

San Diego Auto Outlook

Comprehensive information on the San Diego County new vehicle market



FORECAST

County Market Moves Higher in First Half of 2014

5.1% improvement predicted for entire year

Flash back to 2009 - the devastating impact that the financial crisis would have on the economy was becoming plainly evident. Banks weren't lending, the stock market crashed, and unemployment was rising. The writing was on the wall for a sharp decline in new vehicle sales, and that's exactly what transpired. New retail light vehicle registrations in San Diego County fell from 137,157 in 2007, to just 77,707 in 2009, a 43% drop in two years.

At the time, the prevailing view was that it could take a decade or more for the market to return to sales level reached during the early and mid-2000's. We disagreed. At the time, we pointed out that the combination of significant pent up demand, extremely low interest rates, higher used vehicle prices, and greatly improving new vehicle offerings would more than offset the negative impact of a slowing economy and household de-leveraging. We predicted that within about five years, the market could easily approach, or exceed, sales levels attained in 2007. And that is exactly what has transpired. This year's total is predicted to exceed 146,000, higher than in 2007.

So where is the market likely to head in 2015 and beyond? As mentioned in the past few issues of Auto Outlook, there are reasons to believe that the pace of the sales recovery will ease during the next 18 months. At this point, we are predicting a 3% increase next year, with registrations exceeding 151,000.

Annual Trend in County Market



The graph above shows annual new retail light vehicle registrations in the county from 2008 thru 2013, and Auto Outlook's projection for all of 2014.

Historical data source: Polk.

6 Key Market Trends

- 1. County new retail registrations increased 4.2% for the first six months of this year versus a year earlier (June figures were estimated), in line with the 4.8% improvement in the U.S.
- 2. The market is predicted to increase 5.5% in the second half of 2014 versus 2013.
- 3. County light truck market share has increased from 38.1% during the first half of 2013 to 40% this year.
- 4. Japanese brand registrations were up 6.8%, higher than the 4.2% improvement in the overall market
- 5. Hybrid and electric vehicle market share was 9.6% thru May of this year, up from 9% in 2013.
- 6. Toyota, BMW, Lexus, and Volkswagen are strong performing brands in the county market (see page 5).

Market Summary

	YTD '13 thru June	YTD '14 thru June*	% Chg. '13 to '14	Mkt. Share YTD '14*
TOTAL	68,047	70,896	4.2%	
Car	42,122	42,571	1.1%	60.0%
Light Truck	25,925	28,325	9.3%	40.0%
Detroit Three	17,646	18,035	2.2%	25.4%
European	10,752	11,006	2.4%	15.5%
Japanese	34,137	36,450	6.8%	51.4%
Korean	5,512	5,405	-1.9%	7.6%

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

*Figures for June, 2014 were estimated by Auto Outlook.

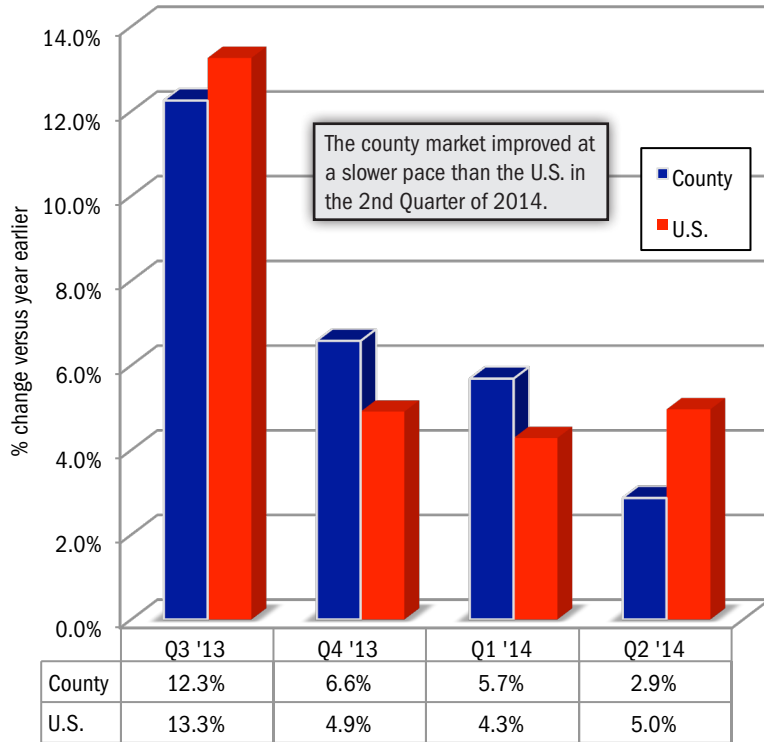
Source: Polk.

MARKET TRACKER: QUARTERLY RESULTS

County Market Increases 2.9% in 2nd Quarter 2014 vs. 5% in U.S.

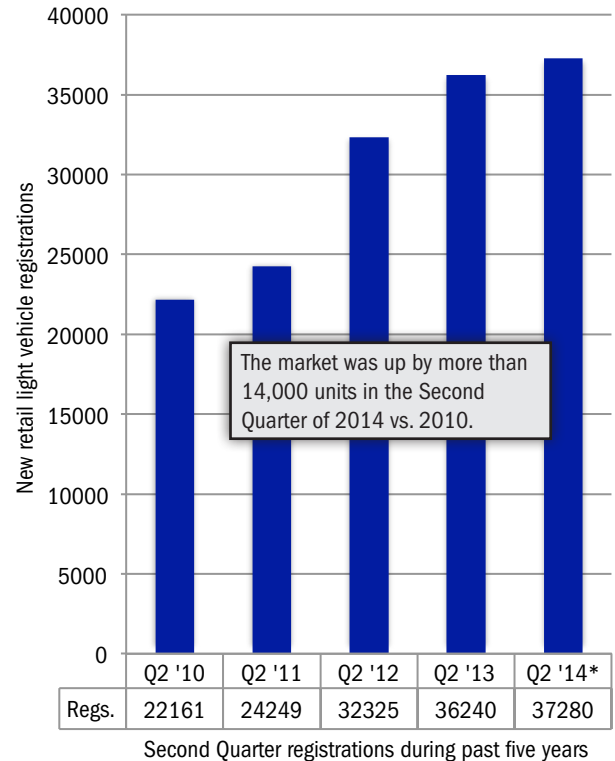
QUARTERLY TREND

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



QUARTERLY PERSPECTIVE

Five Years of Second Quarter Results
in County Market



* Figures for Second Quarter 2014 were estimated by Auto Outlook based on data for April and May.

Data Source: Polk.

* Figures for Second Quarter 2014 were estimated by Auto Outlook based on data for April and May.

Data Source: Polk.

San Diego Auto Outlook

Covering Second Quarter 2014

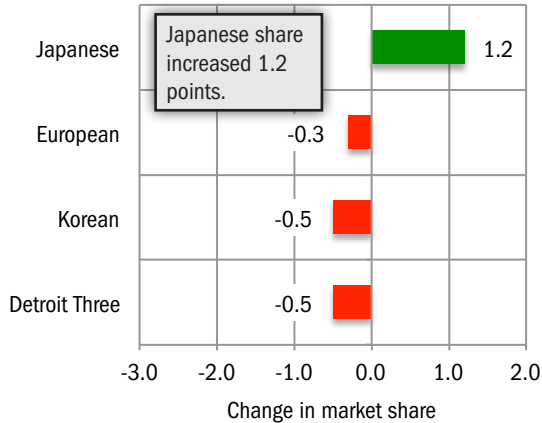
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MARKET TRACKER: BRAND MARKET SHARE

Japanese Brands Gain

Change in County Market Share
YTD 2014 thru June* vs. YTD 2013

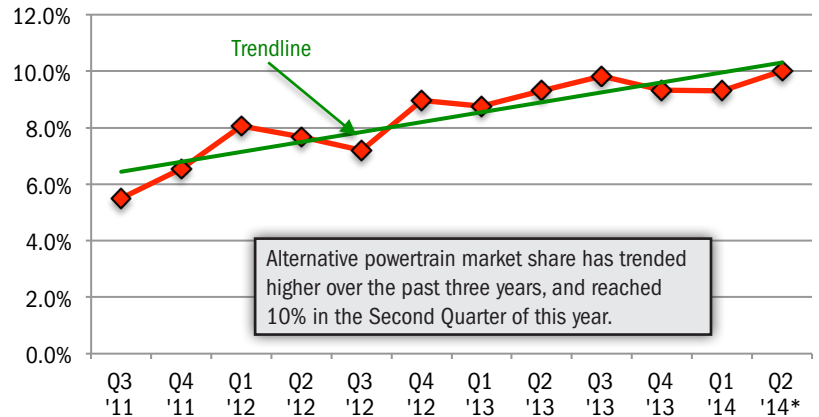


The graph above shows the change in year-to-date market share for four primary brand segments. *Figures for June, 2014 were estimated by Auto Outlook. Data Source: Polk.

MARKET TRACKER: HYBRID AND ELECTRIC VEHICLES

Hybrid/Electric Share Hits 10%

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 2014 includes April and May. Source: Polk.

MARKET TRACKER - SEGMENTS

Compact SUV Segment Grabs Bigger Share of County Market

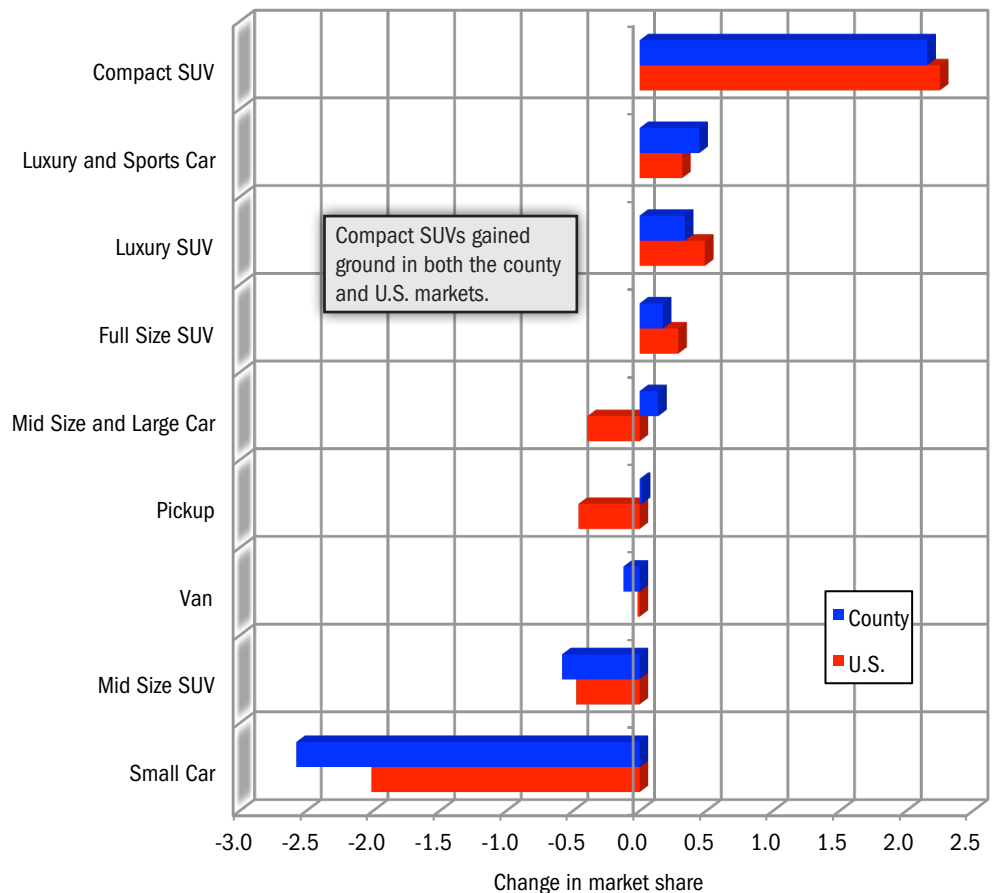
Change in Segment Market Share
YTD 2014 thru May
vs.
YTD 2013

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: Toyota RAV4
- Mid Size SUV: Jeep Grand Cherokee
- Full Size SUV: Chevrolet Tahoe
- Luxury SUV: Lexus RX

Data Source: Polk.



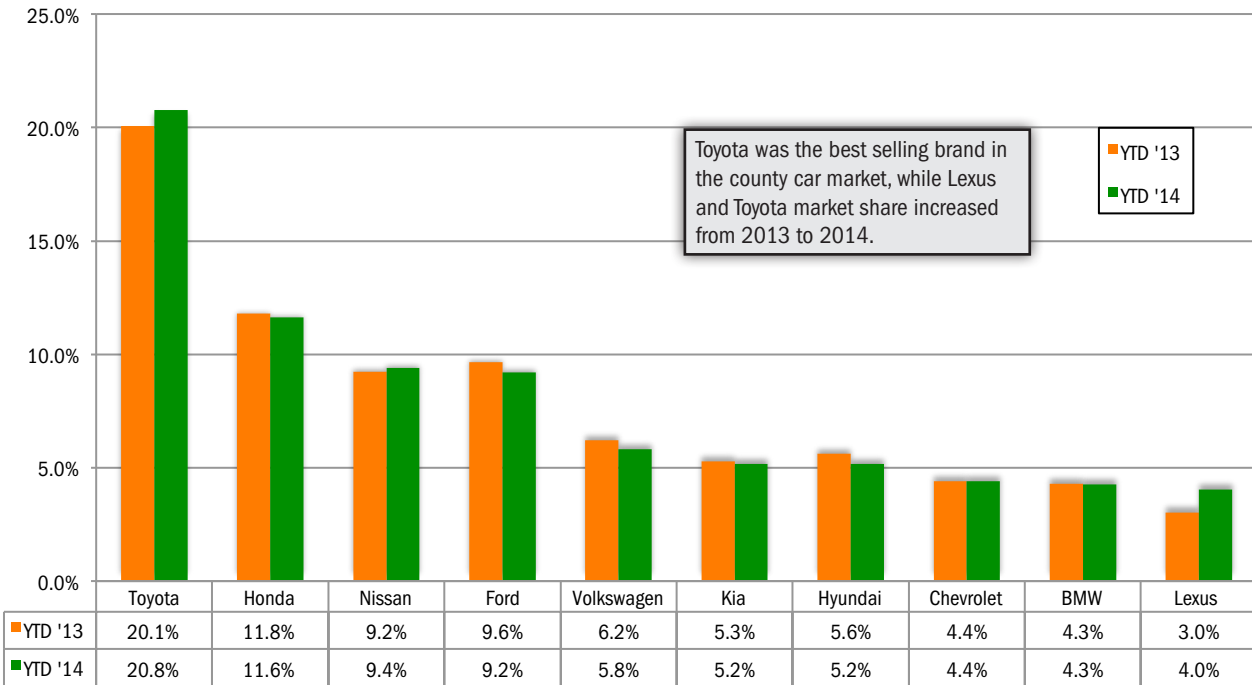
BRAND SCOREBOARD - PART ONE

Toyota is County Car Market Share Leader; Honda is Second

Toyota also leads for light trucks; Jeep, Nissan, and Subaru market shares move higher

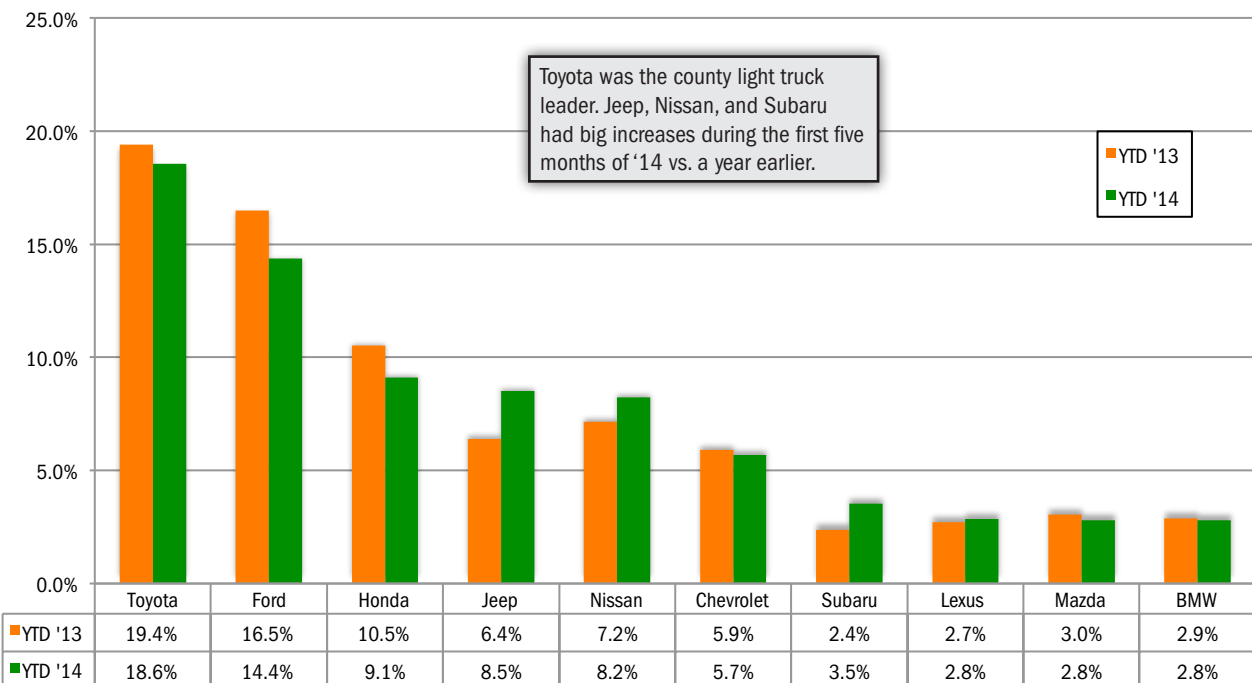
The two graphs below show market share for the top ten car and light truck brands for the first five months of 2013 and 2014. Brands are shown from left to right on each graph based on 2014 market share.

Brand Market Share in County Car Market - YTD 2013 and YTD 2014, thru May (Top Ten Brands)



Source: Polk.

Brand Market Share in County Light Truck Market - YTD 2013 and YTD 2014, thru May (Top Ten Brands only)



Source: Polk.

BRAND SCOREBOARD - PART TWO

Toyota is Top Rated Brand in County

BMW, Lexus, and Volkswagen 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.

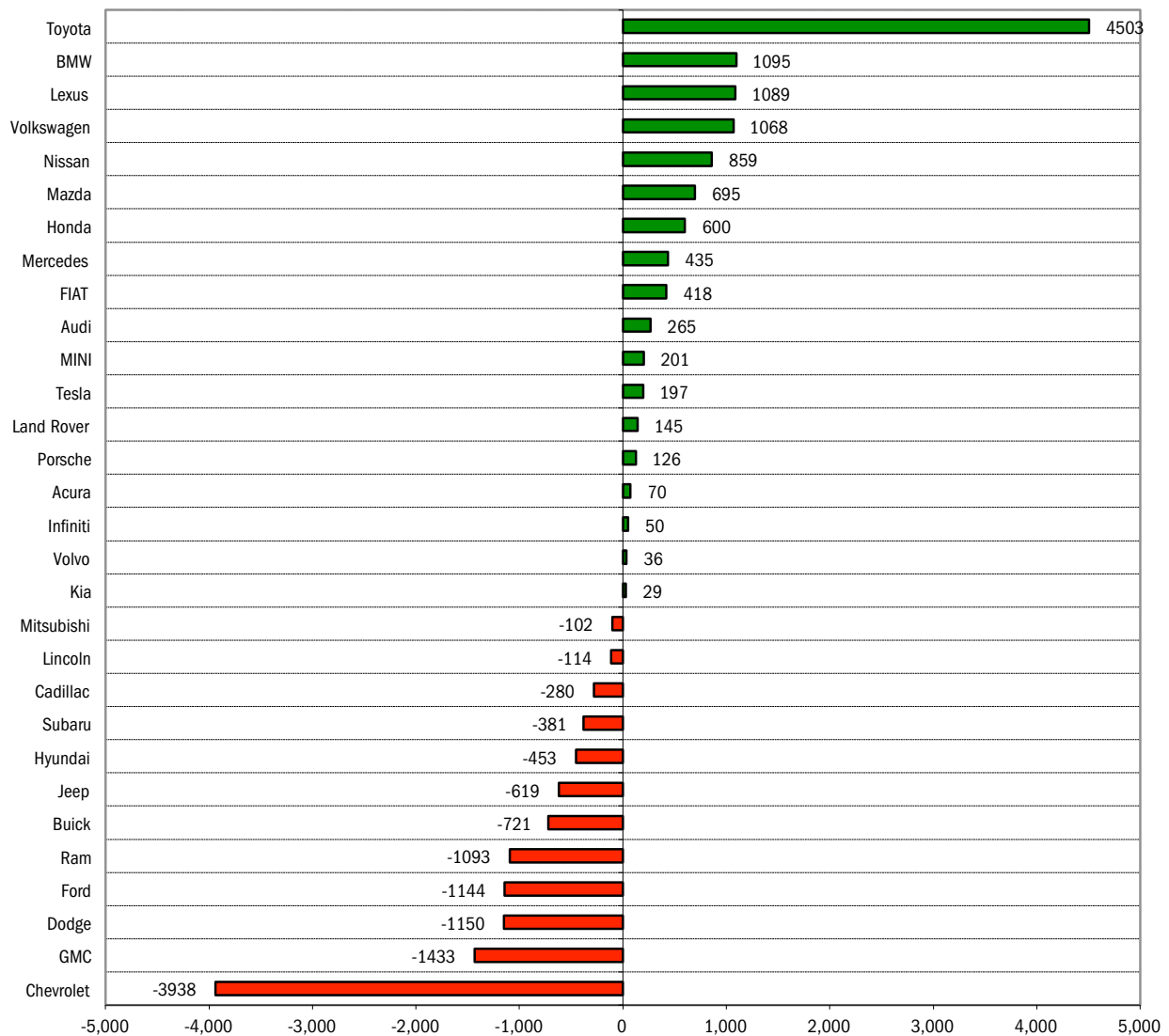
Here's how it works: For the top 30 selling brands in the county, each brand's share of the U.S. market is multiplied by retail registrations

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, BMW, Lexus, and Volkswagen) are relatively

strong sellers in the county, with actual registrations exceeding calculated targets by large margins. For instance, Toyota registrations exceeded the target by 4,503 units.

San Diego County Retail Market Performance based on registrations for YTD 2014 thru June*
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 June, 2014 were estimated.

Source for registration data: Polk.

SEGMENT CLOSE-UP: COMPACT SUVs

Honda CR-V is Leader in County Compact SUV Segment

Cherokee ranks 8th in segment during first year of sales

Model Scoreboard - Two Year Perspective

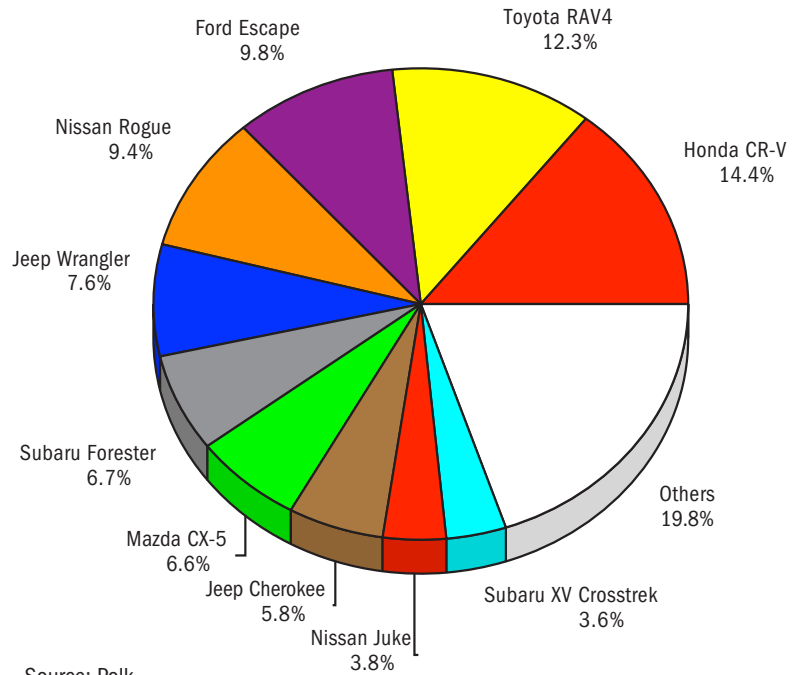
% change in county new retail Compact SUV registrations for top 15 selling models
YTD '14 thru May vs. YTD 2012 (sorted by YTD '14)

Make	New regs. YTD thru May '12	New regs. YTD thru May '14	% change YTD '14 vs. YTD '12
Honda CR-V	1204	1158	-4%
Toyota RAV4	682	990	45%
Ford Escape	559	791	42%
Nissan Rogue	508	754	48%
Jeep Wrangler	465	615	32%
Subaru Forester	165	541	228%
Mazda CX-5	137	533	289%
Jeep Cherokee	0	466	-
Nissan Juke	148	306	107%
Subaru XV Crosstrek	0	292	-
Jeep Patriot	197	270	37%
Chevrolet Equinox	331	234	-29%
Mini Countryman	130	164	26%
Volkswagen Tiguan	207	149	-28%
Kia Sportage	194	144	-26%

Source: Polk.

Model Sales Leaders

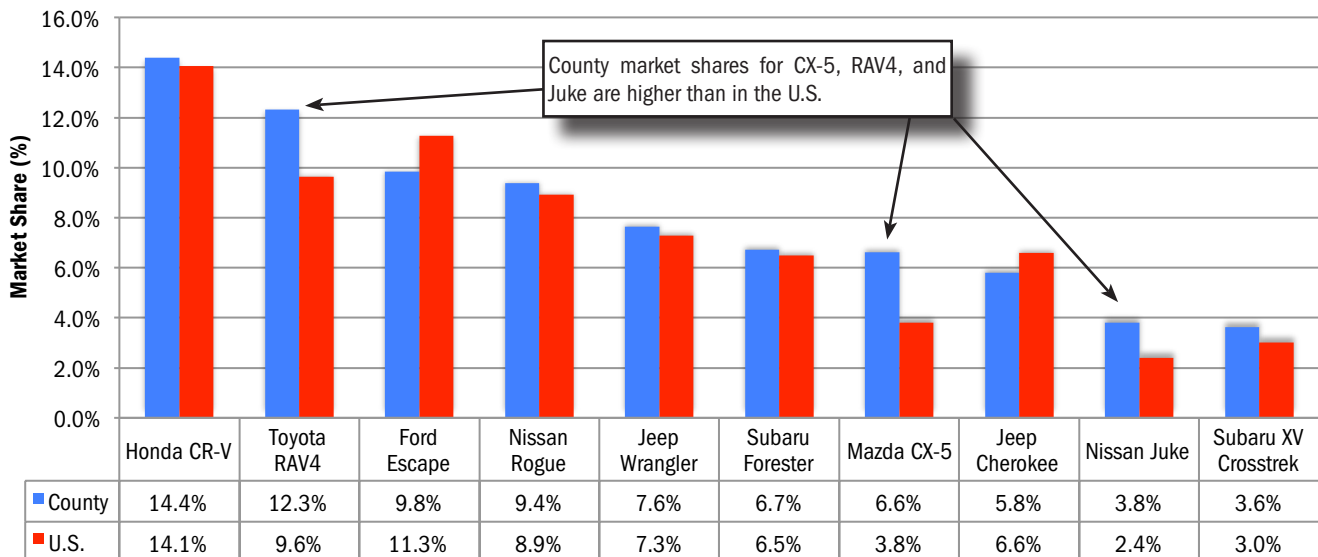
Top 10 selling Compact SUVs in county new retail market YTD 2014 thru May



Source: Polk.

Evaluation of Sales Performance - County market share vs. U.S.

Model market share in San Diego County and U.S., YTD 2014 thru May (Shown from left to right based on county share)



Source: Polk.

MODEL RANKINGS

Toyota Camry Is on Top of Standard Mid Sized Car Segment

Jeep Grand Cherokee is best-selling Two Row Mid Size SUV

The table below shows the top five selling models during the first five months of 2014 in 16 primary market segments. In addition to unit registrations, it also shows each model's market share in its respective segment.

Toyota Prius was the best-selling Sub Compact Car, with a 16.2% share. Kia Soul was first

among Entry Cars, followed by Nissan Versa and Ford Fiesta. BMW 3-Series remained at the top, as the best seller among Near Luxury Cars.

Ford F-Series was the leader among Full-Size Pickups, while Honda CR-V (Compact SUV), Jeep Grand Cherokee (Mid Size SUV, 2 rows),

and Toyota Highlander (Mid Size SUV, 3 rows) were also top-ranked in their segments.

Data Source: Polk.

Top Selling Models in Each Segment - San Diego County											
New Retail Registrations - YTD 2014 thru May											
Cars											
Entry			Sub Compact			Sporty Compact			Standard Mid Size		
Model	Regs.	Share	Model	Regs.	Share	Model	Regs.	Share	Model	Regs.	Share
Kia Soul	568	18.0	Toyota Prius	2308	16.2	Ford Mustang	346	30.0	Toyota Camry	2041	21.3
Nissan Versa	521	16.5	Toyota Corolla	1951	13.7	Chevrolet Camaro	335	29.1	Honda Accord	1866	19.5
Ford Fiesta	518	16.4	Honda Civic	1900	13.3	Dodge Challenger	210	18.2	Nissan Altima	1434	15.0
Fiat 500	469	14.8	Volkswagen Jetta	1122	7.9	Hyundai Veloster	155	13.4	Ford Fusion	1034	10.8
Honda Fit	308	9.7	Ford Focus	1091	7.6	Subaru BRZ	77	6.7	Kia Optima	907	9.5
Large Mid Size			Entry Luxury			Near Luxury			Luxury and Sports		
Model	Regs.	Share	Model	Regs.	Share	Model	Regs.	Share	Model	Regs.	Share
Toyota Avalon	193	28.9	Lexus Ct200H	265	33.8	BMW 3-Series	756	21.5	Mercedes E-Class	380	15.3
Dodge Charger	121	18.1	Mercedes CLA-Class	156	19.9	Lexus IS	529	15.0	BMW 5-Series	309	12.4
Chrysler 300	97	14.5	Acura ILX	146	18.6	Lexus ES	458	13.0	Tesla Model S	171	6.9
Chevrolet Impala	88	13.2	BMW 2-Series	71	9.1	Mercedes C-Class	274	7.8	Lexus GS	150	6.0
Kia Cadenza	42	6.3	Acura TSX	60	7.7	Audi A4	237	6.7	Mercedes S-Class	130	5.2
Light Trucks											
Compact Pickup			Full Size Pickup			Van			Compact SUV		
Model	Regs.	Share	Model	Regs.	Share	Model	Regs.	Share	Model	Regs.	Share
Toyota Tacoma	1345	82.5	Ford F Series	1245	36.9	Honda Odyssey	646	34.2	Honda CR-V	1158	14.4
Nissan Frontier /Xe	250	15.3	Chevrolet Silverado	703	20.8	Toyota Sienna	444	23.5	Toyota RAV4	990	12.3
Honda Ridgeline	30	1.8	Ram	608	18.0	Ford Transit Connect Van	113	6.0	Ford Escape	791	9.8
			Toyota Tundra	572	16.9	Mercedes Sprinter	100	5.3	Nissan Rogue	754	9.4
			GMC Sierra	220	6.5	Dodge Caravan	99	5.2	Jeep Wrangler	615	7.6
Mid Size SUV (2 rows)			Mid Size SUV (3 rows)			Full Size SUV			Luxury SUV		
Model	Regs.	Share	Model	Regs.	Share	Model	Regs.	Share	Model	Regs.	Share
Jeep Grand Cherokee	545	32.4	Toyota Highlander	557	19.8	Ford Flex	164	26.8	Lexus RX	582	15.8
Ford Edge	405	24.0	Ford Explorer	554	19.7	Chevrolet Tahoe	123	20.1	Acura MDX	282	7.7
Toyota 4 Runner	344	20.4	Honda Pilot	326	11.6	GMC Yukon	110	17.9	BMW X5	249	6.8
Hyundai Santa Fe Sp	194	11.5	Nissan Pathfinder	318	11.3	Chevrolet Suburban	86	14.0	Audi Q5	230	6.2
Toyota FJ Cruiser	109	6.5	Kia Sorento	279	9.9	Ford Expedition	56	9.1	Acura RDX	213	5.8

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 2013	2Q 2014	% change	2Q 2013	2Q 2014	Change	YTD '13	YTD '14*	% change	YTD '13	YTD '14*	Change
TOTAL	36,240	37,280	2.9				68,047	70,896	4.2			
Cars	22,478	22,651	0.8	62.0	60.8	-1.2	42,122	42,571	1.1	61.9	60.0	-1.9
Light Trucks	13,762	14,629	6.3	38.0	39.2	1.2	25,925	28,325	9.3	38.1	40.0	1.9
Domestic Brands	9,486	9,441	-0.5	26.2	25.3	-0.9	17,646	18,035	2.2	25.9	25.4	-0.5
European Brands	5,760	5,798	0.7	15.9	15.6	-0.3	10,752	11,006	2.4	15.8	15.5	-0.3
Japanese Brands	18,143	19,147	5.5	50.1	51.4	1.3	34,137	36,450	6.8	50.2	51.4	1.2
Korean Brands	2,851	2,894	1.5	7.9	7.8	-0.1	5,512	5,405	-1.9	8.1	7.6	-0.5
Acura	439	440	0.2	1.2	1.2	0.0	838	881	5.1	1.2	1.2	0.0
Audi	526	609	15.8	1.5	1.6	0.1	996	1,119	12.3	1.5	1.6	0.1
BMW	1,355	1,459	7.7	3.7	3.9	0.2	2,556	2,652	3.8	3.8	3.7	-0.1
Buick	166	139	-16.3	0.5	0.4	-0.1	308	258	-16.2	0.5	0.4	-0.1
Cadillac	244	268	9.8	0.7	0.7	0.0	518	525	1.4	0.8	0.7	-0.1
Chevrolet	1,861	1,837	-1.3	5.1	4.9	-0.2	3,400	3,482	2.4	5.0	4.9	-0.1
Chrysler	186	123	-33.9	0.5	0.3	-0.2	335	248	-26.0	0.5	0.3	-0.2
Dodge	757	654	-13.6	2.1	1.8	-0.3	1,344	1,215	-9.6	2.0	1.7	-0.3
FIAT	281	340	21.0	0.8	0.9	0.1	511	657	28.6	0.8	0.9	0.1
Ford	4,279	4,076	-4.7	11.8	10.9	-0.9	8,171	7,851	-3.9	12.0	11.1	-0.9
GMC	379	392	3.4	1.0	1.1	0.1	682	720	5.6	1.0	1.0	0.0
Honda	4,213	4,242	0.7	11.6	11.4	-0.2	7,789	7,623	-2.1	11.4	10.8	-0.6
Hyundai	1,368	1,421	3.9	3.8	3.8	0.0	2,702	2,678	-0.9	4.0	3.8	-0.2
Infiniti	308	321	4.2	0.8	0.9	0.1	633	626	-1.1	0.9	0.9	0.0
Jaguar	39	56	43.6	0.1	0.2	0.1	87	128	47.1	0.1	0.2	0.1
Jeep	985	1,291	31.1	2.7	3.5	0.8	1,723	2,461	42.8	2.5	3.5	1.0
Kia	1,483	1,466	-1.1	4.1	3.9	-0.2	2,810	2,720	-3.2	4.1	3.8	-0.3
Land Rover	202	180	-10.9	0.6	0.5	-0.1	442	416	-5.9	0.6	0.6	0.0
Lexus	1,093	1,257	15.0	3.0	3.4	0.4	2,017	2,527	25.3	3.0	3.6	0.6
Lincoln	140	143	2.1	0.4	0.4	0.0	265	274	3.4	0.4	0.4	0.0
Mazda	1,055	1,145	8.5	2.9	3.1	0.2	1,882	2,170	15.3	2.8	3.1	0.3
Mercedes	960	1,055	9.9	2.6	2.8	0.2	1,780	1,965	10.4	2.6	2.8	0.2
MINI	326	250	-23.3	0.9	0.7	-0.2	585	472	-19.3	0.9	0.7	-0.2
Mitsubishi	129	161	24.8	0.4	0.4	0.0	246	293	19.1	0.4	0.4	0.0
Nissan	2,968	3,228	8.8	8.2	8.7	0.5	5,669	6,239	10.1	8.3	8.8	0.5
Other	104	149	43.3	0.3	0.4	0.1	200	293	46.5	0.3	0.4	0.1
Porsche	195	168	-13.8	0.5	0.5	0.0	343	347	1.2	0.5	0.5	0.0
Ram	275	388	41.1	0.8	1.0	0.2	515	751	45.8	0.8	1.1	0.3
Subaru	857	1,012	18.1	2.4	2.7	0.3	1,653	2,041	23.5	2.4	2.9	0.5
Tesla	200	166	-17.0	0.6	0.4	-0.2	358	279	-22.1	0.5	0.4	-0.1
Toyota	7,080	7,325	3.5	19.5	19.6	0.1	13,404	14,030	4.7	19.7	19.8	0.1
Volkswagen	1,603	1,376	-14.2	4.4	3.7	-0.7	2,943	2,677	-9.0	4.3	3.8	-0.5
Volvo	184	143	-22.3	0.5	0.4	-0.1	342	278	-18.7	0.5	0.4	-0.1

*June 2014 figures were estimated by Auto Outlook.

Source: Polk

San Diego Auto Outlook

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USED VEHICLE MARKET REPORT

County Used Vehicle Market Basically Flat in First Half '14

Used vehicle registrations slipped 0.3% thru May of this year

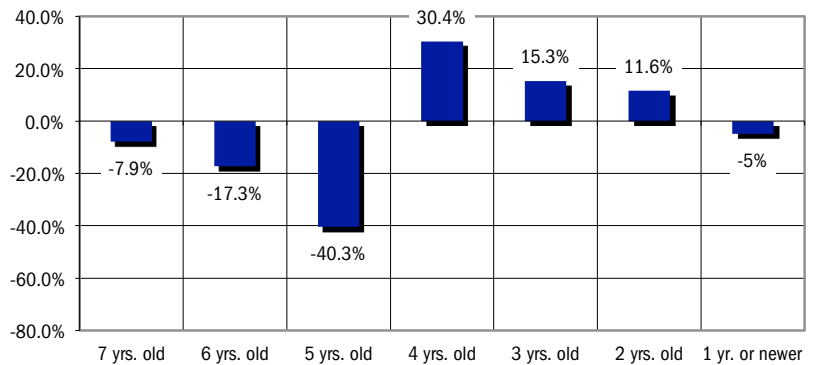
Below is a list of key trends in the San Diego County retail used vehicle market:

- Retail used registrations in the county declined 0.3% during the first five months of 2014 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) has widened during the past 19 months. In November of 2012, the three month moving average for new vehicle registrations was 10,381, fairly close to the 9,055 for six year old or newer used vehicles. In May of this year, the gap had widened to 12,799 for new vehicles vs. just 6,588 for used.
- The sharp decline in new vehicle sales for 2009 has led to short supplies of five year old vehicles, leading to the 40.3% drop in five year old vehicle registrations.
- Used light truck registrations fell 1.1%, while cars were up slightly.
- Nissan Altima was the best-selling model in the county among 2 year old or newer vehicles. BMW 3-Series was the leader for 3 to 4 year old models.
- Among the top 15 selling brands, Hyundai, Nissan, BMW, Honda, VW, Toyota, Lexus, and Mazda were the only brands to have an increase in used registrations so far this year.

San Diego County Retail Used Light Vehicle Registrations					
YTD thru May					
	Registrations		% Change '13 TO '14	Market Share	
	YTD '13	YTD '14		YTD '13	YTD '14
TOTAL	125,670	125,313	-0.3%		
Cars	75,491	75,681	0.3%	60.1%	60.4%
Light Trucks	50,179	49,632	-1.1%	39.9%	39.6%
Detroit Three	47,761	45,760	-4.2%	38.0%	36.5%
European	19,471	19,838	1.9%	15.5%	15.8%
Japanese	53,636	54,553	1.7%	42.7%	43.5%
Korean	4,802	5,162	7.5%	3.8%	4.1%

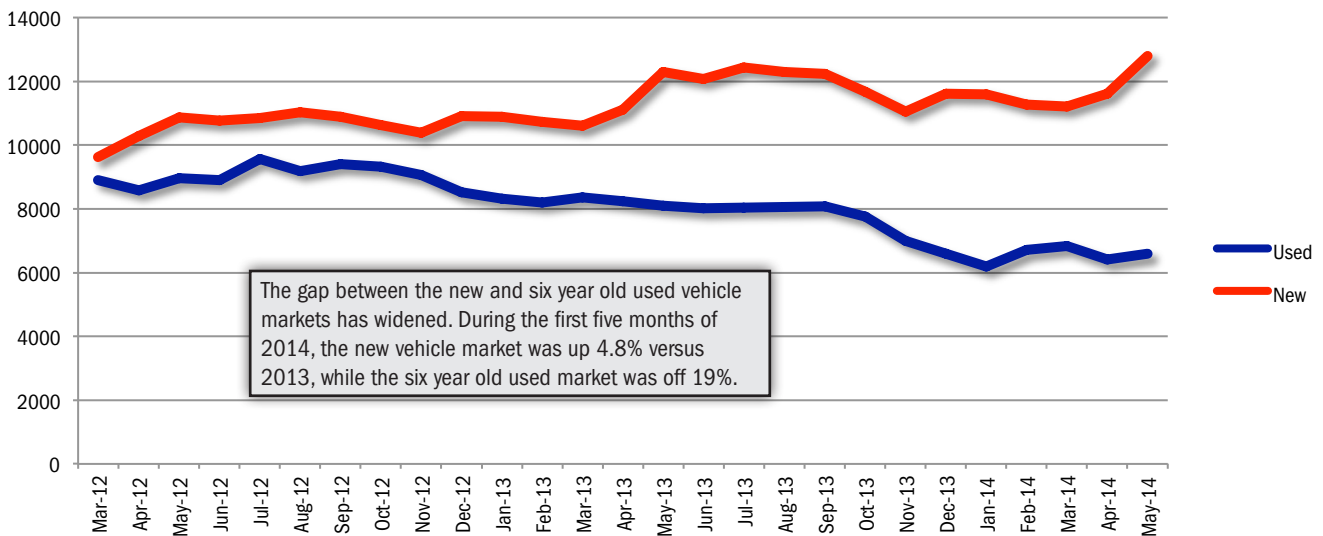
Source: Polk.

Percent Change in County Retail Used Registrations by Vehicle Age, YTD 2014 thru May vs. YTD 2013



Source: Polk.

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



Source: Polk.

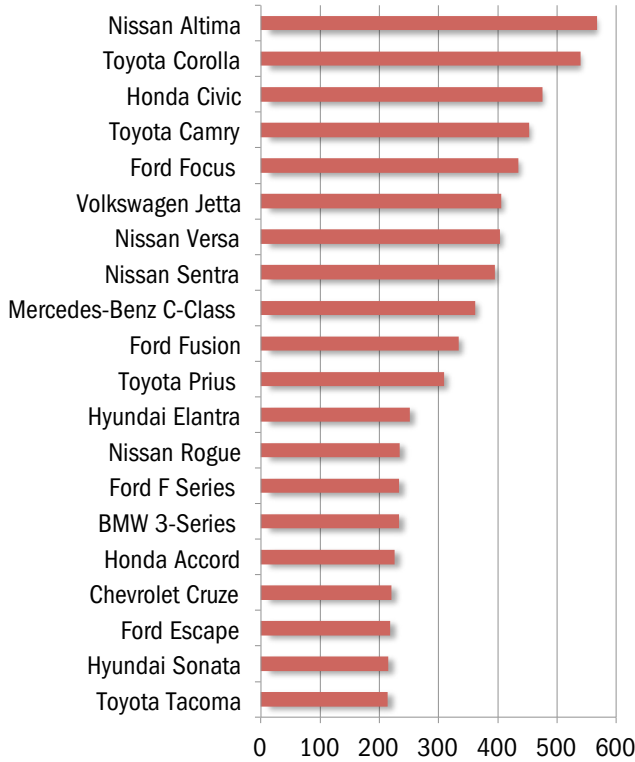
TOP SELLING MODELS

3-Series is Best Seller in 3 to 4 Year Old Market

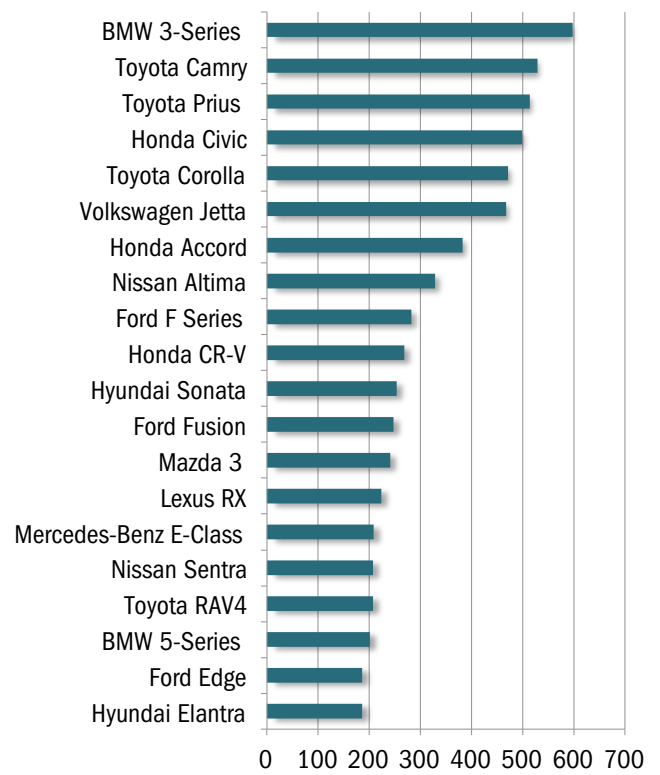
Altima and Corolla are leaders in 2 year old or newer category

The graphs below show top selling models in two age categories: vehicles two years old or newer, and three and four year old vehicles.
Source: Polk.

Top 20 Selling Models (Two years old or newer)
Used retail registrations, YTD '14 thru May



Top 20 Selling Models (3 and 4 years old)
Used retail registrations, YTD '14 thru May



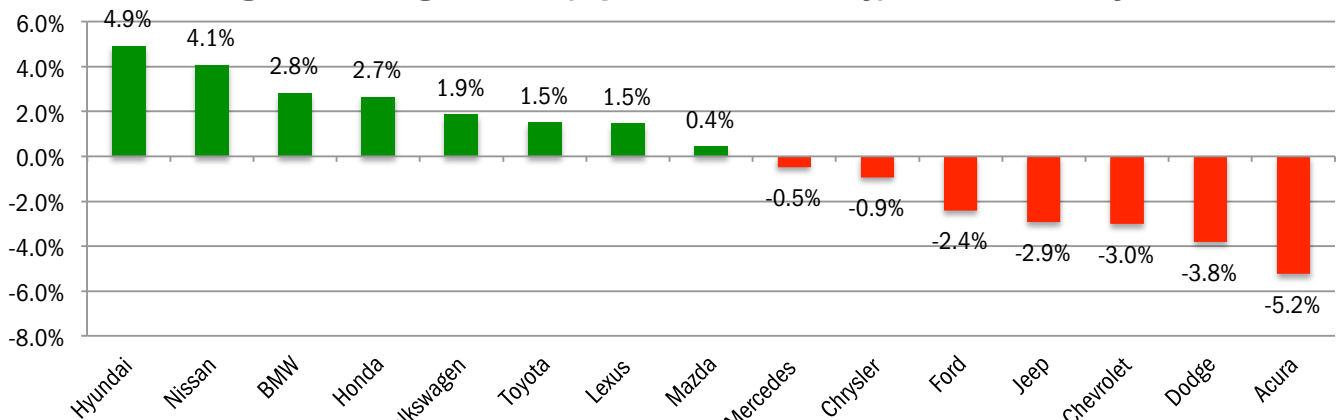
USED VEHICLE BRAND SCOREBOARD

Used Hyundai Registrations Increase 4.9%

Registrations for seven other brands move higher

The graph below shows the percent change in used registrations for the top 15 selling makes during the first 5 months of this year vs. year earlier.

Percent Change in Used Registrations (top 15 brands in county) - YTD '14 thru May vs. YTD '13



Source: Polk.