

FORECAST

Market Has Small Drop (Less than 500 Vehicles) in 1Q '17 vs. Strong 1Q '16

New vehicle registrations predicted to remain at healthy levels in 2017

Predicting new vehicle sales is, without question, an inexact science. There are a multitude of forces impacting the market on an ongoing basis. Some of these forces are pushing the market higher, while others are pulling it lower. Making sense of it all and coming up with an **exact** picture of where the market is headed is nearly impossible. But the basic direction that sales are likely to head in is easier to identify. And right now, most signs are pointing to a plateau. The market was essentially unchanged last year and pent up demand is easing. In addition, interest rates are increasing, used vehicle prices are sliding, and incentives are on the rise; all signs of a market that has reached its peak.

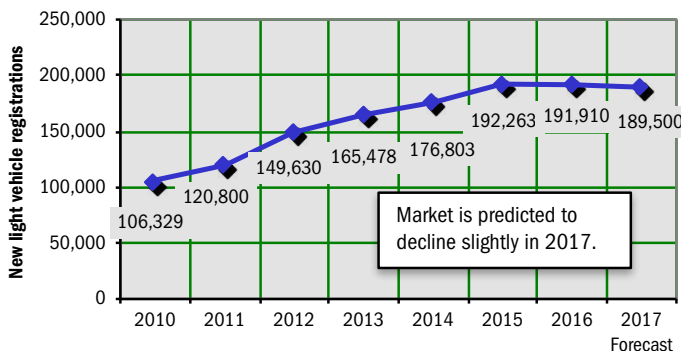
We do expect sales to drift lower over the next several years, but a sharp drop seems highly unlikely. Unemployment rates are very low, incomes are moving higher, household net worth is at an all-time high, GDP growth is solid (if not spectacular), and consumer confidence is strong. It would be unprecedented for new vehicle sales to collapse in an environment with such strong core economic fundamentals. In addition, technological advances in today's new vehicles are a strong motivation for many consumers to upgrade.

Bottom line: The county new vehicle market is expected to soften over the next several years, but sales should remain strong, based on historical standards.

7 Key Market Trends

- 1. County new registrations were 191,910 units in 2016, about the same as 2015. The U.S. market increased slightly.
- 2. The market is predicted to post a small decline in 2017.
- 3. County light truck market share increased from 45.2% in the First Quarter of 2016 to 48.8% this year.
- 4. European brand registrations were up in the first three months of this year. Korean brands were off 6.9%.
- 5. Hybrid and electric vehicle market share was 6.2% in the first three months of this year, up vs. a year earlier.
- 6. Honda, Toyota, Mercedes, Lexus, and BMW are strong performing brands in the county market (see page 5).
- 7. Compact SUVs have gained ground, while Sub Compact car share fell sharply in the First Quarter of this year.

Annual Trend in Orange County New Vehicle Market



The graph above shows annual new retail light vehicle registrations in the county from 2010 thru 2016 and Auto Outlook's projection for 2017.

Market Summary

	YTD '15 thru March	YTD '16 thru March	YTD '17 thru March	% ch. '16 to '17
TOTAL	46,005	47,323	46,861	-1.0%
Car	26,996	25,950	24,002	-7.5%
Light Truck	19,009	21,373	22,859	7.0%
Detroit Three	9,675	10,558	10,333	-2.1%
European	8,894	8,887	9,297	4.6%
Japanese	22,889	23,460	23,118	-1.5%
Korean	4,547	4,418	4,113	-6.9%

Detroit Three consists of vehicles sold by GM, Ford, and Chrysler.
Data Source: AutoCount data from Experian.

MARKET TRACKER: MONTHLY MOVING AVERAGE

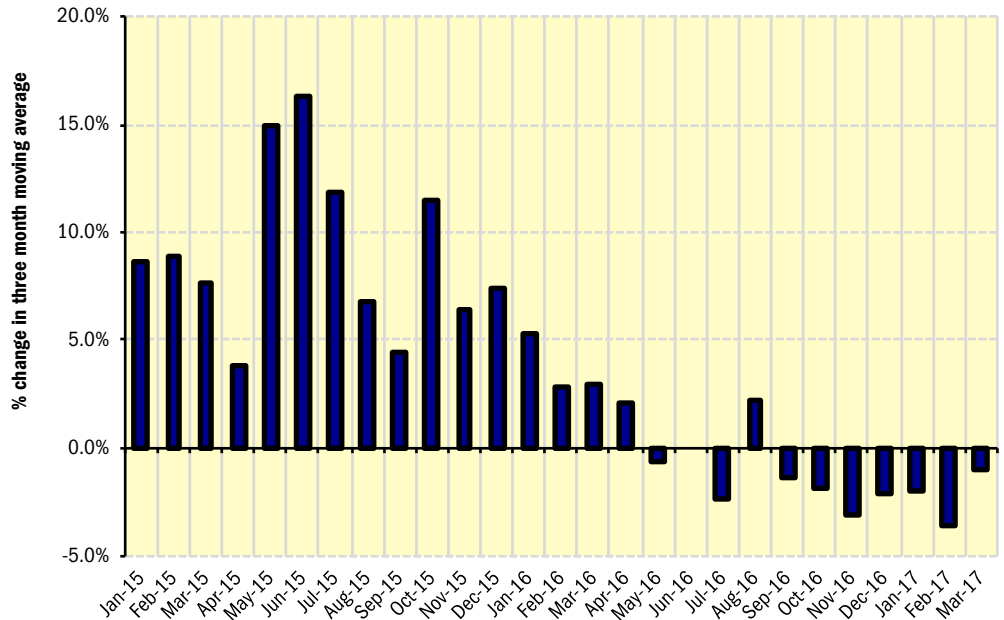
New Vehicle Market Trends Slightly Lower

Despite mild softening, sales remain at near record levels

The graph to the right provides a clear picture of the general trending direction of the Orange County new retail light vehicle market. The graph shows the year-over-year percent change in the three month moving average of new retail light vehicle registrations. The three month moving average provides a clearer picture of the trending direction than individual monthly registrations, which can fluctuate due to such factors as the timing of manufacturer incentive programs, weather, and vehicle title processing delays by governmental agencies.

Following big gains during the past several years, the market cooled off a bit toward the end of 2016. The three month moving average failed to improve from year-earlier levels from September of 2016 through March of this year.

Percent Change in Orange County New Retail Light Vehicle Registrations Three Month Moving Average versus Year Earlier

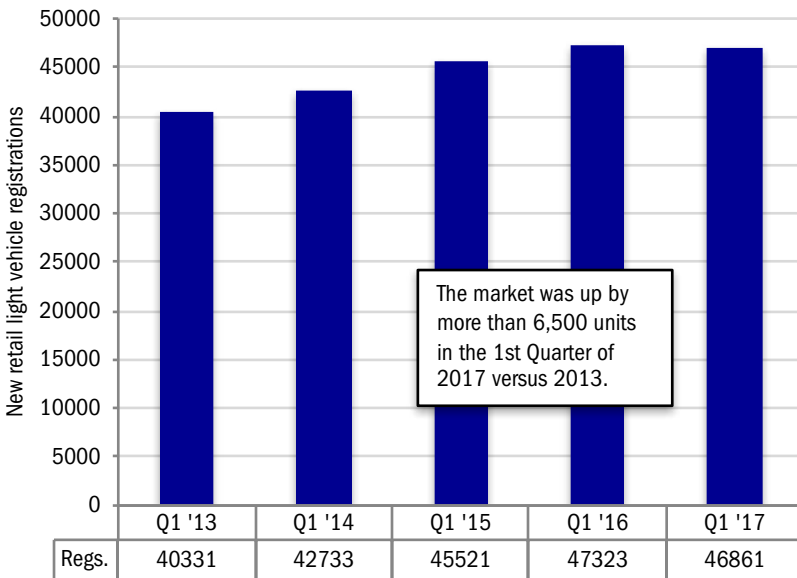


MARKET TRACKER: QUARTERLY PERSPECTIVE

1Q '17 Total Exceeds 46,000 Units

First Quarter total was up 16% from 2013

QUARTERLY PERSPECTIVE
Five Years of First Quarter Results in Orange County Market



Details on Data

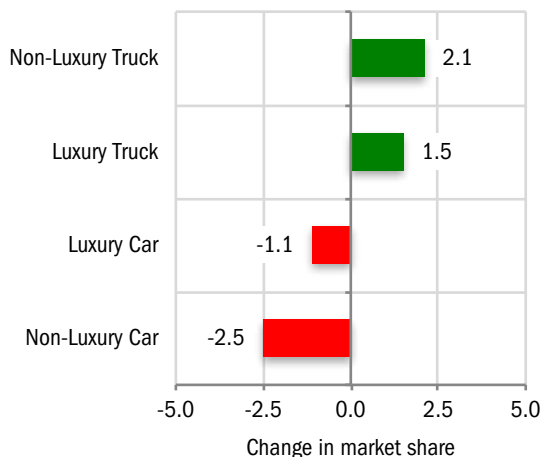
Data presented measures new vehicles registered to purchasers (or lessees) residing in Orange County. Monthly recording of registrations occurs when vehicle title is processed.

Data Source: AutoCount Data from Experian.

MARKET TRACKER: PRIMARY SEGMENTS

Non Luxury Trucks Surge

Change in County Market Share
YTD 2017 thru March vs. YTD 2016

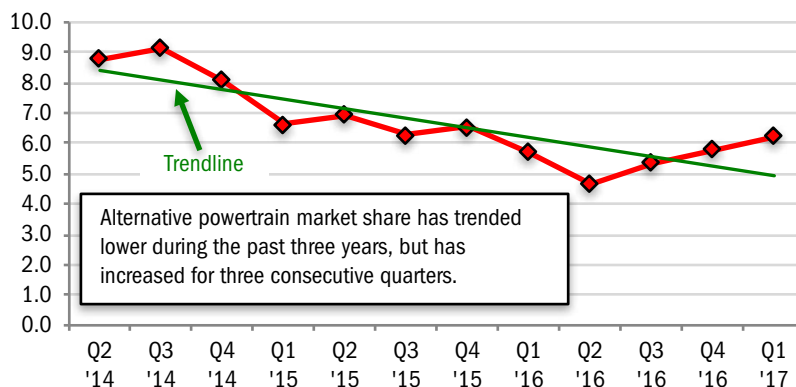


Source: AutoCount data from Experian.

MARKET TRACKER: HYBRID AND ELECTRIC VEHICLES

Hybrids/Electric Share Improves

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.

Data Source: AutoCount data from Experian.

MARKET TRACKER: SEGMENTS

Compact SUV Market Share Moves Higher

Orange County Segment Market Share Review				
Segment	Market Share YTD '16 thru March	Market Share YTD '17 thru March	Change in share YTD '16 to '17	Best selling model in segment
Sub Compact Car	19.9	18.4	-1.5	Honda Civic
Compact SUV	11.7	13.7	2.0	Toyota RAV4
Standard Mid Size Car	13.7	12.8	-0.9	Honda Accord
Near Luxury Car	8.8	7.8	-1.0	Mercedes C-Class
Mid Size Luxury SUV	5.9	6.5	0.6	Lexus RX
Compact Luxury SUV	4.3	5.1	0.8	Lexus NX
Luxury Car	5.4	5.1	-0.3	Mercedes E-Class
Full Size Pickup	5.2	5.0	-0.2	Ford F-Series
Mid Size Crossover SUV	3.5	3.7	0.2	Toyota Highlander
Entry Car	3.0	3.6	0.6	FIAT 500
Mid Size SUV	3.2	3.4	0.2	Jeep Grand Cherokee
Full Size Crossover SUV	2.3	3.0	0.7	Ford Explorer
Compact Pickup	2.5	2.8	0.3	Toyota Tacoma
Mini Van	2.9	2.4	-0.5	Toyota Sienna
Full Size Luxury SUV	1.3	1.4	0.1	Mercedes GLS-Class
Full Size SUV	1.2	1.3	0.1	Chevrolet Tahoe
Sport Compact Car	1.9	1.3	-0.6	Ford Mustang
Large Mid Size Car	1.0	0.9	-0.1	Dodge Charger
Full Size Van	1.5	0.8	-0.7	Ford Transit Connect
Sports Car	0.9	0.8	-0.1	Porsche 911

The table above shows Orange county market share for 20 vehicle segments during the first three months of 2016 and 2017, 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 ytd 2017 share. Source: AutoCount data from Experian.

BRAND SCOREBOARD - PART ONE

Honda and Subaru Registrations Move Higher

Jaguar, Maserati, and FIAT had the largest percentage increases

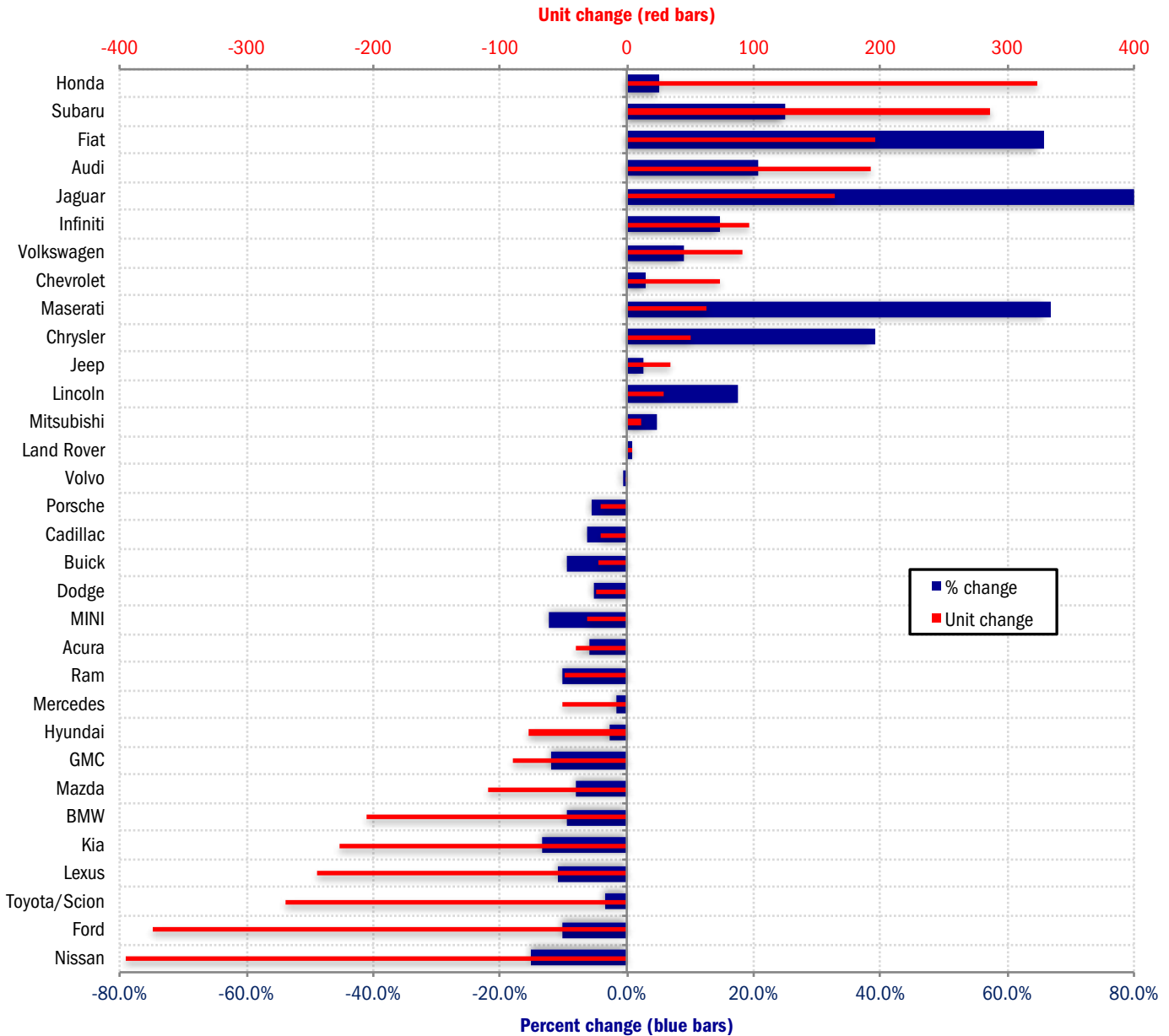
The graph below presents a comprehensive picture of brands that are gaining (or losing) ground in the county market. It shows both the unit AND percent change in registrations during the first three months of 2017 versus the same period a year earlier. Viewing both

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

Here are a couple of examples: Jaguar had a sizeable percentage increase (up 172%; shown by the thick blue bar on the graph), but it's not a top-selling brand. Jaguar registrations

increased by just over 160 units. Honda's percentage increase was small (up 5%), but unit registrations were up by 323 units.

Change in New Retail Light Vehicle Registrations (YTD 2017 thru March vs. YTD 2016)



Source: AutoCount data from Experian.

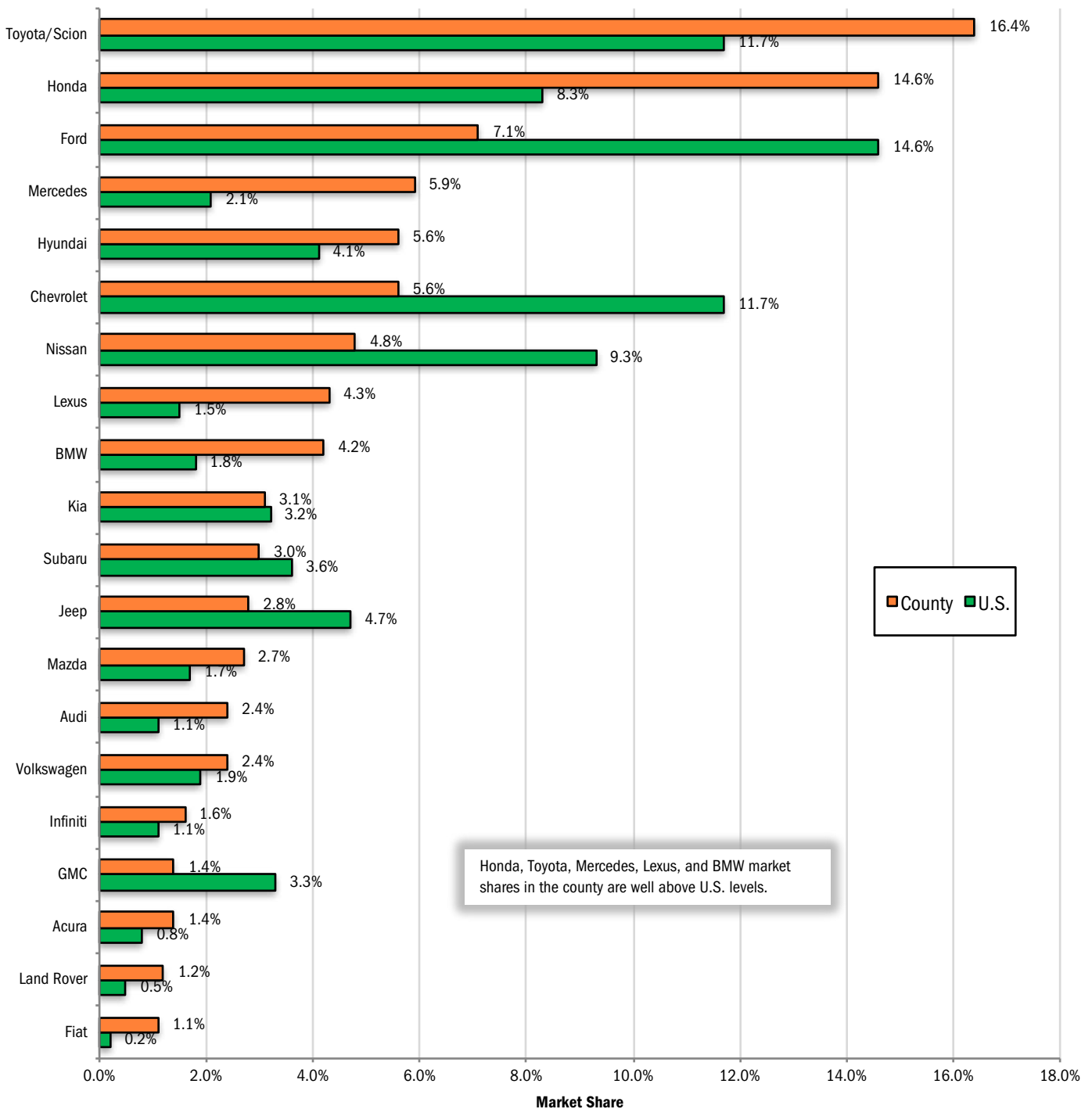
BRAND SCOREBOARD - PART TWO

Combined Share for Toyota and Honda Exceeds 30%

Mercedes county market share is 3.8 points higher than in the Nation.

The graph below provides a comparison of Orange County and U.S. market share during the first three 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 16.4% of the market, well above its 11.7% share in the Nation. Honda market share in the county was 14.6%, 6.3 points higher than its U.S. share. Source for Orange County registrations: AutoCount data from Experian. Source for U.S. sales: Automotive News.

County and U.S. Market Share - YTD 2017 thru March

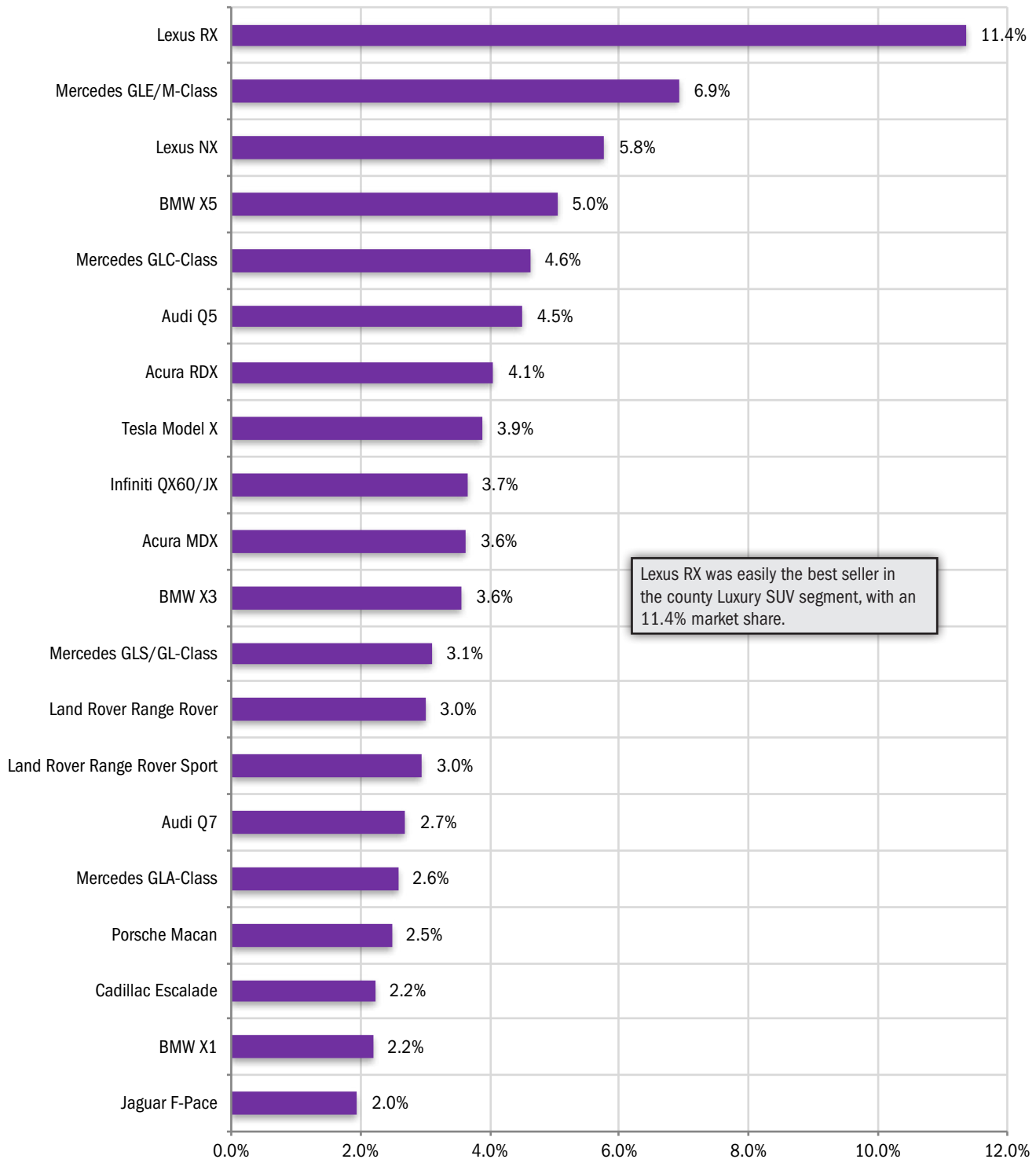


LUXURY SUV CLOSE-UP

Lexus RX is Best-Selling Luxury SUV in County Market

Mercedes GLE/M-Class and Lexus NX are ranked second and third, respectively

Market Share for Top 15 Selling Luxury SUVs (YTD 2017 thru March)



Lexus RX was easily the best seller in the county Luxury SUV segment, with an 11.4% market share.

Source: AutoCount data from Experian

COMPARISON OF ORANGE COUNTY AND U.S. MARKETS

County Market Remains Strong in First Quarter 2017

Car market share in county falls to 51.2%; still well above U.S. levels

	Orange County Retail Market	U.S. Market (includes fleet)
% change in registrations YTD '17 thru March vs. YTD '16	-1.0%	-1.6%
Car share of industry retail light vehicle YTD '17 thru March	51.2%	37.0%
Domestic brand share of industry retail light vehicle registrations - YTD '17 thru March	22.1%	44.8%

Brand	New Retail Registrations - YTD 2017 thru March				Market Share (YTD 2017)	
	Orange County		U.S. (includes fleet)		Orange County	U.S.
	Regs.	% ch. vs. YTD '16	Sales	% ch. vs. YTD '16		
Acura	641	-5.9%	31,762	-16.1%	1.4	0.8
Audi	1,123	20.8%	45,647	8.8%	2.4	1.1
BMW	1,973	-9.5%	71,682	1.5%	4.2	1.8
Buick	208	-9.6%	50,205	-7.5%	0.4	1.2
Cadillac	323	-6.1%	33,982	-4.6%	0.7	0.8
Chevrolet	2,619	2.9%	471,723	-0.2%	5.6	11.7
Chry Dodge Jeep Ram	2,385	0.5%	502,461	-8.6%	5.1	12.5
Chrysler	181	39.2%	47,076	-33.2%	0.4	1.2
Dodge	462	-5.1%	134,063	-4.9%	1.0	3.3
Jeep	1,305	2.8%	188,743	-11.1%	2.8	4.7
Ram	437	-10.1%	132,579	5.1%	0.9	3.3
Fiat	494	65.8%	7,231	-10.9%	1.1	0.2
Ford	3,330	-10.1%	586,462	-4.9%	7.1	14.6
GMC	662	-12.0%	133,611	10.4%	1.4	3.3
Honda	6,838	5.0%	333,531	4.3%	14.6	8.3
Hyundai	2,637	-2.9%	163,637	-5.6%	5.6	4.1
Infiniti	747	14.7%	43,561	33.4%	1.6	1.1
Jaguar	259	172.6%	11,376	127.7%	0.6	0.3
Kia	1,476	-13.3%	127,728	-12.7%	3.1	3.2
Land Rover	539	0.9%	19,875	-4.5%	1.2	0.5
Lexus	1,998	-10.9%	61,845	-16.7%	4.3	1.5
Lincoln	193	17.7%	27,083	8.7%	0.4	0.7
Maserati	157	67.0%	3,282	45.9%	0.3	0.1
Mazda	1,279	-7.9%	69,071	6.8%	2.7	1.7
Mercedes	2,752	-1.8%	86,574	4.3%	5.9	2.1
MINI	221	-12.3%	10,251	-5.4%	0.5	0.3
Mitsubishi	240	4.8%	29,147	15.6%	0.5	0.7
Nissan	2,243	-15.0%	373,330	1.6%	4.8	9.3
Porsche	347	-5.4%	12,718	3.9%	0.7	0.3
smart	34	9.7%	1,061	-18.4%	0.1	0.0
Subaru	1,426	25.1%	144,250	9.0%	3.0	3.6
Toyota/Scion	7,706	-3.4%	470,766	-4.9%	16.4	11.7
Volkswagen	1,106	9.1%	76,290	10.1%	2.4	1.9
Volvo	210	-0.5%	13,479	-17.6%	0.4	0.3
Other	695	31.9%	16,972	106.4%	1.5	0.4

The two tables above provide a comparison of the Orange County and U.S. new light vehicle markets.

Data Source for Orange County: AutoCount data from Experian. Source for U.S. figures: Automotive News.

Orange County New Retail Car and Light Truck Registrations									
	March			Year-to-date thru March			YTD Market Share		
	Orange County			Orange County			Orange County		
	2016	2017	% chg.	2016	2017	% chg.	2016	2017	Chg.
MARKET SUMMARY									
TOTAL	16,315	16,652	2.1%	47,323	46,861	-1.0%	0.0	0.0	0.0
Cars	8,868	8,521	-3.9%	25,950	24,002	-7.5%	54.8	51.2	-3.6
Light Trucks	7,447	8,131	9.2%	21,373	22,859	7.0%	45.2	48.8	3.6
Domestic	3,792	3,752	-1.1%	10,558	10,333	-2.1%	22.3	22.1	-0.3
European	2,772	3,124	12.7%	8,887	9,297	4.6%	18.8	19.8	1.1
Japanese	8,399	8,348	-0.6%	23,460	23,118	-1.5%	49.6	49.3	-0.2
Korean	1,352	1,428	5.6%	4,418	4,113	-6.9%	9.3	8.8	-0.6
BRAND REGISTRATIONS									
Acura	229	217	-5.2%	681	641	-5.9%	1.4	1.4	0.0
Audi	324	409	26.2%	930	1,123	20.8%	2.0	2.4	0.4
BMW	633	619	-2.2%	2,179	1,973	-9.5%	4.6	4.2	-0.4
Buick	89	53	-40.4%	230	208	-9.6%	0.5	0.4	-0.1
Cadillac	122	99	-18.9%	344	323	-6.1%	0.7	0.7	0.0
Chevrolet	849	1,029	21.2%	2,545	2,619	2.9%	5.4	5.6	0.2
C/D/J/R	797	910	14.2%	2,373	2,385	0.5%	5.0	5.1	0.1
Chrysler	43	64	48.8%	130	181	39.2%	0.3	0.4	0.1
Dodge	174	192	10.3%	487	462	-5.1%	1.0	1.0	0.0
Jeep	422	484	14.7%	1,270	1,305	2.8%	2.7	2.8	0.1
Ram	158	170	7.6%	486	437	-10.1%	1.0	0.9	-0.1
Fiat	107	200	86.9%	298	494	65.8%	0.6	1.1	0.5
Ford	1,520	1,245	-18.1%	3,703	3,330	-10.1%	7.8	7.1	-0.7
GMC	240	228	-5.0%	752	662	-12.0%	1.6	1.4	-0.2
Honda	2,326	2,448	5.2%	6,515	6,838	5.0%	13.8	14.6	0.8
Hyundai	760	886	16.6%	2,715	2,637	-2.9%	5.7	5.6	-0.1
Infiniti	222	282	27.0%	651	747	14.7%	1.4	1.6	0.2
Jaguar	40	117	192.5%	95	259	172.6%	0.2	0.6	0.4
Kia	592	542	-8.4%	1,703	1,476	-13.3%	3.6	3.1	-0.5
Land Rover	184	175	-4.9%	534	539	0.9%	1.1	1.2	0.1
Lexus	783	651	-16.9%	2,242	1,998	-10.9%	4.7	4.3	-0.4
Lincoln	64	63	-1.6%	164	193	17.7%	0.3	0.4	0.1
Maserati	26	43	65.4%	94	157	67.0%	0.2	0.3	0.1
Mazda	479	453	-5.4%	1,388	1,279	-7.9%	2.9	2.7	-0.2
Mercedes	781	898	15.0%	2,802	2,752	-1.8%	5.9	5.9	0.0
MINI	108	68	-37.0%	252	221	-12.3%	0.5	0.5	0.0
Mitsubishi	108	97	-10.2%	229	240	4.8%	0.5	0.5	0.0
Nissan	943	864	-8.4%	2,639	2,243	-15.0%	5.6	4.8	-0.8
Porsche	126	108	-14.3%	367	347	-5.4%	0.8	0.7	-0.1
smart	11	10	-9.1%	31	34	9.7%	0.1	0.1	0.0
Subaru	393	518	31.8%	1,140	1,426	25.1%	2.4	3.0	0.6
Toyota/Scion	2,916	2,818	-3.4%	7,975	7,706	-3.4%	16.9	16.4	-0.5
Volkswagen	338	372	10.1%	1,014	1,106	9.1%	2.1	2.4	0.3
Volvo	72	72	0.0%	211	210	-0.5%	0.4	0.4	0.0
Other	133	158	18.8%	527	695	31.9%	1.1	1.5	0.4

Orange County Auto Outlook

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Explanation of Data

Data presented in Auto Outlook measures new vehicle registrations in Orange County. Monthly recording of registrations occurs when vehicle title information is processed.

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Data Source: AutoCount data from Experian.