehicles on the road exceeds 10 years. This will continue to prompt many consumers to purchase a new vehicle based on need (present vehicles are wearing out) and desire (new vehicles offer many advantages over the average 10 year old vehicle).

#### Forces holding the market back

- Consumer sentiment. Although consumer attitudes have improved somewhat, there is still a pervading sense of concern about the

future, a lingering consequence of the 2008 financial crisis, and ensuing economic recession.

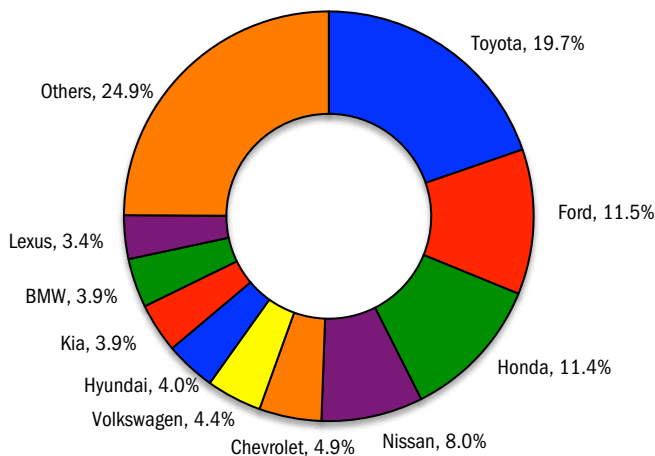
- Household balance sheets. Consumers have made considerable headway in reducing debt, but are largely hesitant to fund increases in spending by adding on more debt.

Wrap up: Positive factors will lead the market higher in 2014, but we believe that for at least the next two years, the negative factors will place a ceiling on how high new vehicle sales will go, and we could approach that ceiling by 2015.

### 3 Key Market Trends

1. San Diego County new retail light vehicle registrations increased 10% from 2012 to 2013, exceeding the 8.6% improvement in the Nation.
2. Light truck market share increased to 38.6% in 2013, up one point from 2012.
3. Detroit Three registrations were up 17.1% in '13, higher than the 10% increase for the industry. County Detroit Three market share still trailed U.S. (25.1% in county vs. 40.6% in Nation).

#### San Diego County Brand Market Share - 2013



The graph above shows market share leaders in 2013. Source: Polk.

#### Market Summary

	2012	2013*	% Chg. '12 to '13	Mkt. Share 2013*
TOTAL	126,570	139,169	10.0%	
Car	78,922	85,506	8.3%	61.4%
Light Truck	47,648	53,663	12.6%	38.6%
Detroit Three	29,798	34,902	17.1%	25.1%
European	21,636	22,926	6.0%	16.5%
Japanese	62,888	70,356	11.9%	50.6%
Korean	12,248	10,985	-10.3%	7.9%

Detroit Three consists of vehicles sold by GM, Ford, and Chrysler.

\*Figures for December, 2013 were estimated by Auto Outlook.

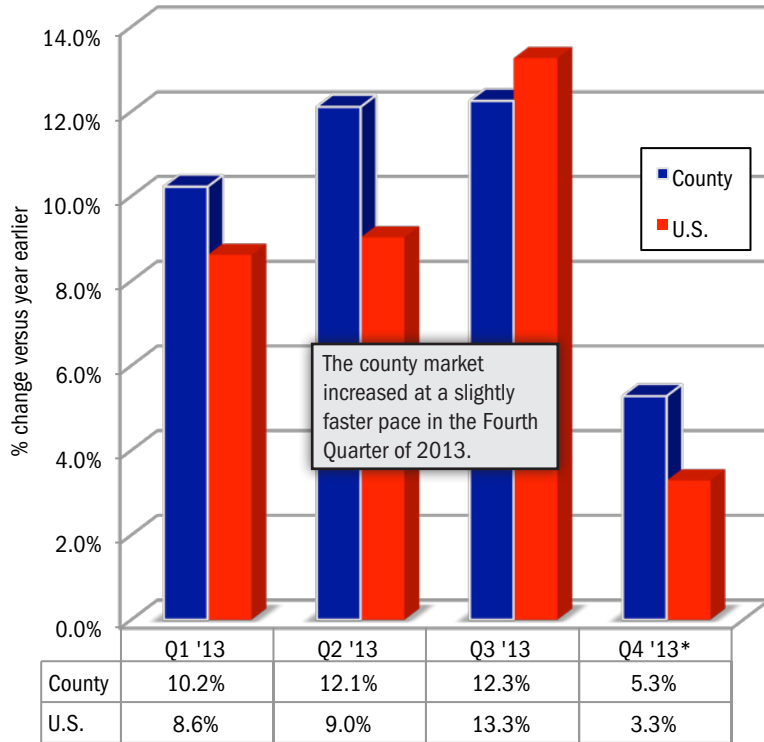
Source: Polk.

MARKET TRACKER: QUARTERLY RESULTS

**County Market Increases 5.3% in 4th Quarter 2013 vs. 3.3% in U.S.**

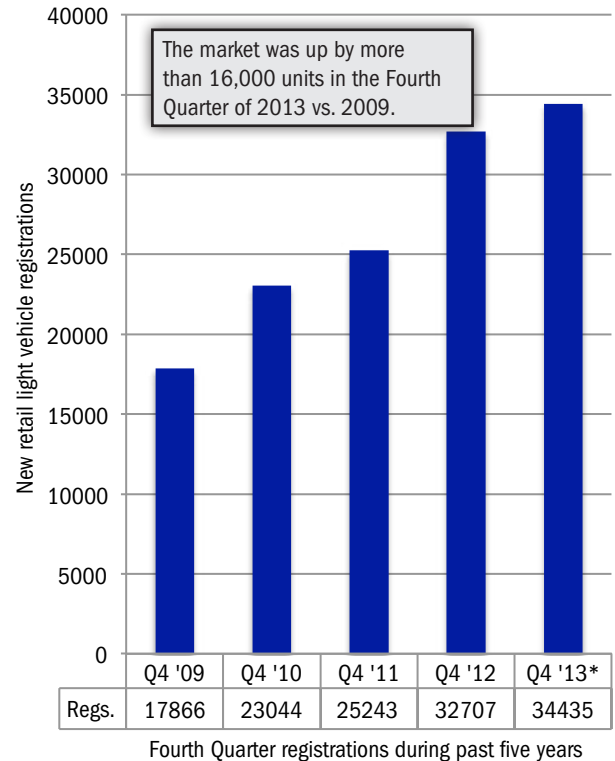
QUARTERLY TREND

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



QUARTERLY PERSPECTIVE

Five Years of Fourth Quarter Results in County Market



\* Figures for Fourth Quarter 2013 are estimated by Auto Outlook based on data for October and November.

Data Source: Polk.

\* Figures for Fourth Quarter 2013 are estimated by Auto Outlook based on data for October and November.

Data Source: Polk.

**San Diego Auto Outlook**

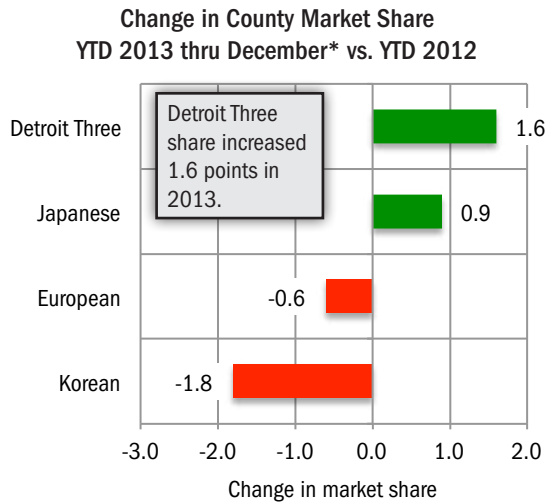
**Covering Fourth Quarter 2013**

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**MARKET TRACKER: BRAND MARKET SHARE**

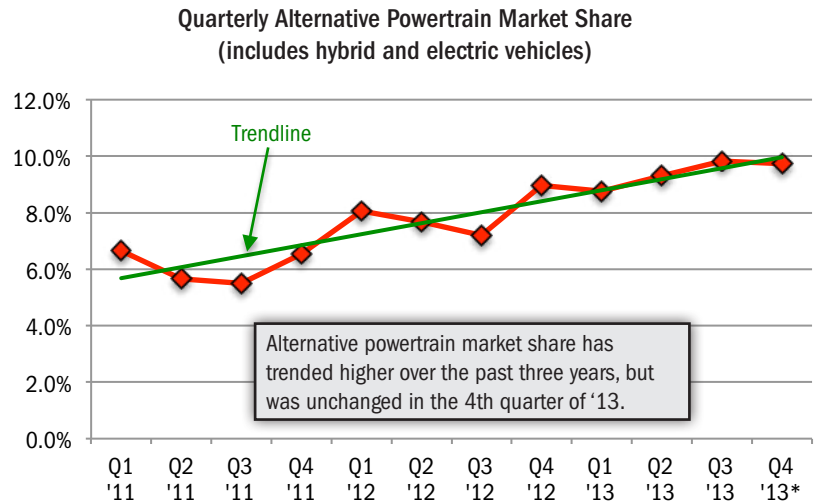
**Detroit 3 Share Improves**



The graph above shows the change in year-to-date market share for four primary brands segments. \*Figures for December, 2013 were estimated by Auto Outlook. Data Source: Polk.

**MARKET TRACKER: HYBRID AND ELECTRIC VEHICLES**

**Green Vehicle Share Holds at 10%**



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. \*Fourth Quarter 2013 includes October and November. Source: Polk.

**MARKET TRACKER - SEGMENTS**

**Luxury SUV Market Shares Moves Higher**

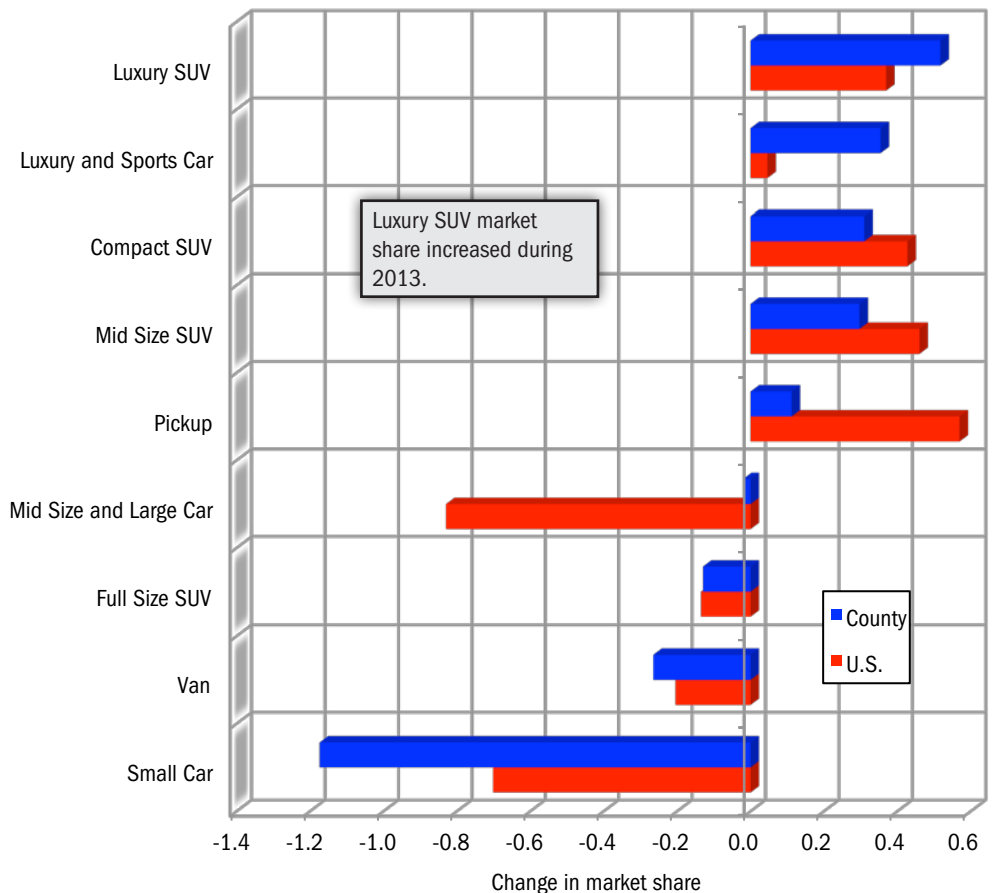
**Change in Segment Market Share  
YTD 2013 thru November  
vs.  
YTD 2012**

**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 Liberty
- Mid Size SUV: Jeep Grand Cherokee
- Full Size SUV: Chevrolet Tahoe
- Luxury SUV: Lexus RX

Data Source: Polk.



**BRAND MARKET SHARE TRENDS**

**Toyota and Ford Market Share Trends are Increasing Slightly**

**Following two pages show three year market share results for top ten brands in county market**

In today's hotly competitive automotive marketplace, the gain (or loss) of a few tenths of a market share point is significant. And as shown on the graphs below and on the following page, some brands have had much bigger swings than that over the past 36 months.

Each graph shows quarterly market share in the San Diego County new retail light vehicle market, along with a trendline which illustrates

the overall trending direction during the past three years. Here's the breakdown:

**The three year market share trend for these brands is up sharply:** Lexus.

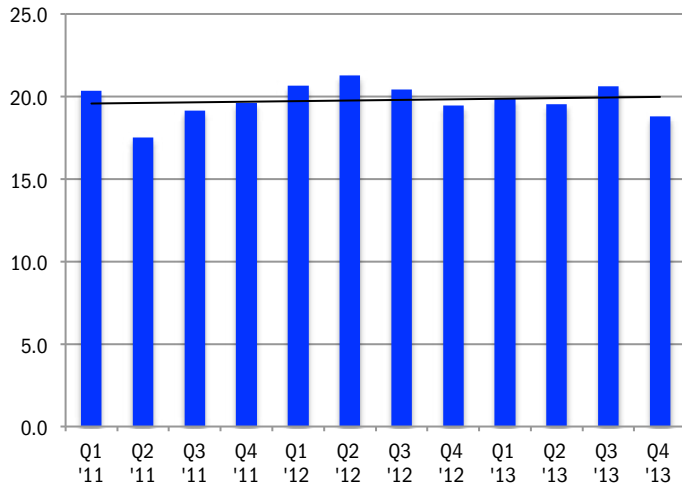
**Three year market share trend for these brands is up slightly:** Toyota, Ford, and BMW.

**Three year market share trend for these brands is declining slightly:** Honda, Nissan, Chevrolet and Volkswagen.

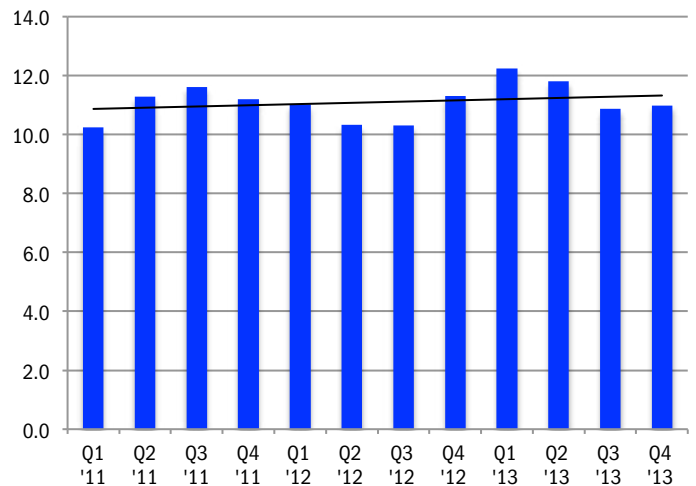
**Three year market share trend for these brands is falling:** Hyundai and Kia

Keep in mind that due to the expanding market during the three year period, brands could still have increasing unit registrations even while market share is declining.

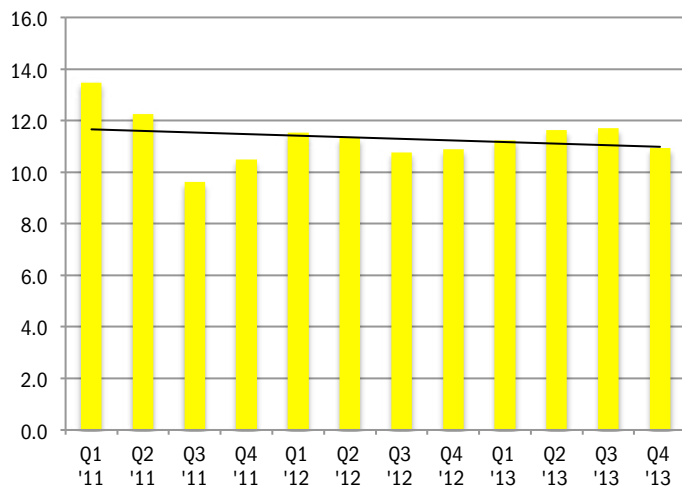
**Toyota Quarterly Market Share (%)**



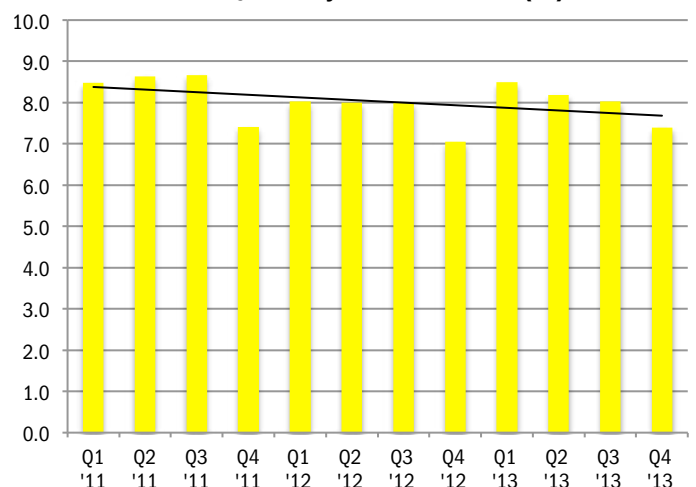
**Ford Quarterly Market Share (%)**



**Honda Quarterly Market Share (%)**



**Nissan Quarterly Market Share (%)**

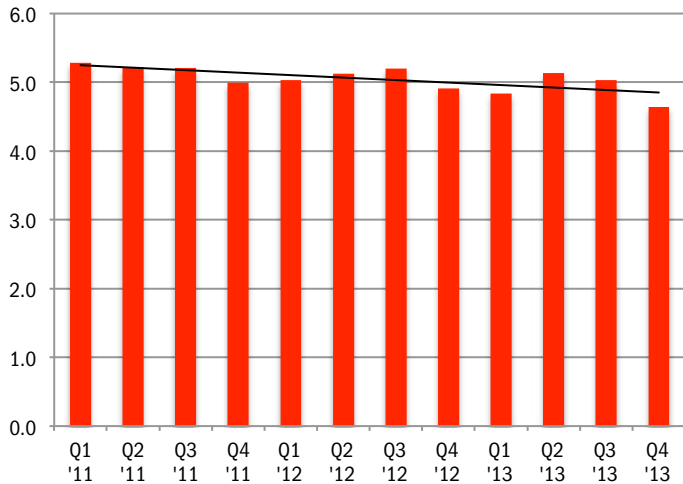


BRAND MARKET SHARE TRENDS

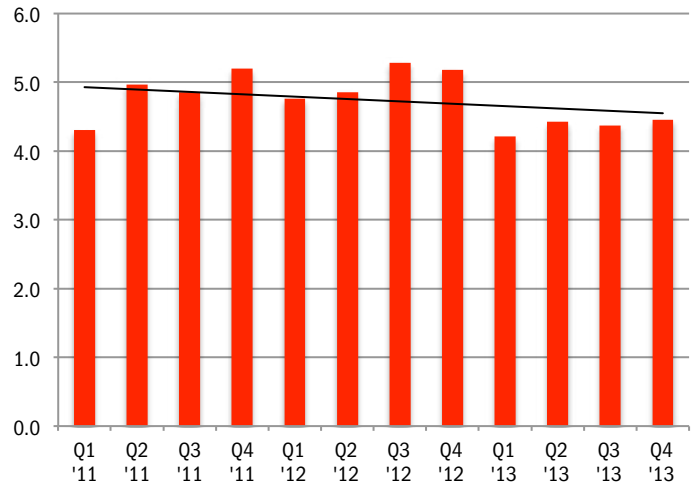
# BMW and Lexus Post Big Gains

*Hyundai and Kia are on downward trends*

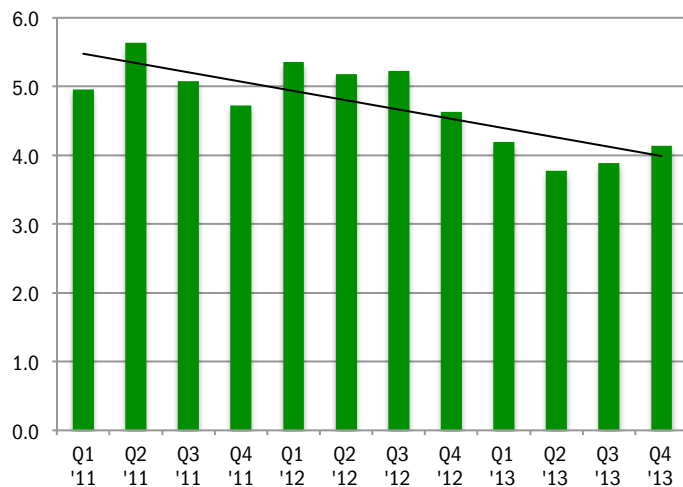
**Chevrolet Quarterly Market Share (%)**



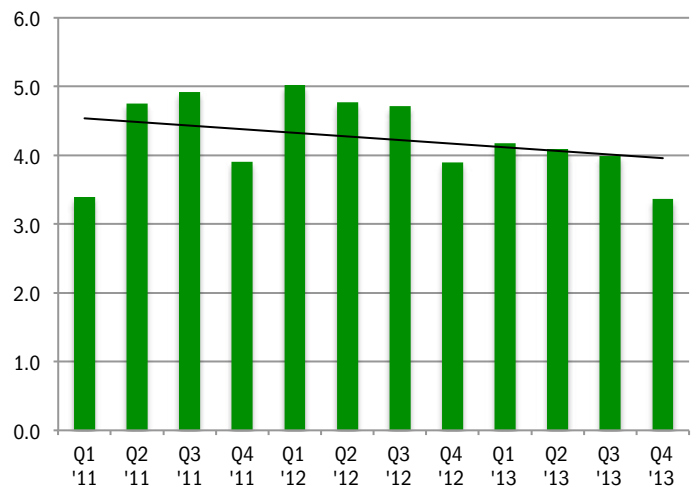
**Volkswagen Quarterly Market Share (%)**



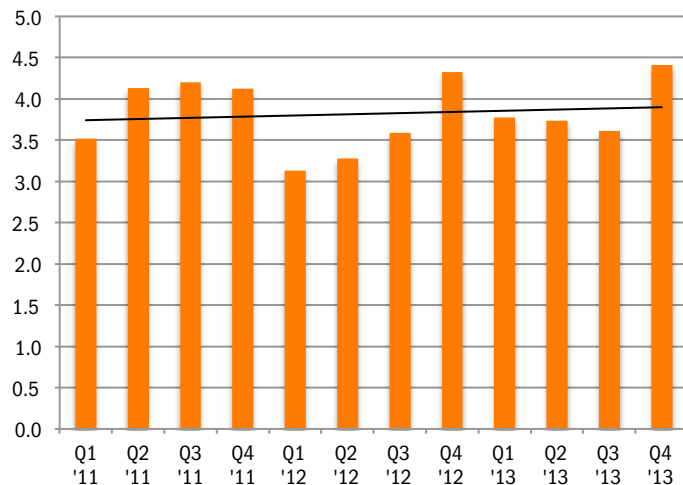
**Hyundai Quarterly Market Share (%)**



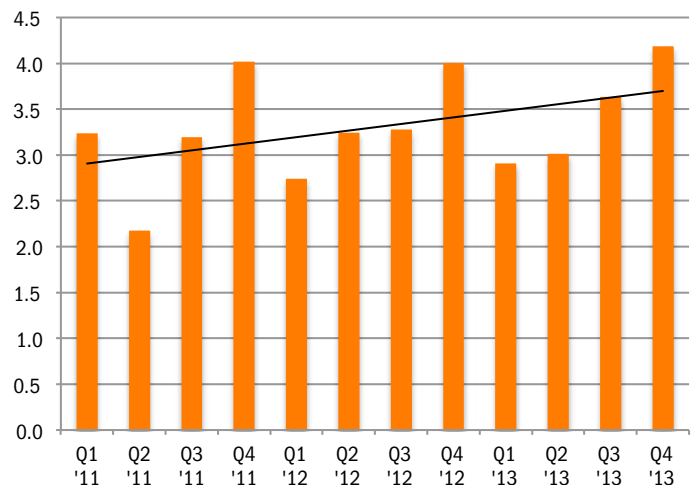
**Kia Quarterly Market Share (%)**



**BMW Quarterly Market Share (%)**



**Lexus Quarterly Market Share (%)**



BRAND SCOREBOARD

# Toyota is Top Rated Brand in County

**Volkswagen, BMW, and Lexus 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.

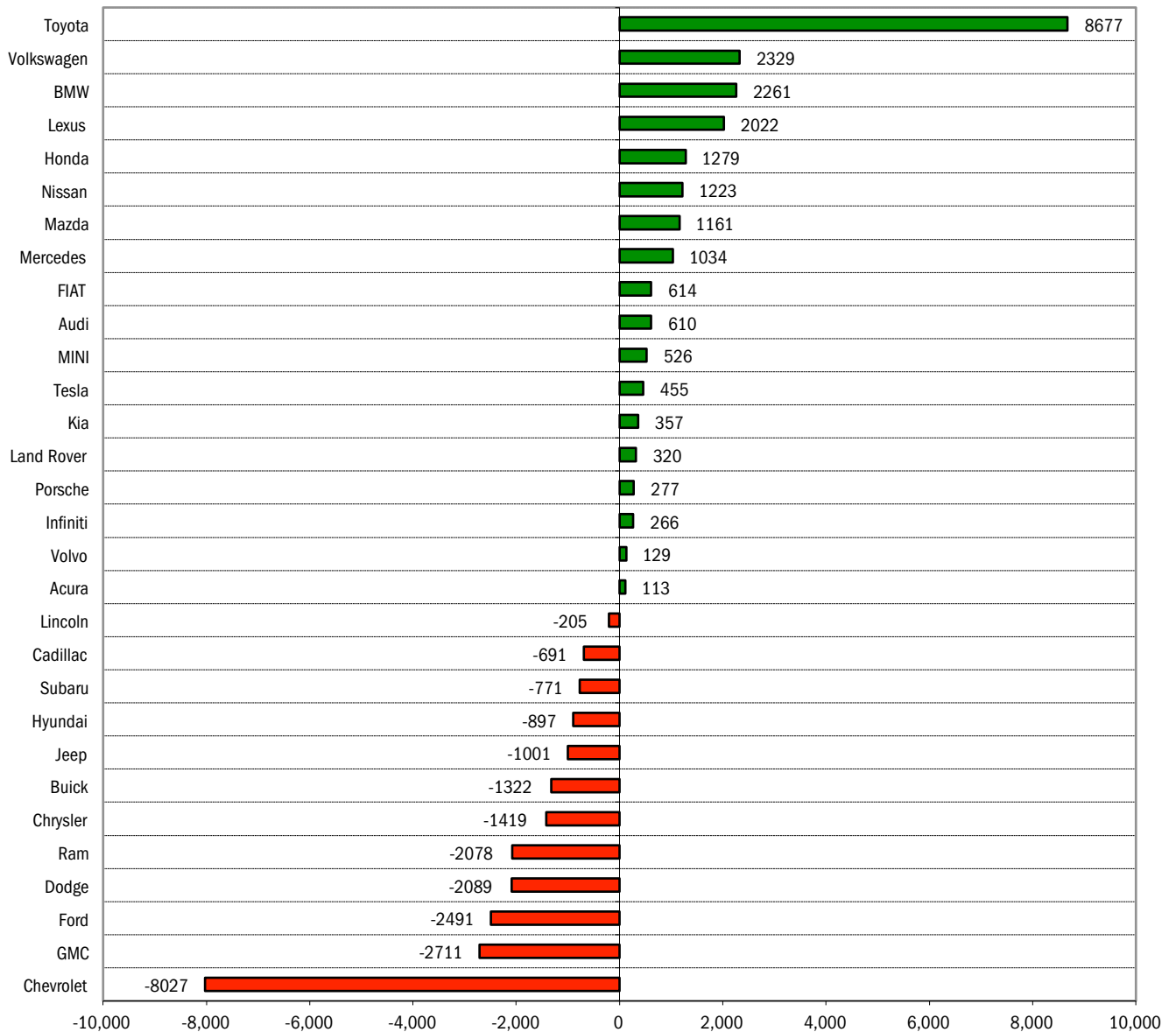
in the county during 2013. This yields a “target” for the county market. Target registrations are subtracted from actual registrations to derive the measurement of sales performance.

trations exceeding calculated targets by large margins. For instance, Toyota registrations exceeded the target by 8,677 units.

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

Brands at the top of the graph (i.e., Toyota, Volkswagen, BMW, and Lexus) are relatively strong sellers in the county, with actual regis-

**San Diego County Retail Market Performance based on registrations for 2013\***  
**Actual registrations minus target (county industry registrations times U.S. market share)**



Actual registrations minus target (county industry registrations times U.S. market share)

\*Figures for December, 2013 were estimated.

Source for registration data: Polk.

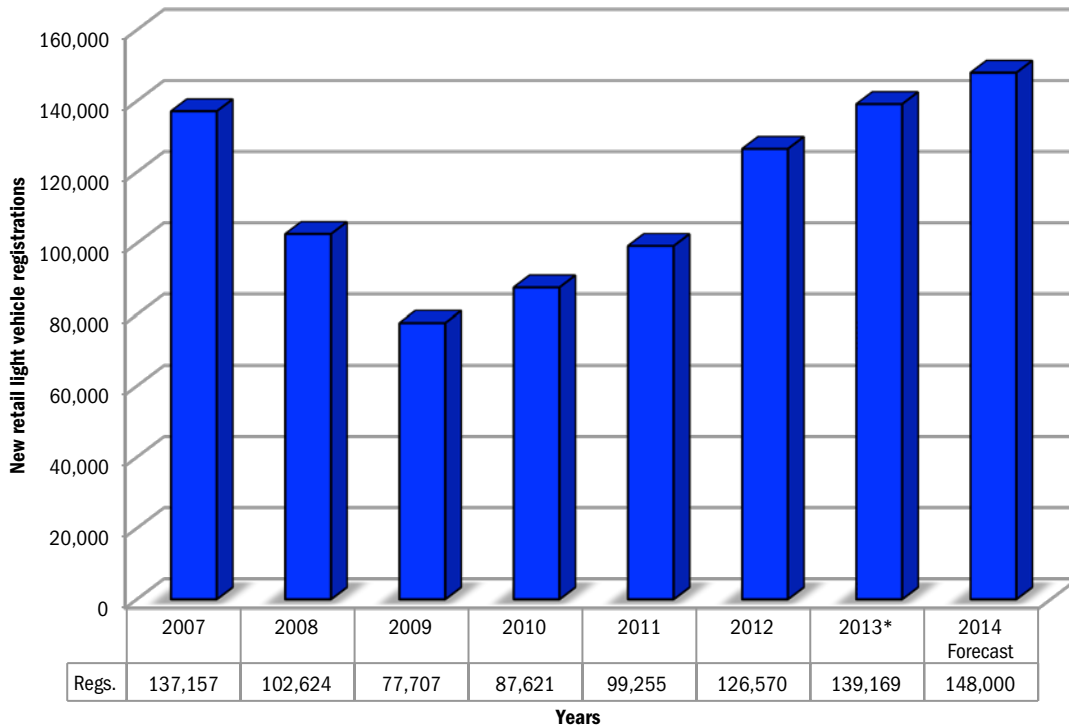
LONG TERM TRENDS

# Cyclical Recovery Predicted to Continue in 2014

**Market predicted to increase for fifth consecutive year**

The two graphs below provide a long term perspective of trends in the San Diego County new retail light vehicle market. The first graph shows historical registrations from 2007 thru 2013, along with Auto Outlook's forecast for 2014. The second graph shows light truck share of the overall light vehicle market.

**County New Retail Light Vehicle Registrations - 2007 thru 2013, 2014 Forecast**



Historical Data Source: Polk.

\* December 2013 figures were estimated by Auto Outlook.

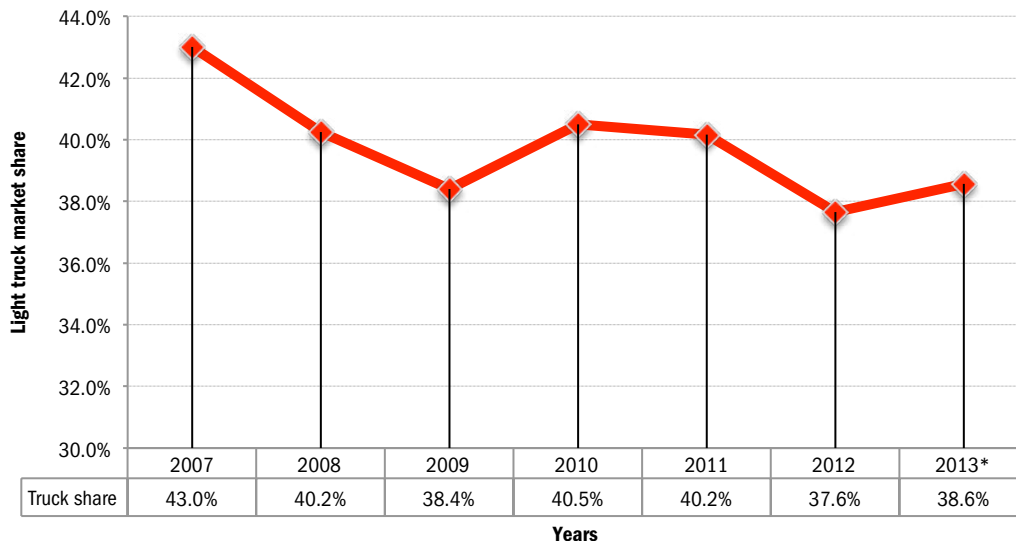
## Key Trends

Between 2009 (the low point during the market downturn) and 2013, county new retail light vehicle registrations have increased by 61,462 units an increase of 79%!

The market was up 10% last year versus 2012, and Auto Outlook is predicting a 6.3% increase this year.

Following a wild roller-coaster ride during the seven year period, county registrations this year are predicted to exceed 2007 levels.

**County New Retail Light Truck Market Share - 2007 thru 2013**



Source: Polk.

\* December 2013 figures were estimated by Auto Outlook.

## Key Trends

Light truck share of the San Diego County light vehicle market declined by 4.6 market share points between 2007 and 2009.

After declining from 2011 to 2012, light truck share increased to 38.6% in 2013, and was up slightly from 2009.

Brand Registrations Report												
San Diego County New Retail Car and Light Truck Registrations												
	Fourth Quarter*						Annual Totals*					
	Registrations			Market Share (%)			Registrations			Market Share (%)		
	4Q 2012	4Q 2013	% change	4Q 2012	4Q 2013	Change	2012	2013	% change	2012	2013	Change
TOTAL	32,707	34,435	5.3				126,570	139,169	10.0			
Cars	20,405	20,799	1.9	62.4	60.4	-2.0	78,922	85,506	8.3	62.4	61.4	-1.0
Light Trucks	12,302	13,636	10.8	37.6	39.6	2.0	47,648	53,663	12.6	37.6	38.6	1.0
Domestic Brands	7,845	8,382	6.8	24.0	24.3	0.3	29,798	34,902	17.1	23.5	25.1	1.6
European Brands	6,245	6,398	2.4	19.1	18.6	-0.5	21,636	22,926	6.0	17.1	16.5	-0.6
Japanese Brands	15,826	17,071	7.9	48.4	49.6	1.2	62,888	70,356	11.9	49.7	50.6	0.9
Korean Brands	2,791	2,584	-7.4	8.5	7.5	-1.0	12,248	10,985	-10.3	9.7	7.9	-1.8
Acura	411	464	12.9	1.3	1.3	0.0	1,581	1,817	14.9	1.2	1.3	0.1
Audi	565	637	12.7	1.7	1.8	0.1	2,015	2,157	7.0	1.6	1.5	-0.1
BMW	1,415	1,520	7.4	4.3	4.4	0.1	4,551	5,402	18.7	3.6	3.9	0.3
Buick	183	150	-18.0	0.6	0.4	-0.2	560	604	7.9	0.4	0.4	0.0
Cadillac	260	268	3.1	0.8	0.8	0.0	825	1,060	28.5	0.7	0.8	0.1
Chevrolet	1,606	1,597	-0.6	4.9	4.6	-0.3	6,414	6,842	6.7	5.1	4.9	-0.2
Chrysler	181	99	-45.3	0.6	0.3	-0.3	756	588	-22.2	0.6	0.4	-0.2
Dodge	435	414	-4.8	1.3	1.2	-0.1	1,661	2,306	38.8	1.3	1.7	0.4
FIAT	270	216	-20.0	0.8	0.6	-0.2	1,041	1,029	-1.2	0.8	0.7	-0.1
Ford	3,696	3,780	2.3	11.3	11.0	-0.3	13,579	15,937	17.4	10.7	11.5	0.8
GMC	323	410	26.9	1.0	1.2	0.2	1,178	1,415	20.1	0.9	1.0	0.1
Honda	3,563	3,767	5.7	10.9	10.9	0.0	14,070	15,846	12.6	11.1	11.4	0.3
Hyundai	1,516	1,426	-5.9	4.6	4.1	-0.5	6,444	5,554	-13.8	5.1	4.0	-1.1
Infiniti	357	397	11.2	1.1	1.2	0.1	1,408	1,409	0.1	1.1	1.0	-0.1
Jaguar	30	50	66.7	0.1	0.1	0.0	170	201	18.2	0.1	0.1	0.0
Jeep	731	1,041	42.4	2.2	3.0	0.8	3,391	3,754	10.7	2.7	2.7	0.0
Kia	1,275	1,158	-9.2	3.9	3.4	-0.5	5,804	5,431	-6.4	4.6	3.9	-0.7
Land Rover	168	191	13.7	0.5	0.6	0.1	662	834	26.0	0.5	0.6	0.1
Lexus	1,310	1,441	10.0	4.0	4.2	0.2	4,222	4,791	13.5	3.3	3.4	0.1
Lincoln	105	135	28.6	0.3	0.4	0.1	462	537	16.2	0.4	0.4	0.0
Mazda	740	899	21.5	2.3	2.6	0.3	3,122	3,881	24.3	2.5	2.8	0.3
Mercedes	1,273	1,470	15.5	3.9	4.3	0.4	3,861	4,231	9.6	3.1	3.0	-0.1
MINI	334	282	-15.6	1.0	0.8	-0.2	1,247	1,186	-4.9	1.0	0.9	-0.1
Mitsubishi	107	129	20.6	0.3	0.4	0.1	526	496	-5.7	0.4	0.4	0.0
Nissan	2,305	2,548	10.5	7.0	7.4	0.4	9,820	11,165	13.7	7.8	8.0	0.2
Other	113	120	6.2	0.3	0.3	0.0	445	421	-5.4	0.4	0.3	-0.1
Porsche	194	189	-2.6	0.6	0.5	-0.1	586	707	20.6	0.5	0.5	0.0
Ram	243	347	42.8	0.7	1.0	0.3	878	1,172	33.5	0.7	0.8	0.1
Subaru	671	960	43.1	2.1	2.8	0.7	2,247	3,512	56.3	1.8	2.5	0.7
Tesla	79	130	64.6	0.2	0.4	0.2	86	641	645.3	0.1	0.5	0.4
Toyota	6,359	6,477	1.9	19.4	18.8	-0.6	25,876	27,444	6.1	20.4	19.7	-0.7
Volkswagen	1,694	1,535	-9.4	5.2	4.5	-0.7	6,367	6,083	-4.5	5.0	4.4	-0.6
Volvo	195	188	-3.6	0.6	0.5	-0.1	715	716	0.1	0.6	0.5	-0.1

\*December 2013 figures were estimated by Auto Outlook.

Source: Polk

## San Diego Auto Outlook

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USED VEHICLE MARKET REPORT

# County Retail Used Vehicle Market Fell in 2013

**Used vehicle registrations declined 7.9% thru November of 2013**

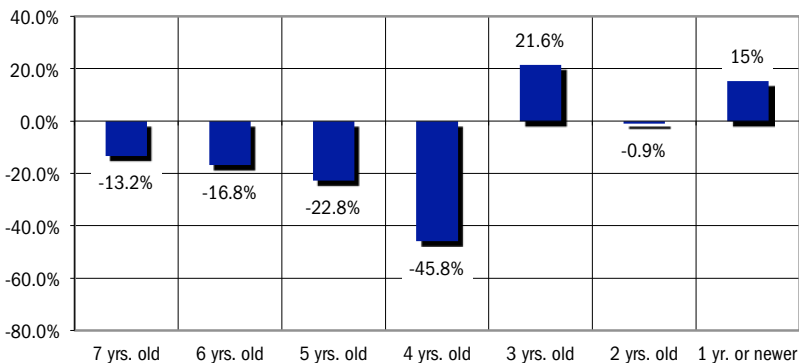
Below is a list of key trends in the San Diego County retail used vehicle market:

- Retail used registrations in the county declined 7.9% during the first eleven months of 2013 versus a year earlier.
- As shown on the graph below, the county new vehicle market has been growing at a faster pace than the used market for the past four years. New vehicle registrations increased by double digit percentages in each of the past four years, while used registrations either declined, or increased slightly.
- The sharp decline in new vehicle sales for 2009 has led to short supplies of four year old vehicles, leading to the 45.8% drop in four year old vehicle registrations.
- Used light truck registrations fell 9.1%, while cars were off 7.1%.
- Toyota Corolla was the best-selling model in the county among 2009 model year vehicles. BMW 3-Series was the leader for 2011 models.
- Among the top 15 selling brands, Lexus and Hyundai were the only two to have an increase in used registrations last year.

San Diego County Retail Used Light Vehicle Registrations YTD thru November					
	Registrations		% Change '12 TO '13	Market Share	
	YTD '12	YTD '13		YTD '12	YTD '13
TOTAL	279,649	257,602	-7.9%		
Cars	167,046	155,218	-7.1%	59.7%	60.3%
Light Trucks	112,603	102,384	-9.1%	40.3%	39.7%
Detroit Three	108,686	95,805	-11.9%	38.9%	37.2%
European	40,870	39,892	-2.4%	14.6%	15.5%
Japanese	119,990	111,871	-6.8%	42.9%	43.4%
Korean	10,103	10,034	-0.7%	3.6%	3.9%

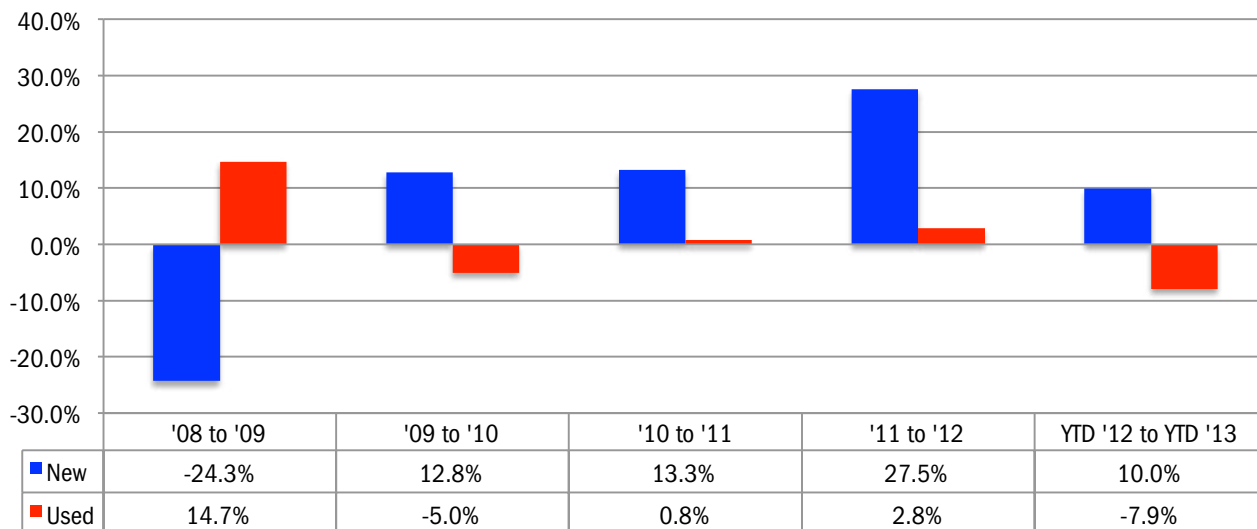
Source: Polk.

**Percent Change in County Retail Used Registrations by Vehicle Age, YTD 2013 thru November vs. YTD 2012**



Source: Polk.

**Percent Change in San Diego County New and Used Retail Registrations**



YTD used registrations are thru August. YTD new registrations are thru September. (September was estimated.)

Source: Polk.

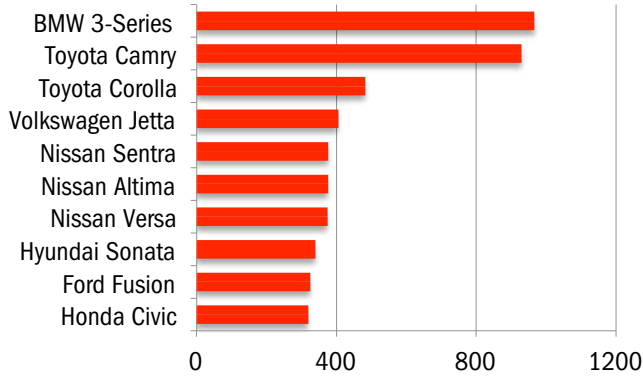
TOP SELLING MODELS

# Toyota Prius in Best-Seller for 2010 Model Year Vehicles

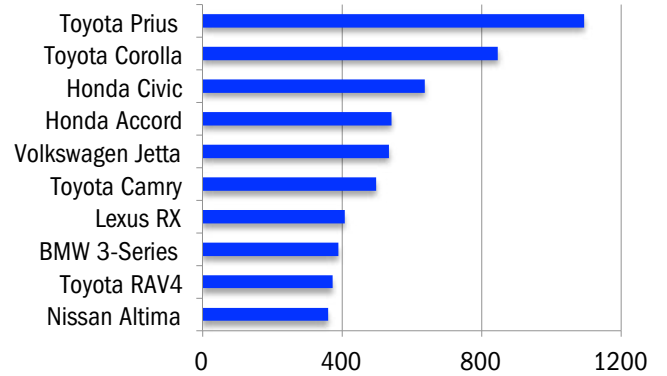
## Honda Civic is the leader for 2008 models

The graphs below show top selling models for 2008, 2009, 2010, and 2011 model years. Source: Polk.

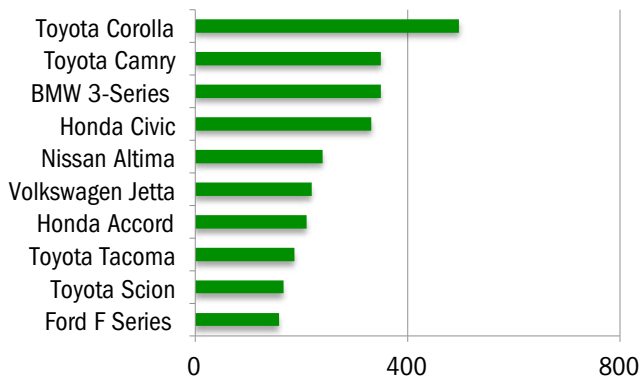
**2011 Model Year - Top 10 Sellers (YTD '13 thru Nov.)**



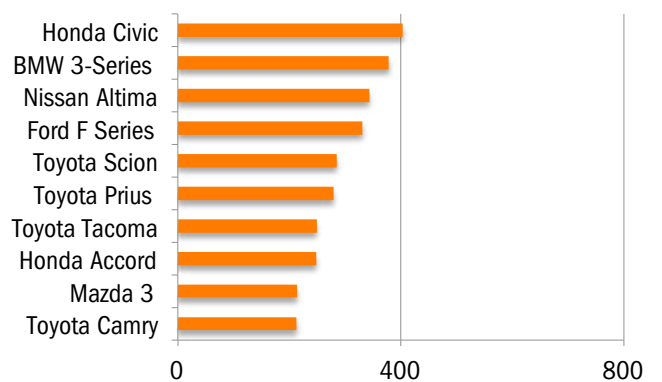
**2010 Model Year - Top 10 Sellers (YTD '13 thru Nov.)**



**2009 Model Year - Top 10 Sellers (YTD '13 thru Nov.)**



**2008 Model Year - Top 10 Sellers (YTD '13 thru Nov.)**



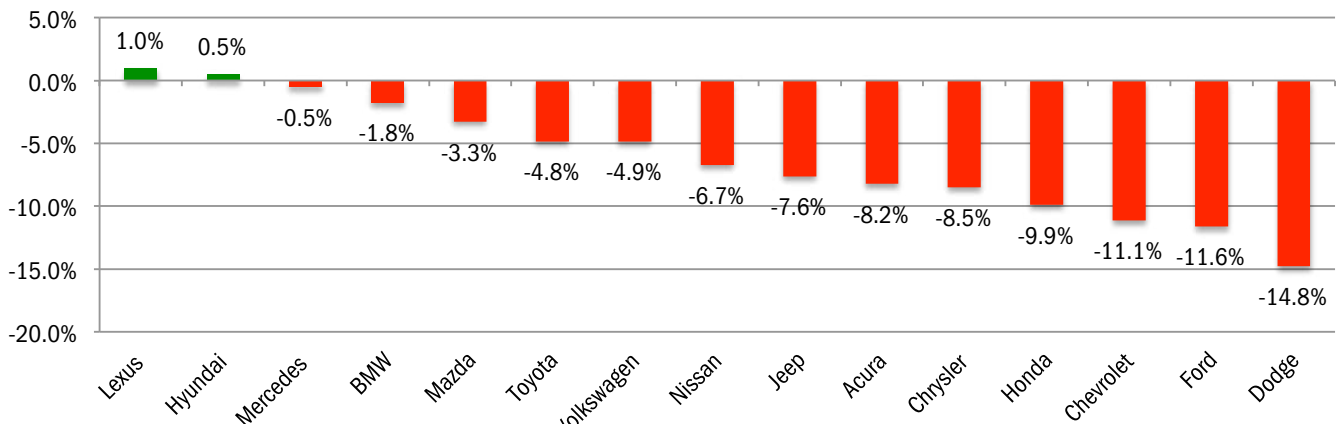
USED VEHICLE BRAND SCOREBOARD

# Lexus and Hyundai Used Registrations Increase Slightly

## Registrations for other brands decline

The graph below shows the percent change in used registrations for the top 15 selling makes during the first 11 months of this year vs. year earlier.

**Percent Change in Used Registrations (top 15 brands in county) - YTD '13 thru November vs. YTD '12**



Source: Polk.