

# San Diego Auto Outlook



NEW CAR DEALERS ASSOCIATION  
SAN DIEGO COUNTY

Comprehensive information on the San Diego County new vehicle market

## FORECAST

### County New Vehicle Registrations Remain at Healthy Levels



**Key factors providing a boost to new vehicle sales**

**Motivation to upgrade.** The average age of vehicles on the road exceeds 10 years old. Today's new cars and trucks are far superior to the average 10 year old vehicle. Advanced safety technologies, which were once expensive options exclusive to luxury brands, are now standard features on many mass-market vehicles. In addition, an ever-expanding array of new products fulfilling every conceivable market niche and powertrain type will continue to entice consumers into the new vehicle market.

**Economic growth is positive; labor market is strong.** GDP growth has shifted into a higher gear during 2018 and most economists expect growth to remain solid over the next year. Correspondingly, the unemployment rate has moved lower, employment gains have been steady, and incomes are increasing.

**Consumer confidence is robust.** Most measures of consumer attitudes have reached 18 year highs over the past few months. There are some risks, but strong economic growth combined with upbeat consumers should be enough to keep new vehicle sales strong.

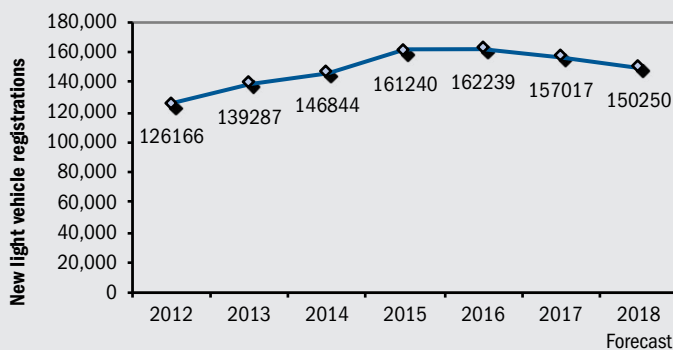


**Key factors holding back new vehicle sales**

**Used and new vehicle price gap is widening.** For most of this decade, tight supplies of late model used vehicles gave a boost to pre-owned car and truck prices. This helped keep the difference between new and used vehicle prices relatively small. But that dynamic is now changing. Several years of strong new vehicle sales and higher off-lease volumes are feeding used vehicle supplies, which will eventually lead to softening prices. This has contributed to a widening in the gap between the cost of new and used. As a result, an increasing number of automotive consumers will likely view the purchase of a used vehicle as an appealing proposition, which will syphon sales away from the new vehicle market.

**Rising interest rates.** After several years of hovering near zero, interest rates are on the rise. It's not going to be an abrupt, upward march, but borrowing costs are almost certain to increase over the next 12 to 18 months. Higher interest rates lead to increased monthly finance and lease payments, which put a drag on new vehicle sales.

**Annual Trend in County Market**



Historical Data Source: IHS Markit.

The graph above shows annual new retail light vehicle registrations in the county from 2012 thru 2017 and Auto Outlook's projection for 2018.

**Market Summary**

	YTD '17 thru Sept.	YTD '18 thru Sept.	% Chg. '17 to '18	Mkt. Share YTD '18
TOTAL	117,840	112,933	-4.2%	
Car	54,718	48,329	-11.7%	42.8%
Light Truck	63,122	64,604	2.3%	57.2%
Domestic	31,096	31,392	1.0%	27.8%
European	17,448	16,683	-4.4%	14.8%
Japanese	60,016	55,952	-6.8%	49.5%
Korean	9,280	8,906	-4.0%	7.9%

Source: IHS Markit.

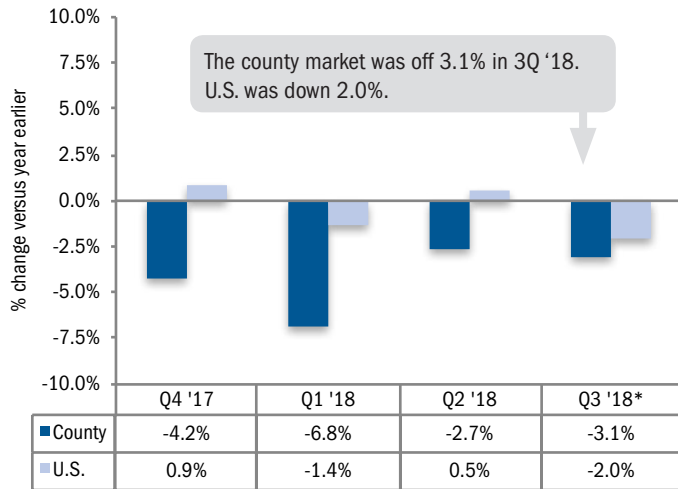
Domestics consist of vehicles sold by GM, Ford, FCA (excluding Alfa and FIAT), and Tesla. Historical figures were revised by IHS Markit and will differ slightly from those shown in previous releases. \*Figures for Sept. '18 were estimated by Auto Outlook.

MARKET TRACKER: QUARTERLY RESULTS

# County Registrations Declined Slightly in Third Quarter '18

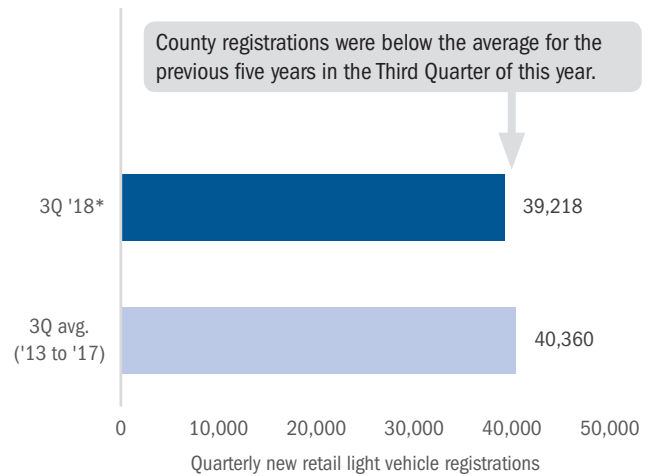
### QUARTERLY TREND

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



### QUARTERLY PERSPECTIVE

3Q 2018 Registrations Versus Average for Previous Five Years



\* Figures for the Third Quarter of 2018 were estimated by Auto Outlook based on data for July and August. Source: IHS.

\* Figures for 3Q 2018 were estimated by Auto Outlook based on data for July and August. Source: IHS.

MARKET TRACKER: COUNTY MARKET VERSUS U.S.

## County Car Market Share Falls to 42.8%

	County Market		U.S. Market	
<b>Percent change in registrations</b>				
<b>YTD '18 thru Sept.* vs. YTD '17</b>		-4.2%		-1.0%
<b>Passenger car market share</b>				
<b>YTD '18 thru Sept.*</b>		42.8%		31.5%
<b>Domestic brand market share</b>				
<b>YTD '18 thru Sept.*</b>		27.8%		41.8%
<b>Top 10 brands and market share</b>				
<b>YTD '18 thru Sept.*</b>				
First	Toyota	17.7%	Toyota	13.5%
Second	Honda	12.6%	Ford	11.7%
Third	Ford	9.7%	Chevrolet	10.9%
Fourth	Nissan	6.2%	Honda	10.2%
Fifth	Chevrolet	6.0%	Nissan	6.5%
Sixth	Subaru	4.5%	Jeep	6.2%
Seventh	Kia	4.3%	Subaru	4.4%
Eighth	Jeep	3.6%	Hyundai	3.7%
Ninth	Hyundai	3.4%	Kia	3.5%
Tenth	BMW	3.4%	GMC	3.2%

\*September 2018 figures estimated by Auto Outlook

Source: IHS Markit

## San Diego Auto Outlook

### Covering Third Quarter 2018

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 PO Box 390  
 Exton, PA 19341  
 Phone: 800-206-0102  
 EMail: jfoltz@autooutlook.com  
 Editor: Jeffrey A. Foltz

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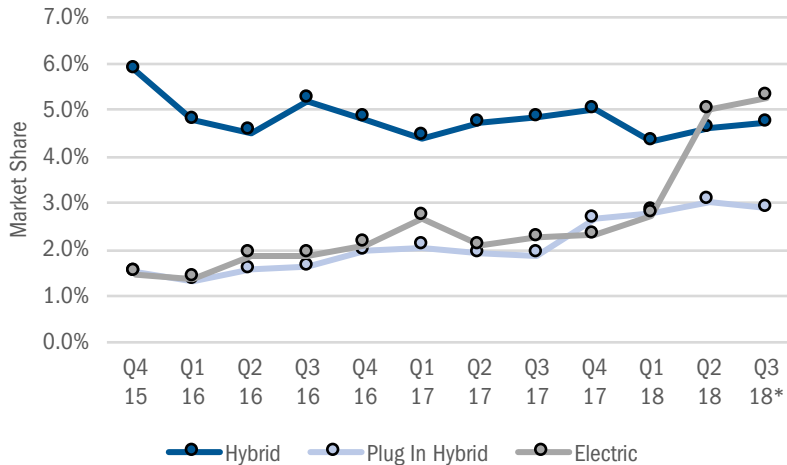
MARKET TRACKER: HYBRID AND ELECTRIC VEHICLES

# Hybrid/Electric Vehicle Market Share Heads Higher



Hybrid/electric vehicle market share in Q3 '18: **12.9%**

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. \*Third Quarter 2018 includes July and August. Source: IHS.

New Retail Hybrid and Electric Vehicle Registrations Top 10 Selling Models in County - YTD '18 thru August		
Rank	Model	Regs.
1	Tesla Model 3	2382
2	Toyota Prius	1758
3	Kia Niro	631
4	Ford Fusion	467
5	Tesla Model S	447
6	Toyota Camry	429
7	Chevrolet Volt	394
8	Hyundai Ioniq	393
9	Toyota RAV4	374
10	Chevrolet Bolt	357

MARKET TRACKER - SEGMENTS

# Compact SUVs Now Account for 17.1% of County Market

San Diego County Segment Market Share Review				
Segment	Market Share YTD '17 thru August	Market Share YTD '18 thru August	Change in share YTD '17 to '18	Best selling model in segment
Compact Car	20.4	17.3	-3.1	Honda Civic
Compact SUV	16.1	17.1	1.0	Toyota RAV4
Mid Size SUV	9.9	10.6	0.7	Toyota Highlander
Mid Size Car	10.0	9.0	-1.0	Toyota Camry
Full Size Pickup	7.1	6.9	-0.2	Ford F Series
Near Luxury Car	4.6	6.8	2.2	Tesla Model 3
Compact/Mid-Size Pickup	4.4	4.7	0.3	Toyota Tacoma
Luxury Mid Size SUV	4.0	4.2	0.2	Lexus RX
Luxury Compact SUV	3.5	4.1	0.6	Lexus NX
Subcompact Car	4.5	3.8	-0.7	Kia Soul
Subcompact SUV	2.5	3.6	1.1	Honda HR-V
Luxury and High-end Sports Cars	3.0	2.7	-0.3	BMW 5-Series
Mini Van	2.0	1.9	-0.1	Honda Odyssey
Sports/Pony cars	1.8	1.6	-0.2	Ford Mustang
Large Van	1.4	1.4	0.0	Ford Transit Connect Van
Entry Luxury Car	1.3	1.0	-0.3	Audi A3
Large SUV	1.0	1.0	0.0	Chevrolet Tahoe
Luxury Subcompact SUV	0.8	1.0	0.2	BMW X1
Large Car	0.9	0.8	-0.1	Dodge Charger
Luxury Large SUV	0.8	0.6	-0.2	Land Rover Range Rover

The table above shows San Diego county market share for 20 vehicle segments during the first eight months of 2017 and 2018, 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 2018 share. Data Source: IHS.

BRAND SCOREBOARD - PART ONE

# Registrations Increase For Seven Brands

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.

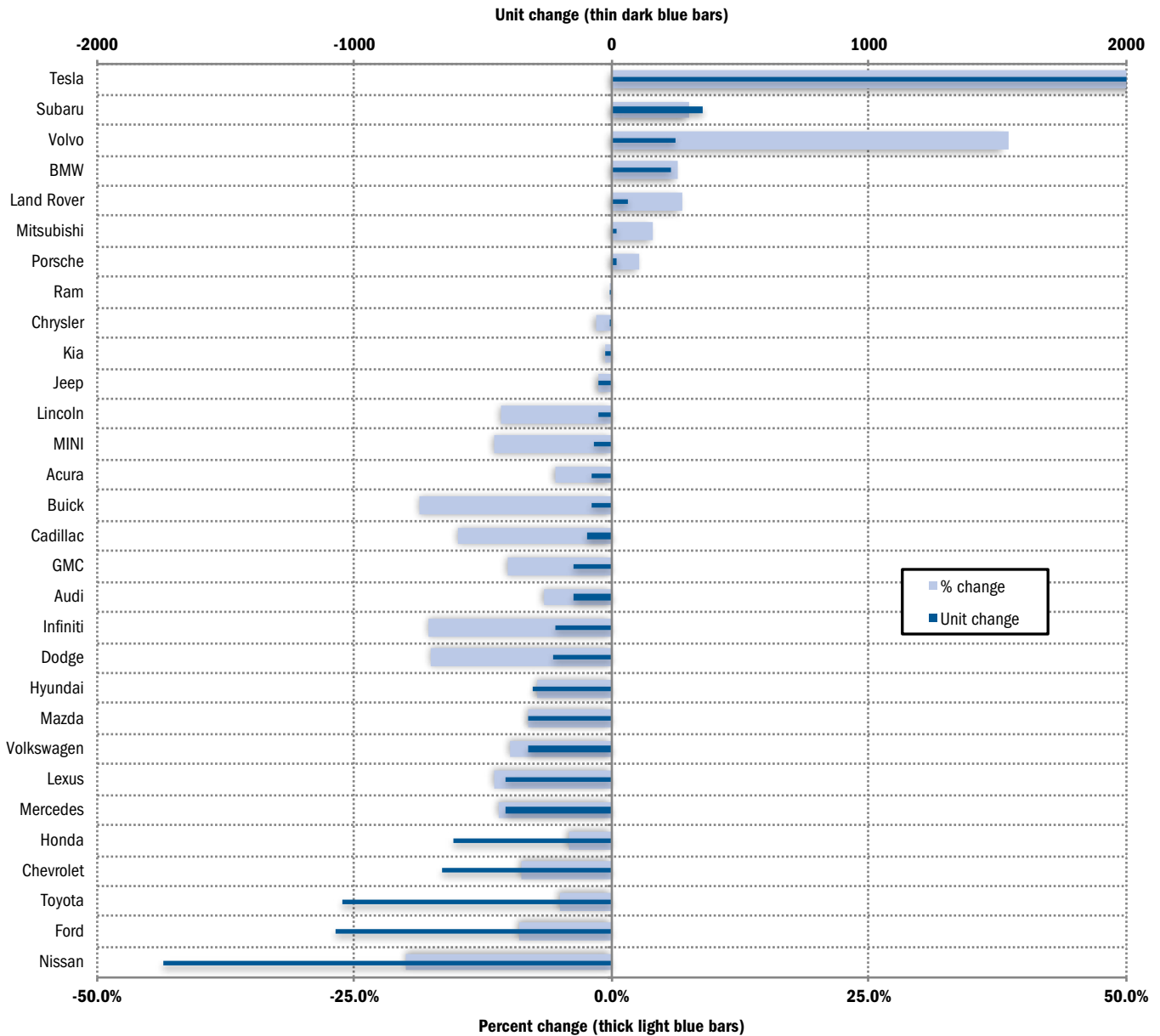
6 percent

Five brands had increases of greater than 6%: Tesla, Volvo, Subaru, Land Rover, and BMW.

200 units

Four brands had increases of greater than 200 units: Tesla, Subaru, Volvo, and BMW.

**Change in County New Retail Light Vehicle Registrations (YTD 2018 thru September\* vs. YTD 2017)**



\*Figures for Sept., 2018 were estimated by Auto Outlook.

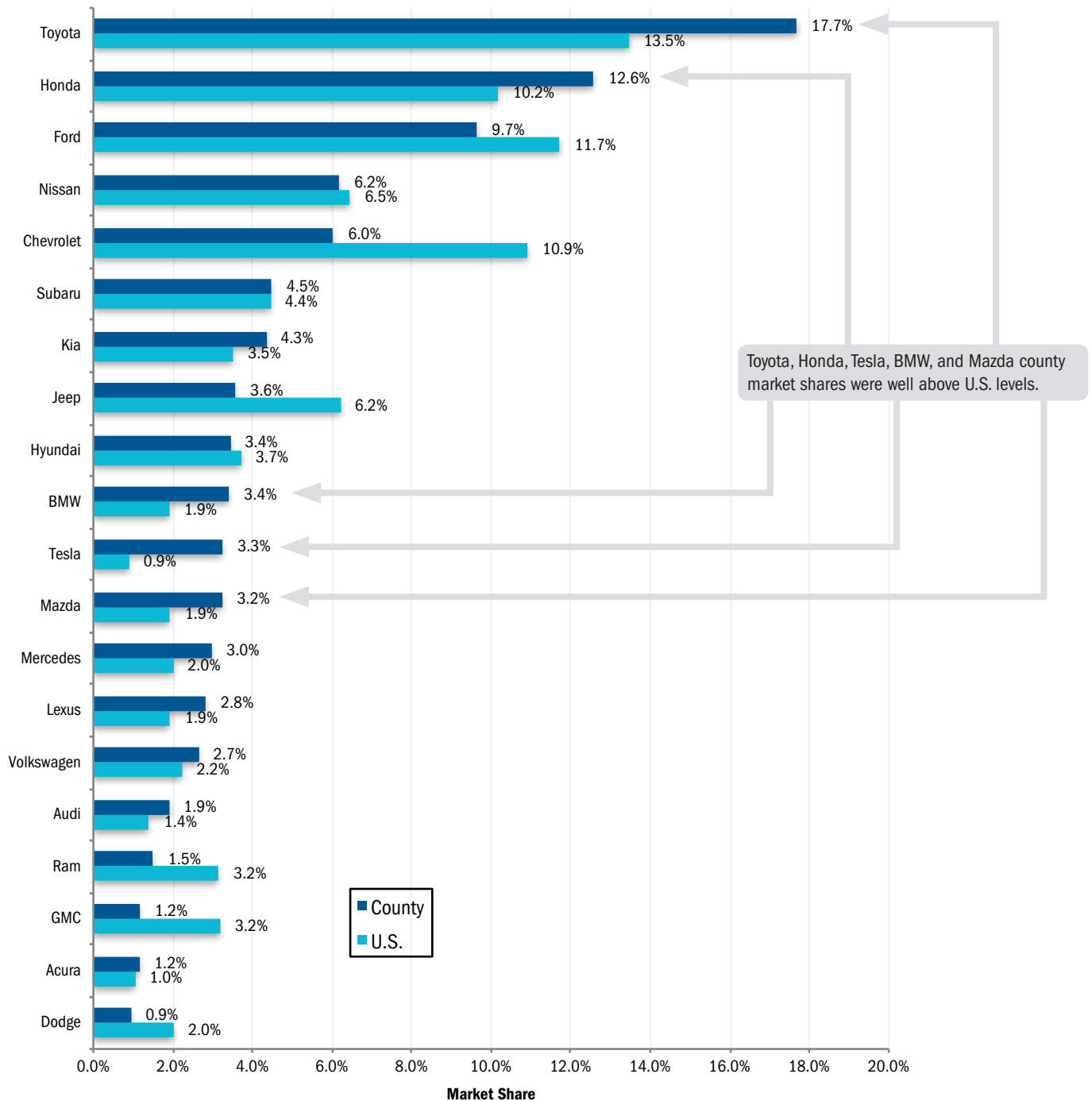
Source: IHS.

BRAND SCOREBOARD - PART TWO

# Toyota County Market Share Is Well Above U.S.

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 17.7% of the market, well above its 13.5% share in the Nation.

**County and U.S. Market Share - YTD 2018 thru September\***



\*Figures for September, 2018 were estimated.

Source: IHS.

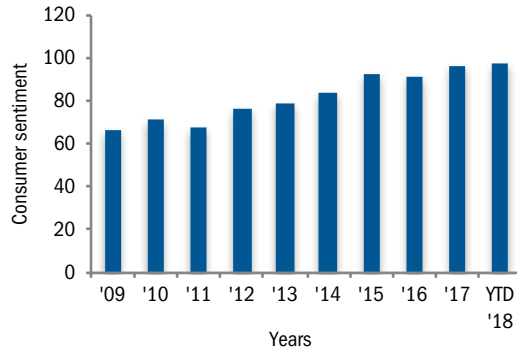
# Three Key Factors Impacting New Vehicle Sales

Factor	The numbers...	Primary conclusion...	What it means for new vehicle sales...
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## Consumer Sentiment



Univ. of Michigan Consumer Sentiment Index



Source: University of Michigan.

**Primary conclusion...**

Consumer sentiment index increased to 98.3 thru September of 2018, up from 91.8 in 2016 and 63.8 in 2008.

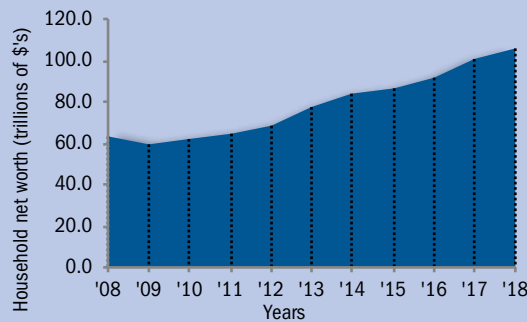


**What it means for new vehicle sales...**  
Strong consumer sentiment will provide a boost to the new vehicle market

## Household Net Worth



U.S. Household Net Worth



Source: Federal Reserve.

Household net worth was a record \$105.8 trillion in 1Q '18, up by nearly 80% from 2009.

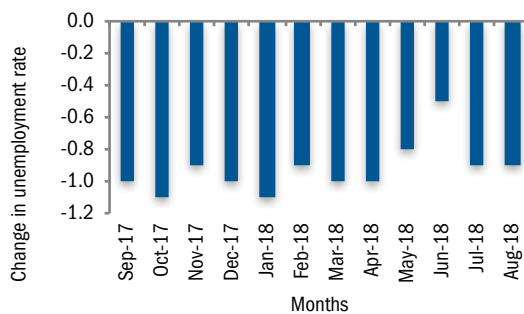


Rising household net worth will provide a boost to the new vehicle market

## Labor Market



Change in county unemployment rate vs. Same month year earlier



Source: Bureau of Labor Statistics.

County unemployment rate declined vs. year earlier in August of this year.



Total employment has increased, but further gains will be harder to come by.

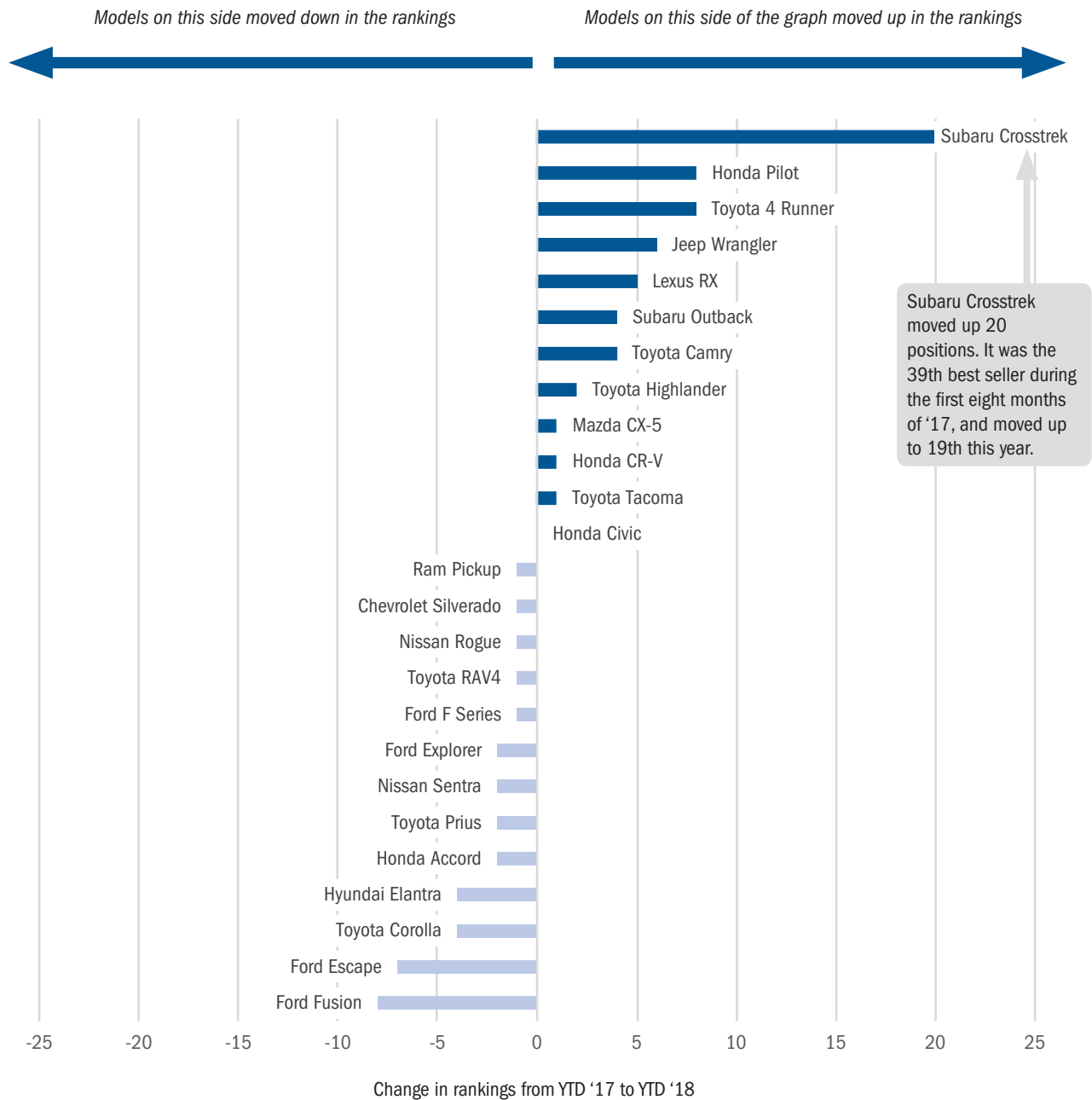
**Bottom line: new vehicle market should remain strong despite mild softening**

MODEL RANKINGS

# Subaru Crosstrek Moves Up in Rankings

The graph below shows the change in rankings during the first eight months of 2017 to the same period this year for the top 25 selling models in the San Diego County market. Models are positioned on the graph from top to bottom based on the change in rankings. The biggest gainer was the Subaru Crosstrek. Other big winners were Honda Pilot, Toyota 4Runner, and Jeep Wrangler.

**Change in Rankings for Top 25 Selling Models - YTD '17 thru August to YTD '18**



Subaru Crosstrek moved up 20 positions. It was the 39th best seller during the first eight months of '17, and moved up to 19th this year.

Source: IHS.

Brand Registrations Report												
San Diego County New Retail Car and Light Truck Registrations												
	Third Quarter*						Year to date thru September*					
	Registrations			Market Share (%)			Registrations			Market Share (%)		
	3Q '17	3Q '18	% change	3Q '17	3Q '18	Change	YTD '17	YTD '18	% change	YTD '17	YTD '18	Change
TOTAL	40,456	39,218	-3.1				117,840	112,933	-4.2			
Cars	18,711	16,453	-12.1	46.3	42.0	-4.3	54,718	48,329	-11.7	46.4	42.8	-3.6
Light Trucks	21,745	22,765	4.7	53.7	58.0	4.3	63,122	64,604	2.3	53.6	57.2	3.6
Domestic Brands	10,306	11,150	8.2	25.5	28.4	2.9	31,096	31,392	1.0	26.4	27.8	1.4
European Brands	6,004	5,625	-6.3	14.8	14.3	-0.5	17,448	16,683	-4.4	14.8	14.8	0.0
Japanese Brands	21,034	19,382	-7.9	52.0	49.4	-2.6	60,016	55,952	-6.8	50.9	49.5	-1.4
Korean Brands	3,112	3,061	-1.6	7.7	7.8	0.1	9,280	8,906	-4.0	7.9	7.9	0.0
Acura	508	510	0.4	1.3	1.3	0.0	1,388	1,311	-5.5	1.2	1.2	0.0
Alfa Romeo	65	91	40.0	0.2	0.2	0.0	124	336	171.0	0.1	0.3	0.2
Audi	813	716	-11.9	2.0	1.8	-0.2	2,304	2,151	-6.6	2.0	1.9	-0.1
BMW	1,233	1,286	4.3	3.0	3.3	0.3	3,631	3,861	6.3	3.1	3.4	0.3
Buick	136	118	-13.2	0.3	0.3	0.0	432	351	-18.8	0.4	0.3	-0.1
Cadillac	176	171	-2.8	0.4	0.4	0.0	628	534	-15.0	0.5	0.5	0.0
Chevrolet	2,634	2,257	-14.3	6.5	5.8	-0.7	7,473	6,817	-8.8	6.3	6.0	-0.3
Chrysler	166	165	-0.6	0.4	0.4	0.0	527	519	-1.5	0.4	0.5	0.1
Dodge	378	374	-1.1	0.9	1.0	0.1	1,290	1,062	-17.7	1.1	0.9	-0.2
FIAT	126	77	-38.9	0.3	0.2	-0.1	613	202	-67.0	0.5	0.2	-0.3
Ford	3,959	3,809	-3.8	9.8	9.7	-0.1	11,977	10,900	-9.0	10.2	9.7	-0.5
Genesis	55	18	-67.3	0.1	0.0	-0.1	156	118	-24.4	0.1	0.1	0.0
GMC	491	437	-11.0	1.2	1.1	-0.1	1,481	1,331	-10.1	1.3	1.2	-0.1
Honda	5,344	4,836	-9.5	13.2	12.3	-0.9	14,826	14,212	-4.1	12.6	12.6	0.0
Hyundai	1,333	1,399	5.0	3.3	3.6	0.3	4,196	3,889	-7.3	3.6	3.4	-0.2
Infiniti	347	343	-1.2	0.9	0.9	0.0	1,213	997	-17.8	1.0	0.9	-0.1
Jaguar	116	88	-24.1	0.3	0.2	-0.1	398	268	-32.7	0.3	0.2	-0.1
Jeep	1,325	1,416	6.9	3.3	3.6	0.3	4,095	4,045	-1.2	3.5	3.6	0.1
Kia	1,724	1,644	-4.6	4.3	4.2	-0.1	4,928	4,899	-0.6	4.2	4.3	0.1
Land Rover	353	338	-4.2	0.9	0.9	0.0	958	1,023	6.8	0.8	0.9	0.1
Lexus	1,362	1,190	-12.6	3.4	3.0	-0.4	3,614	3,200	-11.5	3.1	2.8	-0.3
Lincoln	142	163	14.8	0.4	0.4	0.0	486	434	-10.7	0.4	0.4	0.0
Maserati	62	61	-1.6	0.2	0.2	0.0	178	142	-20.2	0.2	0.1	-0.1
Mazda	1,350	1,214	-10.1	3.3	3.1	-0.2	3,984	3,663	-8.1	3.4	3.2	-0.2
Mercedes	1,304	1,191	-8.7	3.2	3.0	-0.2	3,779	3,365	-11.0	3.2	3.0	-0.2
MINI	204	170	-16.7	0.5	0.4	-0.1	607	537	-11.5	0.5	0.5	0.0
Mitsubishi	186	177	-4.8	0.5	0.5	0.0	525	546	4.0	0.4	0.5	0.1
Nissan	2,849	2,344	-17.7	7.0	6.0	-1.0	8,731	6,987	-20.0	7.4	6.2	-1.2
Other	74	54	-27.0	0.2	0.1	-0.1	214	198	-7.5	0.2	0.2	0.0
Porsche	240	246	2.5	0.6	0.6	0.0	724	743	2.6	0.6	0.7	0.1
Ram	597	616	3.2	1.5	1.6	0.1	1,708	1,705	-0.2	1.4	1.5	0.1
Subaru	1,586	1,798	13.4	3.9	4.6	0.7	4,707	5,064	7.6	4.0	4.5	0.5
Tesla	287	1,620	464.5	0.7	4.1	3.4	977	3,682	276.9	0.8	3.3	2.5
Toyota	7,500	6,970	-7.1	18.5	17.8	-0.7	21,014	19,970	-5.0	17.8	17.7	-0.1
Volkswagen	1,165	990	-15.0	2.9	2.5	-0.4	3,320	2,993	-9.8	2.8	2.7	-0.1
Volvo	266	321	20.7	0.7	0.8	0.1	634	878	38.5	0.5	0.8	0.3

\*September 2018 figures were estimated by Auto Outlook.

Source: IHS Markit.

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 2017 and 2018, and year-to-date totals. The top ten ranked brands in each category are shaded yellow.



### Key Trends in San Diego County Used Vehicle Market

#### Market declines slightly in 2018

Used vehicle registrations in San Diego County slipped 1% during the first eight months of 2018 versus year earlier.

#### Used vehicle market out-performs new

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 narrowed during the past year. Registrations for six year old or newer used vehicles increased 3.1% in the first eight months of '18 versus a year earlier, while the new vehicle market declined.

#### Civic is top seller

Honda Civic was the best seller in the six year old or newer market, while Nissan Rogue, Civic, Toyota RAV4, and Nissan Sentra had large percentage increases.

#### MB, Mazda, Kia, and BMW post gains

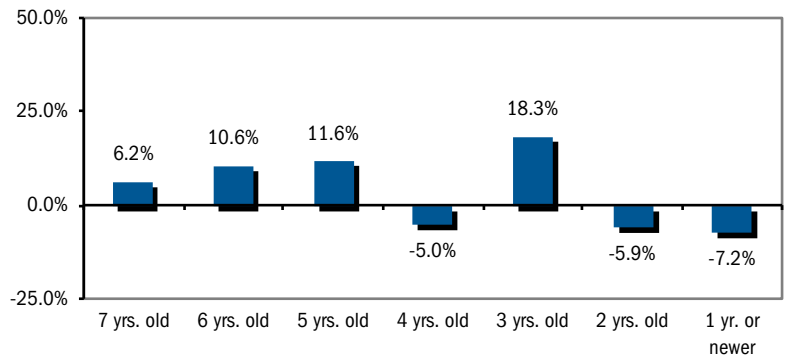
Used registrations were up by more than 3% for each of the four brands.

San Diego County Retail Used Light Vehicle Registrations YTD thru August

	Registrations		% Change '17 TO '18	Market Share	
	YTD '17	YTD '18		YTD '17	YTD '18
TOTAL	220,303	218,025	-1.0%		
Cars	129,080	125,995	-2.4%	58.6%	57.8%
Light Trucks	91,223	92,030	0.9%	41.4%	42.2%
Detroit Three	75,288	71,567	-4.9%	34.2%	32.8%
European	34,072	35,219	3.4%	15.5%	16.2%
Japanese	98,468	98,561	0.1%	44.7%	45.2%
Korean	12,475	12,678	1.6%	5.7%	5.8%

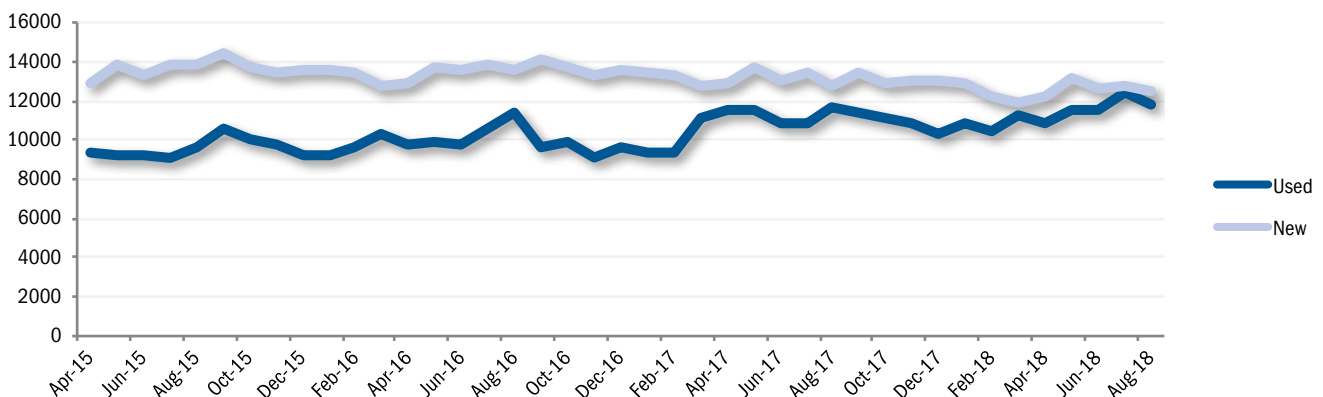
Source: IHS .

Percent Change in County Retail Used Registrations by Vehicle Age, YTD '18 thru August vs. YTD '17



Source: IHS .

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

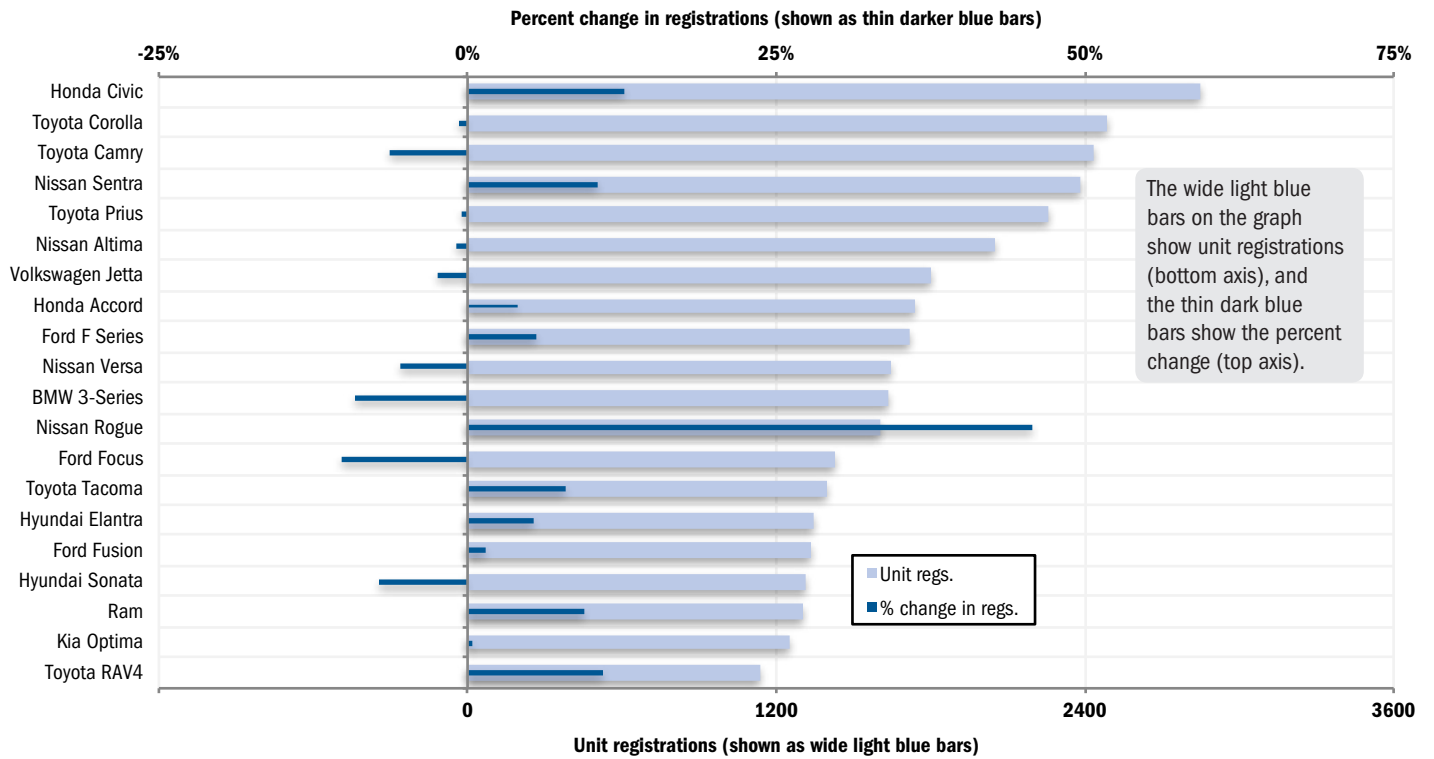


Source: IHS .

TOP SELLING MODELS

# Civic is Top Seller in Used Market; Rogue Has Big Increase

Registrations (YTD '18 thru August) and Percent Change (YTD '18 thru August vs. year earlier)  
Top 20 Selling Models (6 years old or newer)

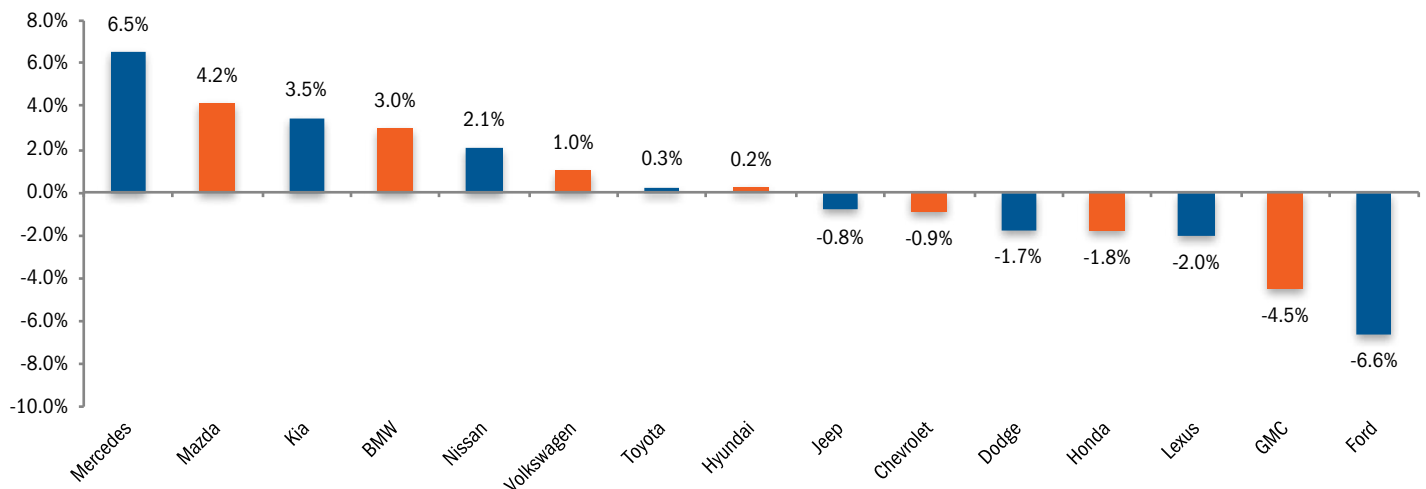


Source: IHS .

USED VEHICLE BRAND SCOREBOARD

# Mercedes Posts Largest Increase in Used Registrations

% Change in Used Registrations (top 15 brands) - YTD '18 thru August vs. YTD '17



Source: IHS .