

San Diego Auto Outlook

Comprehensive information on the San Diego County new vehicle market



FORECAST

Small Increase Predicted for County New Vehicle Market in '15

This year's increase follows the 5.6% improvement in 2014; market is up 90% between '09 and '14!

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 2015.

Forces leading the market higher

- Low interest rates and mild inflation growth have kept new vehicle affordability at historically strong levels. Many economists are expecting a slight increase in interest rates in 2015, but wages are likely to move higher and gas prices have fallen, which should give a boost to disposable incomes.
- Payrolls grew steadily during 2014, and the majority of labor market economists are expecting this trend to continue in 2015. Employment levels have been posting impressive increases, while the unemployment

rate is down considerably from the highs in 2009. Increasing employment is an obvious plus for new vehicle sales.

- Pent up demand and benefits to “upgrade” should continue to give the market a boost. The average age of vehicles on the road exceeds 10 years, which based on historical standards, is very high. Some have argued that due to improvements in quality and durability, this is to be expected, and the time-line needed to replace vehicles is stretching out. But this only tells part of the story. Greatly improved safety, fuel economy, performance, and technology in today’s cars and trucks provides a powerful motivation for consumers to enter the new vehicle market. The average ten year-old, 2005 model year vehicle can’t even come close to a new, 2015 model. From a car owner’s standpoint, the motivation to upgrade is powerful.

Forces holding the market back

- While U.S. economic growth was solid for most of 2014, the global economy has slowed considerably. Japan is in a recession, Chinese growth has slowed, and Europe appears to be on the verge of a recession, with deflation. Continued weakness in the global economy could eventually impact the U.S. in the form of slower employment growth, and stagnant incomes.
- 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. In addition, many have insufficient savings for retirement, necessitating further restraint in retail spending.

Wrap up: Positive factors will likely lead the market higher in 2015, but we believe that the negative factors will place a ceiling on how high new vehicle sales will go, and we could approach that ceiling by 2016.

Annual Trend in County Market



Market Summary

	YTD '13 thru Dec	YTD '14 thru Dec*	% Chg. '13 to '14	Mkt. Share YTD '14*
TOTAL	139,370	147,237	5.6%	
Car	85,502	88,117	3.1%	59.8%
Light Truck	53,868	59,120	9.7%	40.2%
Detroit Three	35,100	36,647	4.4%	24.9%
European	22,790	23,495	3.1%	16.0%
Japanese	70,592	76,338	8.1%	51.8%
Korean	10,888	10,757	-1.2%	7.3%

The graph above shows annual new retail light vehicle registrations in the county from 2008 thru 2014, and Auto Outlook's projections for all 2015. Note: figures for December '14 were estimated by Auto Outlook. Historical data source: Polk.

Detroit Three consists of vehicles sold by GM, Ford, and Chrysler.
*Figures for December, 2014 were estimated by Auto Outlook.

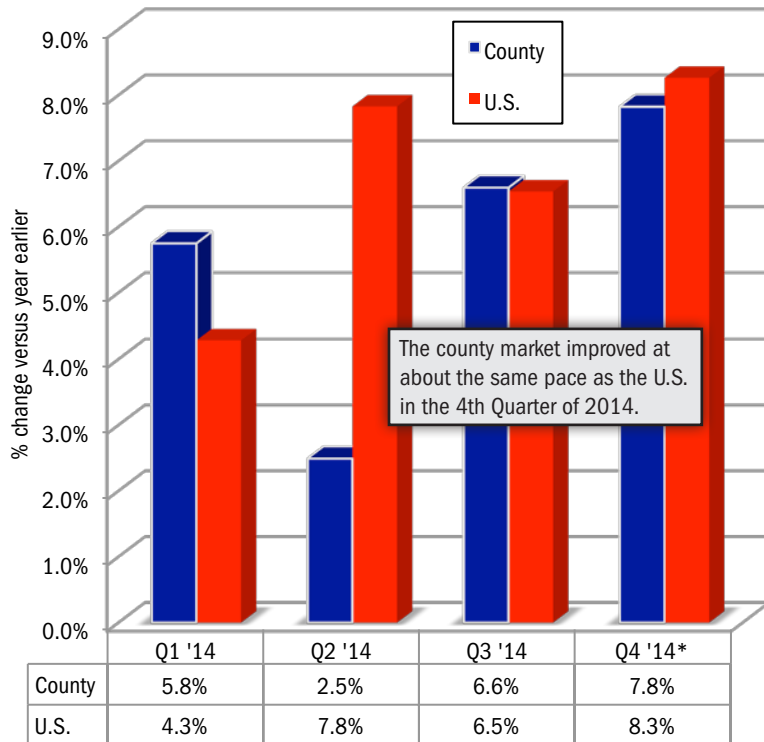
Source: Polk.

MARKET TRACKER: QUARTERLY RESULTS

County Market Increased 7.8% in 4th Quarter of '14 vs. 8.3% in U.S.

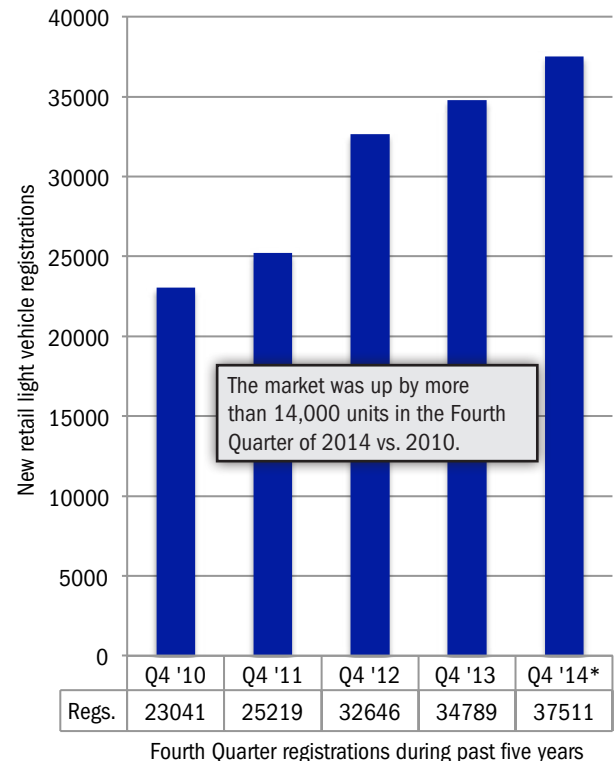
QUARTERLY TREND

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 2014 were estimated by Auto Outlook based on data for October and November.

Data Source: Polk.

* Figures for Fourth Quarter 2014 were estimated by Auto Outlook based on data for October and November.

Data Source: Polk.

San Diego Auto Outlook

Covering Fourth Quarter 2014

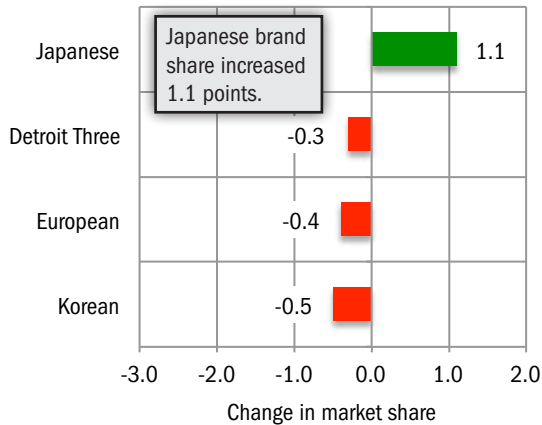
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MARKET TRACKER: BRAND MARKET SHARE

Japanese Brands Are Up

Change in County Market Share
2014* vs. 2013

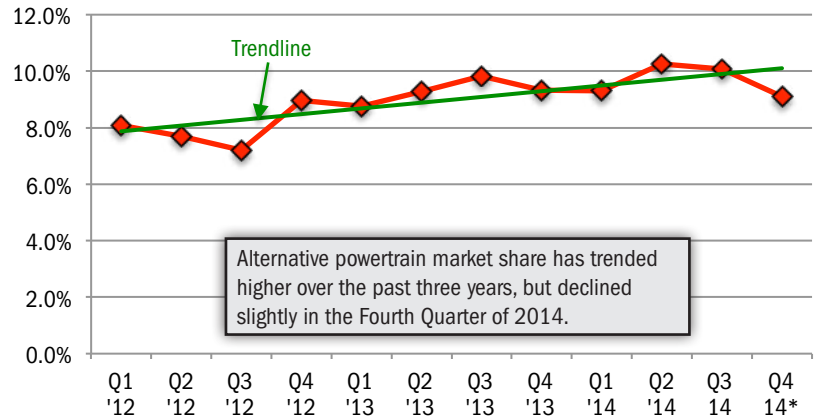


The graph above shows the change in year-to-date market share for four primary brand segments. *Figures for December, 2014 were estimated by Auto Outlook. Data Source: Polk.

MARKET TRACKER: HYBRID AND ELECTRIC VEHICLES

Hybrid/Electric Share Moves Lower

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. *Fourth Quarter 2014 includes October and November. Source: Polk.

MARKET TRACKER - SEGMENTS

Falling Gas Prices Fuel Increase in Light Truck Sales

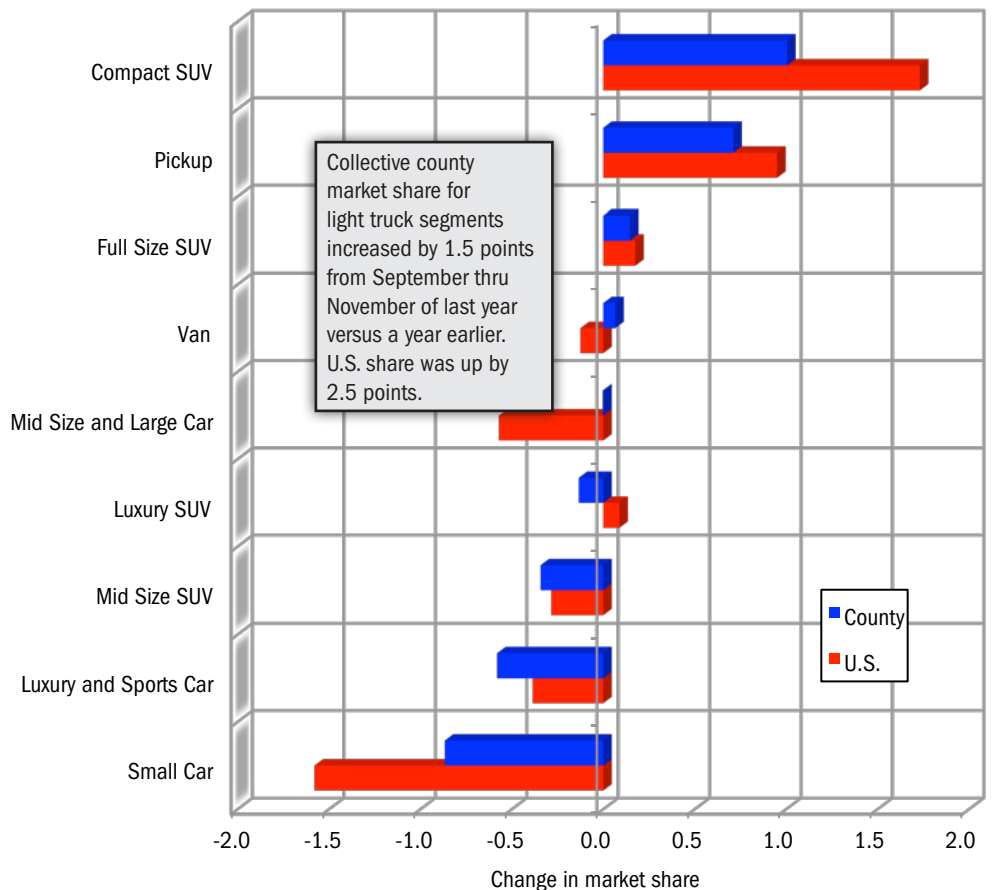
Change in Segment Market Share

Sept. '14 thru Nov. '14
vs.
Sept. '13 thru Nov. '13

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



Collective county market share for light truck segments increased by 1.5 points from September thru November of last year versus a year earlier. U.S. share was up by 2.5 points.

Data Source: Polk.

BRAND MARKET SHARE TRENDS

Nissan Market Share Trend Is Up

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:

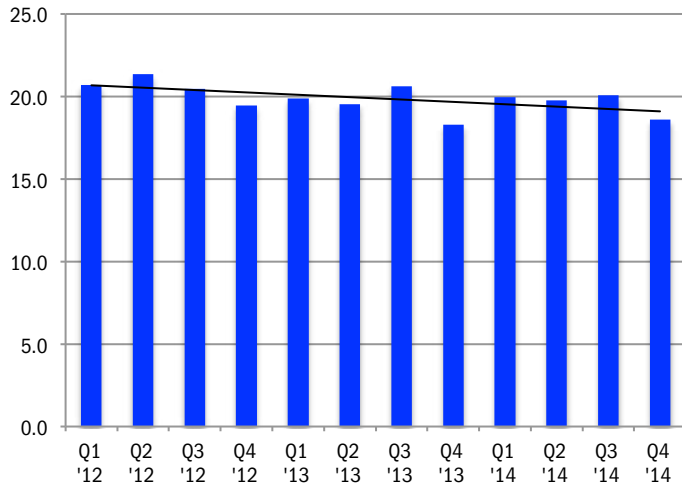
The three year market share trend for these brands is up sharply: Nissan, BMW, and Lexus.

Three year market share trend for these brands is roughly flat: Toyota, Honda, Ford, and Chevrolet.

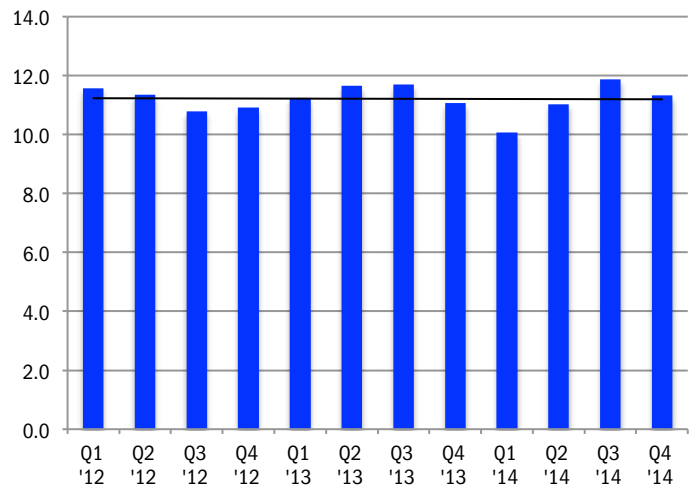
Three year market share trend for these brands is declining: Volkswagen, Hyundai, and Kia.

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.

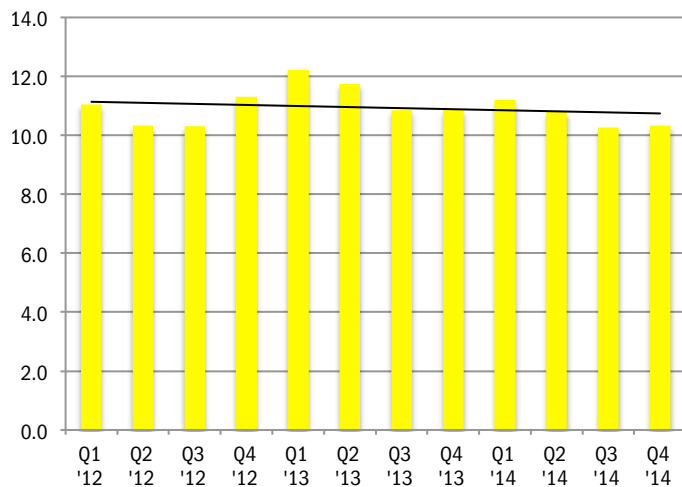
Toyota Quarterly Market Share (%)



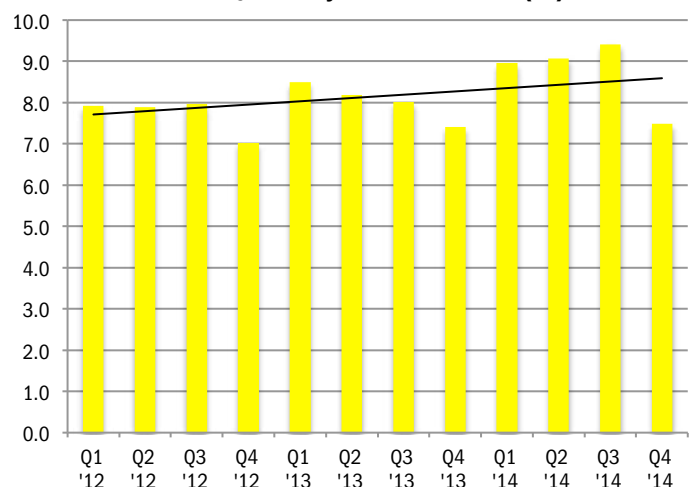
Honda Quarterly Market Share (%)



Ford Quarterly Market Share (%)



Nissan Quarterly Market Share (%)

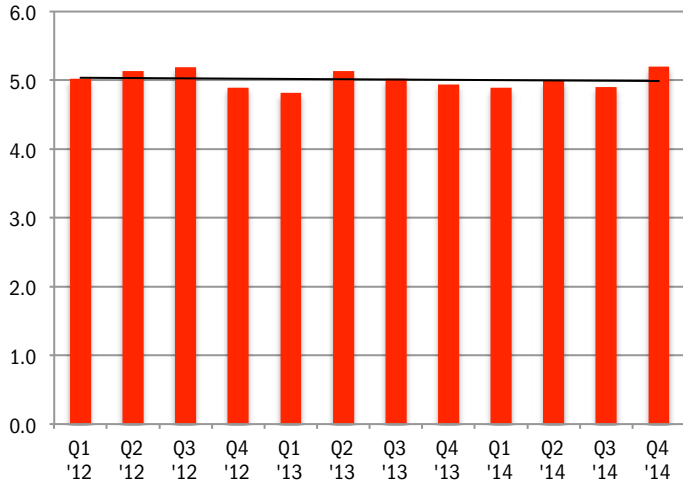


BRAND MARKET SHARE TRENDS

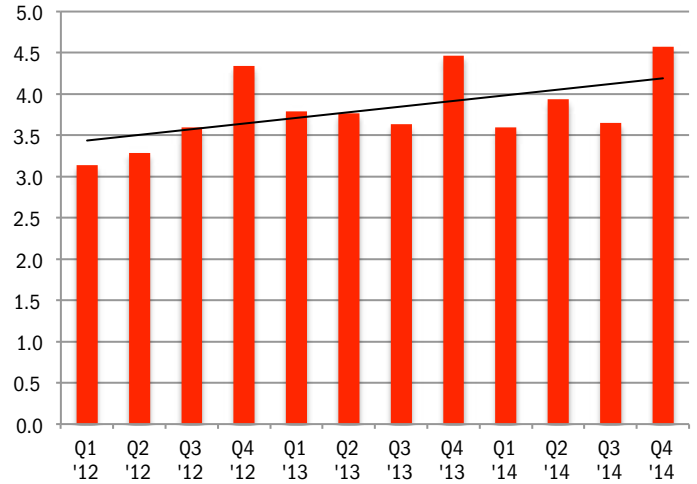
BMW and Lexus Post Big Gains

Volkswagen, Hyundai, and Kia are declining

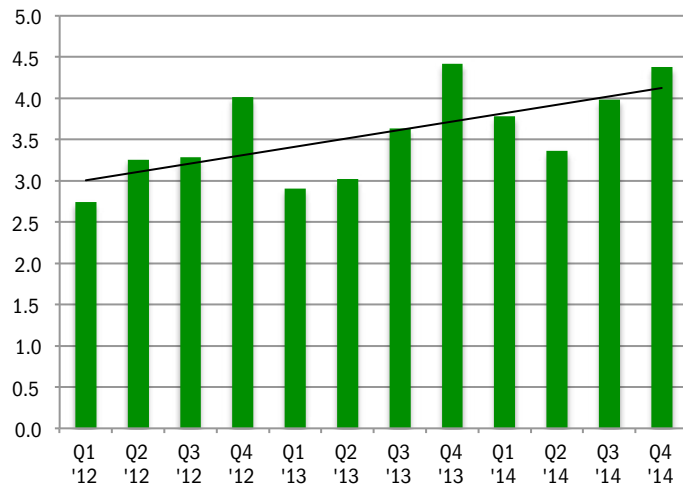
Chevrolet Quarterly Market Share (%)



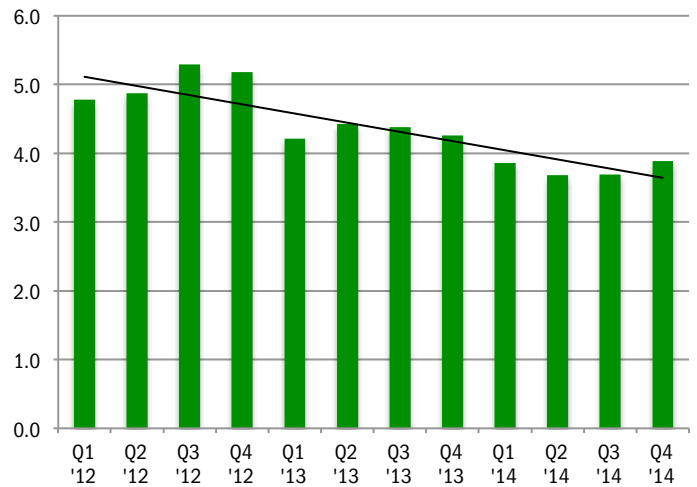
BMW Quarterly Market Share (%)



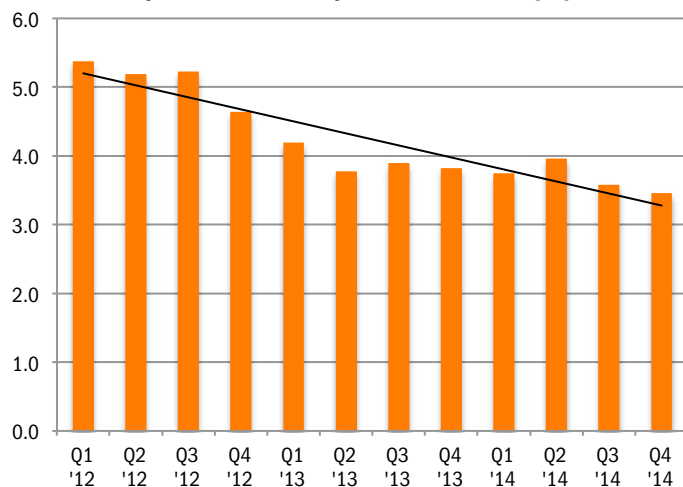
Lexus Quarterly Market Share (%)



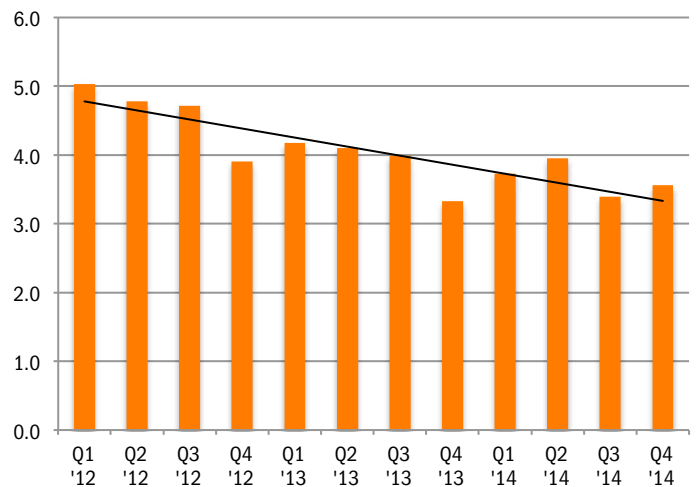
Volkswagen Quarterly Market Share (%)



Hyundai Quarterly Market Share (%)



Kia Quarterly Market Share (%)



BRAND SCOREBOARD

Toyota is Top Rated Brand in County

Lexus, BMW, 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.

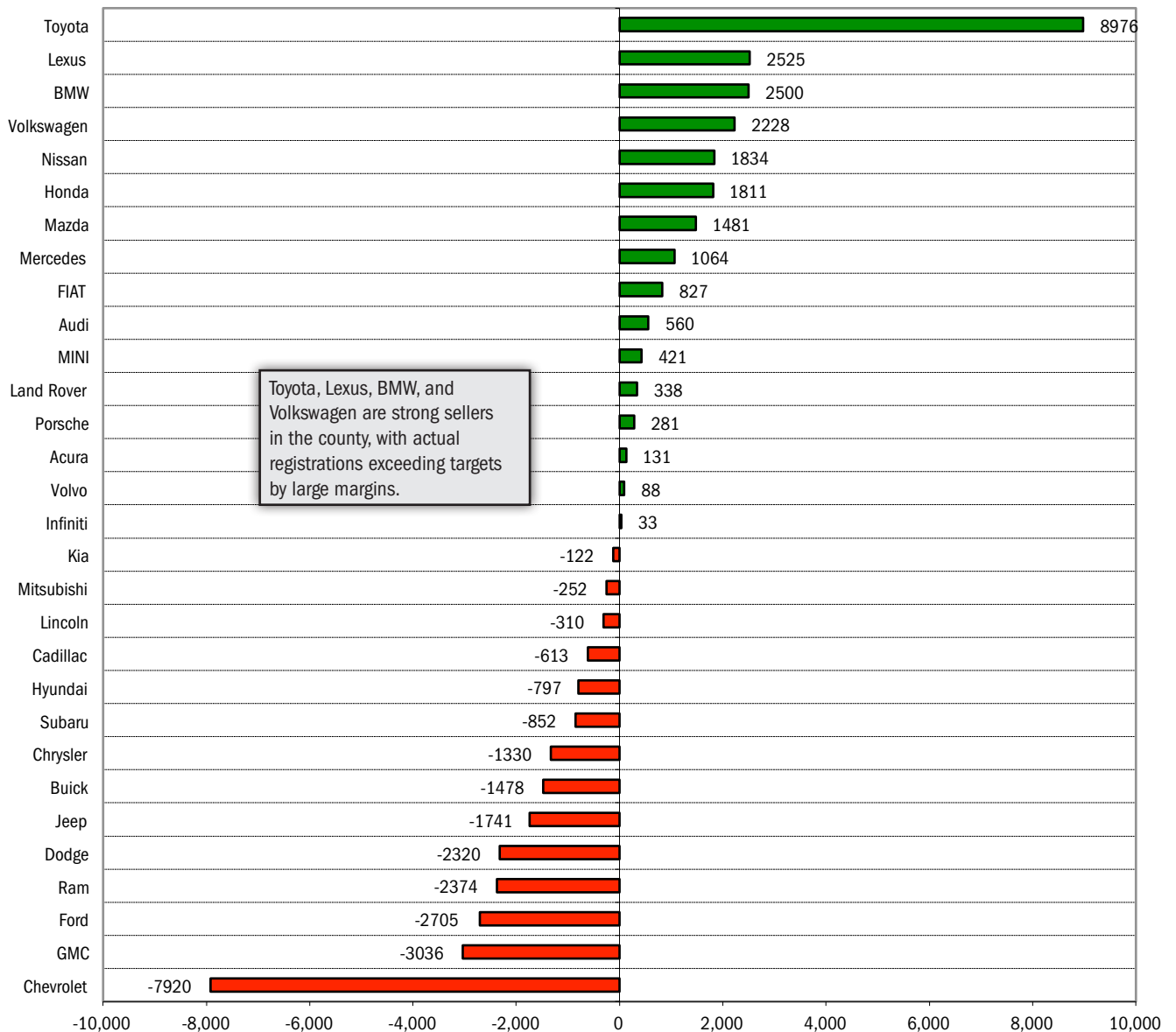
in the county during 2014. This yields a “target” for the county market. Target registrations are subtracted from actual registrations to derive the measurement of sales performance.

registrations exceeding calculated targets by large margins. For instance, Toyota registrations exceeded the target by 8,976 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, Lexus, BMW, and Volkswagen) are relatively strong sellers in the county, with actual regis-

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

Source for registration data: Polk.

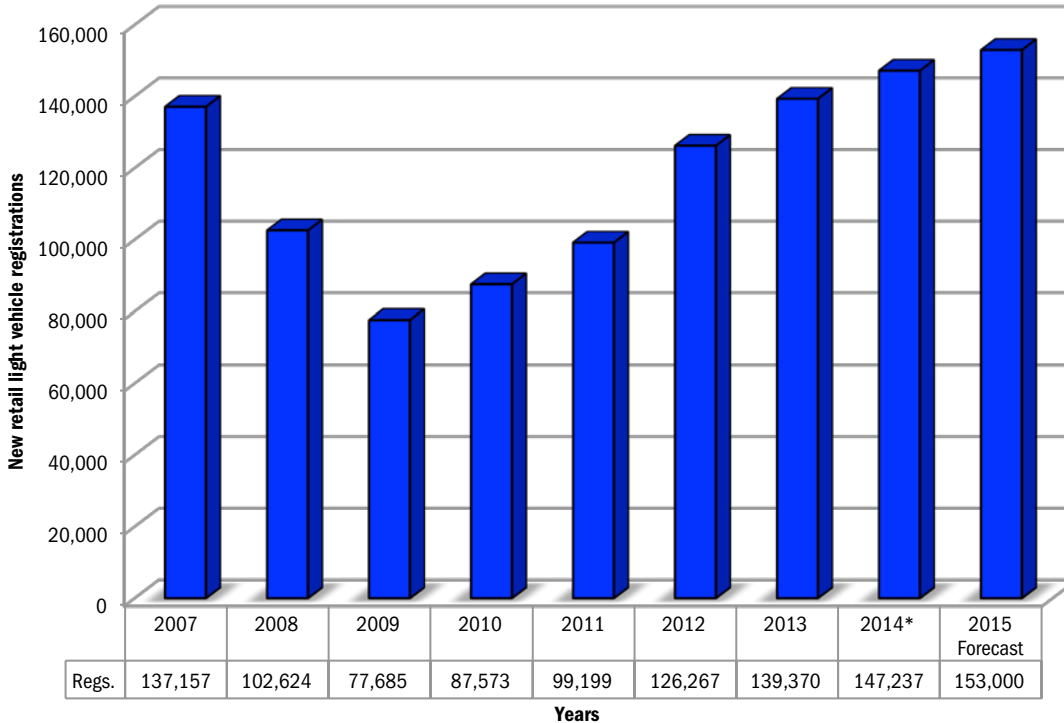
LONG TERM TRENDS

Further Improvement Predicted for Market in 2015

Market predicted to increase for sixth 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 2014, along with Auto Outlook’s forecast for 2015. The second graph shows light truck share of the overall light vehicle market.

County New Retail Light Vehicle Registrations - 2007 thru 2014, 2015 Forecast



Key Trends

Between 2009 (the low point during the market downturn) and 2014, county new retail light vehicle registrations have increased by nearly 70,000 units, an increase of 90%!

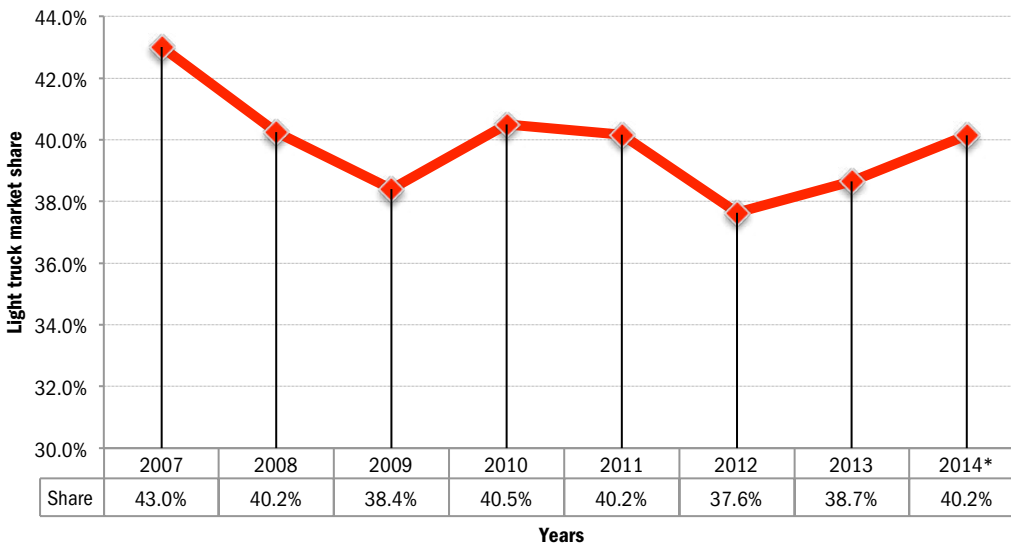
The market was up 5.6% last year versus 2013, and Auto Outlook is predicting a 3.9% increase this year.

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

Historical Data Source: Polk.

* December 2014 figures were estimated by Auto Outlook.

County New Retail Light Truck Market Share - 2007 thru 2014



Key Trends

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

After declining from 2011 to 2012, light truck share increased to 40.2% in 2014.

Source: Polk.

* December 2014 figures were estimated by Auto Outlook.

Brand Registrations Report												
San Diego County New Retail Car and Light Truck Registrations												
	Fourth Quarter*						Annual Totals					
	Registrations			Market Share (%)			Registrations			Market Share (%)		
	4Q 2013	4Q 2014	% change	4Q 2013	4Q 2014	Change	2013	2014*	% change	2013	2014*	Change
TOTAL	34,789	37,511	7.8				139,370	147,237	5.6			
Cars	20,873	22,031	5.5	60.0	58.7	-1.3	85,502	88,117	3.1	61.3	59.8	-1.5
Light Trucks	13,916	15,480	11.2	40.0	41.3	1.3	53,868	59,120	9.7	38.7	40.2	1.5
Domestic Brands	8,646	9,419	8.9	24.9	25.1	0.2	35,100	36,647	4.4	25.2	24.9	-0.3
European Brands	6,276	6,639	5.8	18.0	17.7	-0.3	22,790	23,495	3.1	16.4	16.0	-0.4
Japanese Brands	17,379	18,864	8.5	50.0	50.3	0.3	70,592	76,338	8.1	50.7	51.8	1.1
Korean Brands	2,488	2,589	4.1	7.2	6.9	-0.3	10,888	10,757	-1.2	7.8	7.3	-0.5
Acura	505	561	11.1	1.5	1.5	0.0	1,849	1,854	0.3	1.3	1.3	0.0
Audi	585	697	19.1	1.7	1.9	0.2	2,106	2,365	12.3	1.5	1.6	0.1
BMW	1,553	1,715	10.4	4.5	4.6	0.1	5,449	5,809	6.6	3.9	3.9	0.0
Buick	143	160	11.9	0.4	0.4	0.0	598	545	-8.9	0.4	0.4	0.0
Cadillac	298	266	-10.7	0.9	0.7	-0.2	1,090	1,048	-3.9	0.8	0.7	-0.1
Chevrolet	1,719	1,952	13.6	4.9	5.2	0.3	6,949	7,363	6.0	5.0	5.0	0.0
Chrysler	120	191	59.2	0.3	0.5	0.2	610	618	1.3	0.4	0.4	0.0
Dodge	481	466	-3.1	1.4	1.2	-0.2	2,369	2,150	-9.2	1.7	1.5	-0.2
FIAT	237	292	23.2	0.7	0.8	0.1	1,050	1,279	21.8	0.8	0.9	0.1
Ford	3,780	3,878	2.6	10.9	10.3	-0.6	15,891	15,654	-1.5	11.4	10.6	-0.8
GMC	414	474	14.5	1.2	1.3	0.1	1,419	1,570	10.6	1.0	1.1	0.1
Honda	3,848	4,246	10.3	11.1	11.3	0.2	15,922	16,357	2.7	11.4	11.1	-0.3
Hyundai	1,330	1,298	-2.4	3.8	3.5	-0.3	5,457	5,422	-0.6	3.9	3.7	-0.2
Infiniti	395	319	-19.2	1.1	0.9	-0.2	1,407	1,184	-15.8	1.0	0.8	-0.2
Jaguar	77	73	-5.2	0.2	0.2	0.0	226	254	12.4	0.2	0.2	0.0
Jeep	1,064	1,148	7.9	3.1	3.1	0.0	3,775	4,870	29.0	2.7	3.3	0.6
Kia	1,158	1,335	15.3	3.3	3.6	0.3	5,431	5,379	-1.0	3.9	3.7	-0.2
Land Rover	206	220	6.8	0.6	0.6	0.0	849	860	1.3	0.6	0.6	0.0
Lexus	1,537	1,642	6.8	4.4	4.4	0.0	4,886	5,716	17.0	3.5	3.9	0.4
Lincoln	130	143	10.0	0.4	0.4	0.0	531	548	3.2	0.4	0.4	0.0
Mazda	980	1,015	3.6	2.8	2.7	-0.1	3,962	4,436	12.0	2.8	3.0	0.2
Mercedes	1,386	1,392	0.4	4.0	3.7	-0.3	4,143	4,420	6.7	3.0	3.0	0.0
MINI	243	250	2.9	0.7	0.7	0.0	1,147	991	-13.6	0.8	0.7	-0.1
Mitsubishi	116	129	11.2	0.3	0.3	0.0	483	540	11.8	0.3	0.4	0.1
Nissan	2,575	2,807	9.0	7.4	7.5	0.1	11,166	12,858	15.2	8.0	8.7	0.7
Other	148	184	24.3	0.4	0.5	0.1	449	645	43.7	0.3	0.4	0.1
Porsche	198	207	4.5	0.6	0.6	0.0	694	743	7.1	0.5	0.5	0.0
Ram	346	443	28.0	1.0	1.2	0.2	1,171	1,678	43.3	0.8	1.1	0.3
Subaru	1,058	1,228	16.1	3.0	3.3	0.3	3,610	4,604	27.5	2.6	3.1	0.5
Tesla	142	195	37.3	0.4	0.5	0.1	653	480	-26.5	0.5	0.3	-0.2
Toyota	6,365	6,973	9.6	18.3	18.6	0.3	27,301	28,835	5.6	19.6	19.6	0.0
Volkswagen	1,482	1,459	-1.6	4.3	3.9	-0.4	6,029	5,563	-7.7	4.3	3.8	-0.5
Volvo	170	153	-10.0	0.5	0.4	-0.1	698	599	-14.2	0.5	0.4	-0.1

*December 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 Moved Higher in 2014

Used vehicle registrations increase by 3.6% thru November of 2014

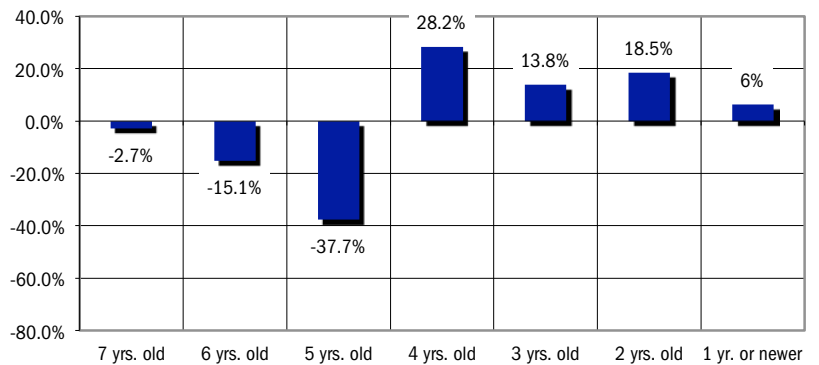
Below is a list of key trends in the San Diego County retail used vehicle market:

- Retail used registrations in the county increased 3.6% during the first eleven 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) narrowed a bit toward the end of 2014. The three month moving average of new vehicle registrations increased by 7% between September and November of last year (versus a year earlier), while 6 year old or newer used registrations were up 28%.
- The sharp decline in new vehicle sales for 2009 has led to short supplies of five year old vehicles, leading to the 37.7% drop in five year old vehicle registrations.
- Used light truck registrations increased 3.1%, while cars were up by 4%.
- Toyota Corolla was the best-selling model in the county among 6 year old or newer vehicles. Hyundai Elantra registrations were up 50%.
- Among the top 15 selling brands, Hyundai, Volkswagen, Nissan, and Mercedes had the largest increases in used registrations last year.

San Diego County Retail Used Light Vehicle Registrations YTD thru November					
	Registrations		% Change '13 TO '14	Market Share	
	YTD '13	YTD '14		YTD '13	YTD '14
TOTAL	257,602	266,960	3.6%		
Cars	155,218	161,440	4.0%	60.3%	60.5%
Light Trucks	102,384	105,520	3.1%	39.7%	39.5%
Detroit Three	95,805	96,436	0.7%	37.2%	36.1%
European	39,892	42,693	7.0%	15.5%	16.0%
Japanese	111,871	116,207	3.9%	43.4%	43.5%
Korean	10,034	11,624	15.8%	3.9%	4.4%

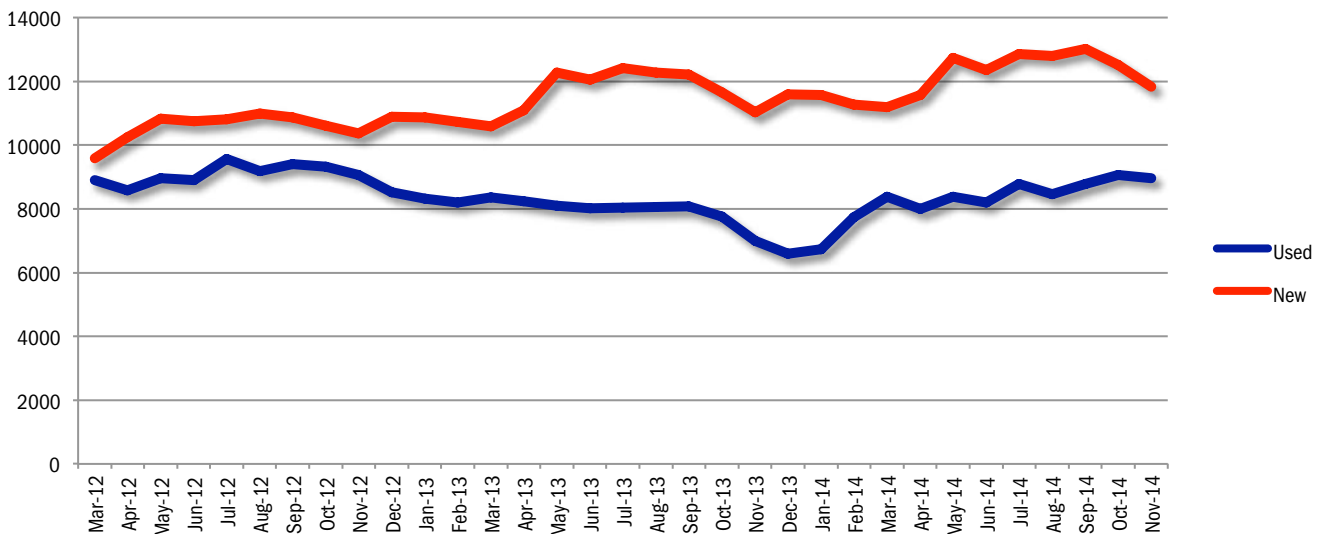
Source: Polk.

Percent Change in County Retail Used Registrations by Vehicle Age, YTD 2014 thru November 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)



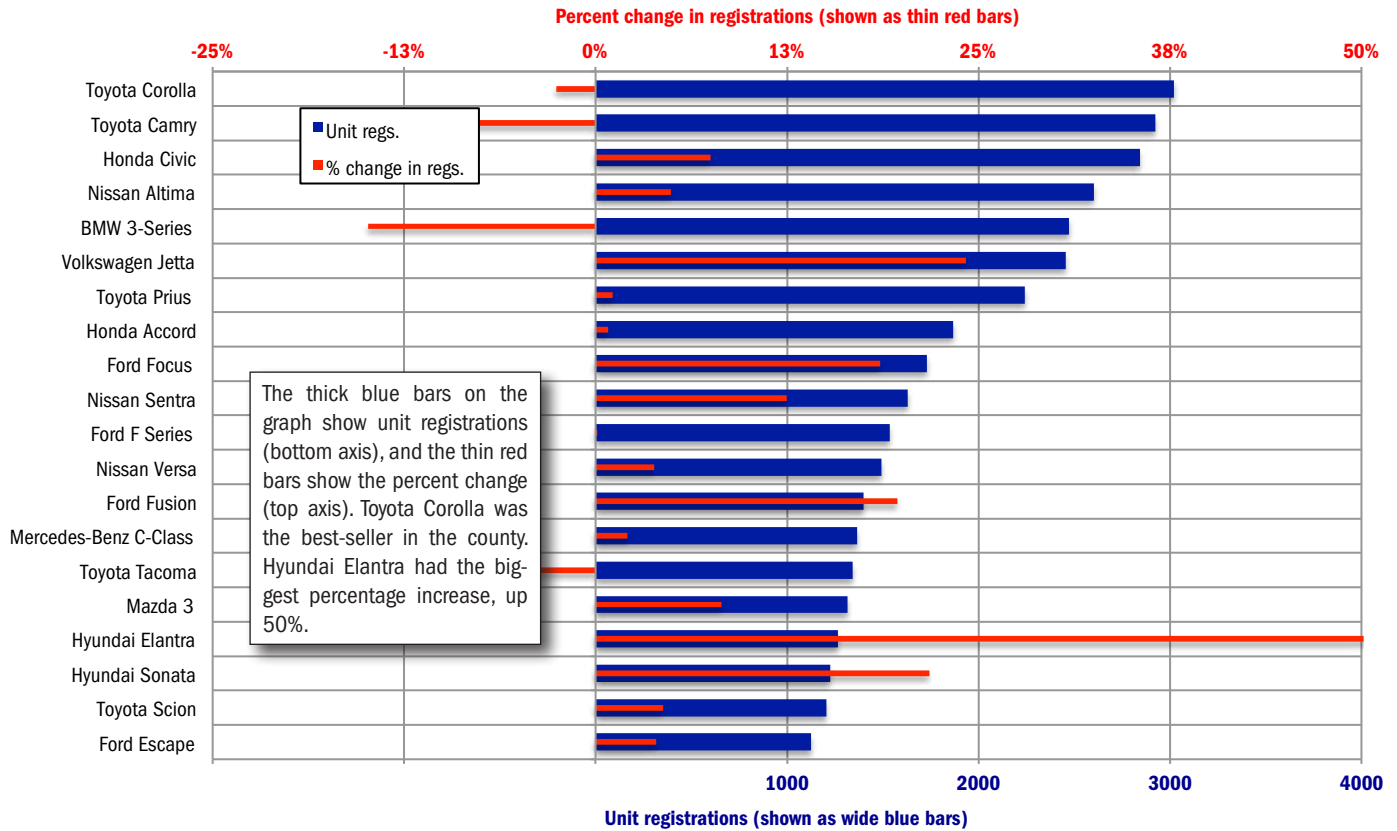
Source: Polk.

TOP SELLING MODELS

Toyota Corolla Best Seller in County Market

Hyundai Elantra has Big Percentage Gain

Registrations (ytd '14 thru Nov.) and Percent Change in registrations (ytd '14 thru Nov. vs. ytd '13)
Top 20 Selling Models (6 years old or newer)



The thick blue bars on the graph show unit registrations (bottom axis), and the thin red bars show the percent change (top axis). Toyota Corolla was the best-seller in the county. Hyundai Elantra had the biggest percentage increase, up 50%.

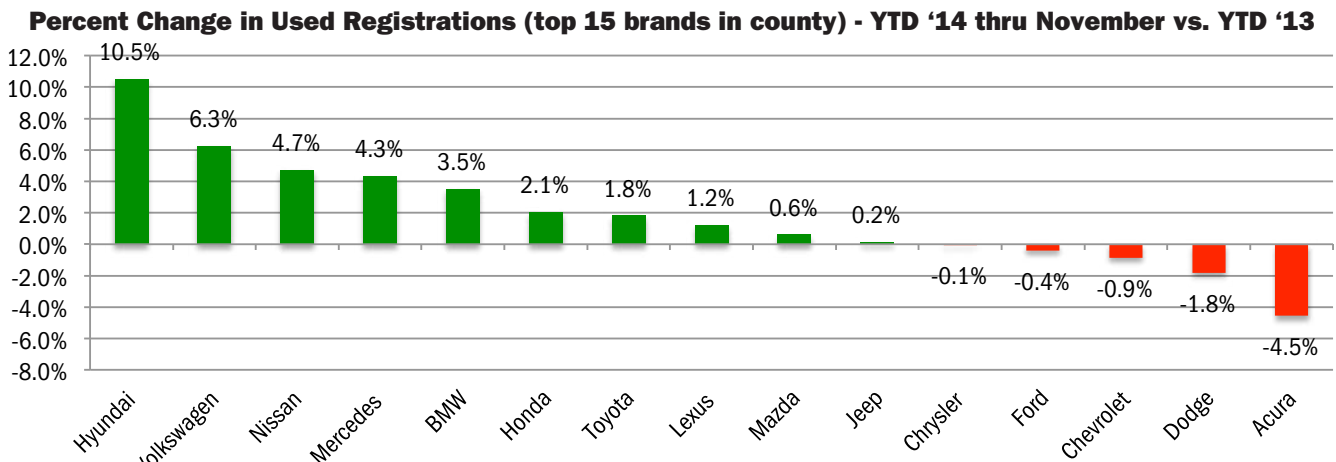
Source: Polk.

USED VEHICLE BRAND SCOREBOARD

Used Hyundai Registrations Increase 10.5%

Registrations for nine other brands move higher

The graph below shows the percent change in used registrations for the top 15 selling makes during the first 11 months of 2014 vs. year earlier.



Source: Polk.