

Orange County Auto Outlook™



Comprehensive information on the Orange County automotive market

FORECAST

Orange County Market Moves Higher in First Half of 2010

Pace of recovery likely to ease in Third Quarter

There were few surprises in the Orange County new vehicle market during the first half of this year. As predicted, sales easily exceeded depressed year-earlier levels. But compared to historical averages, sales volumes were still quite low. (See sidebar on right for specifics.) Auto Outlook predicts that this general prescription of a relatively weak, but growing new vehicle market will continue for at least the next 18 months. Sales in the Third Quarter of this year will have a hard time beating last year's total, which was boosted by the Cash for Clunkers program. But a Fourth Quarter increase is very likely.

Two primary (and contradictory) forces will be dictating the market for the foreseeable future. The first factor (pent-up demand) practically guarantees that new vehicle sales will head higher. The second (reluctant, debt-strapped, and worried consumers) should lead to a recovery that is gradual, with frustrating stops and starts. Both are covered here.

Pent up demand. New vehicle sales declined sharply in 2008 and 2009, and as a result, pent up demand is at record-high levels. In addition, the median age of vehicles on the road continues to increase, and scrappage rates are exceeding new vehicle sales. All of this is strong evidence that replacement demand will be a driving force for the market for many years to come.

Reluctant consumers. Elevated household debt levels, concerns about job security, still-weak credit availability, the prospects of higher taxes, and uncertain financial markets are making consumers reluctant to spend, and uneasy about assuming new debt. In addition, none of the issues keeping many new vehicle shoppers on the sidelines have quick remedies. The long term cure will involve time and tough medicine, neither of which is conducive to rapid growth in new vehicle sales.

Bottom line: Pent-up demand dictates that new vehicle sales will trend higher for the next several years, but reluctant consumers will dictate that the pace of the recovery will be slow.

Market Trends

County new retail registrations predicted to exceed 105,000 units in 2010

The total represents a 9.9% increase from 2009.

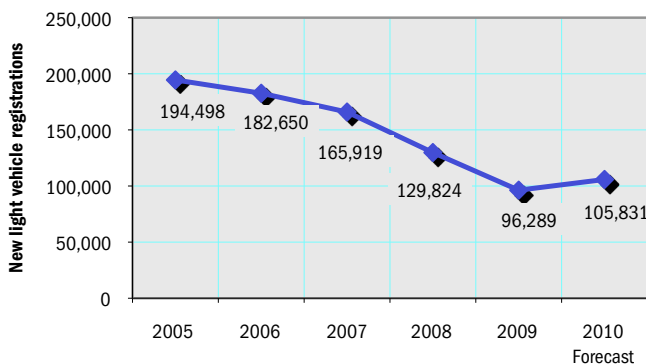
Market improves in Second Quarter

County new retail light vehicle registrations increased 25.2% in the Second Quarter of this year versus a year earlier.

Buick, Volkswagen, Audi, Nissan, and Subaru post gains

New retail registrations increased by more than 40% for each of the five brands during the first half of 2010.

Annual Trend in County New Vehicle Market



The graph above shows annual new retail light vehicle registrations in Orange County from 2005 thru 2009, and Auto Outlook's projection for 2010.

Data Source: AutoCount data from Experian Automotive.

Market Summary

	2008	2009	Forecast	
			2010	% ch. '09 to '10
TOTAL	129,824	96,289	105,831	9.9%
Car	77,745	58,419	65,933	12.9%
Light Truck	52,079	37,870	39,898	5.4%
Detroit Three	27,530	18,601	18,541	-0.3%
Japanese	72,893	51,975	58,534	12.6%
European	25,132	20,238	22,161	9.5%
Korean	4,269	5,475	6,595	20.5%

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

Historical data Source: AutoCount data from Experian Automotive.

MARKET TRACKER

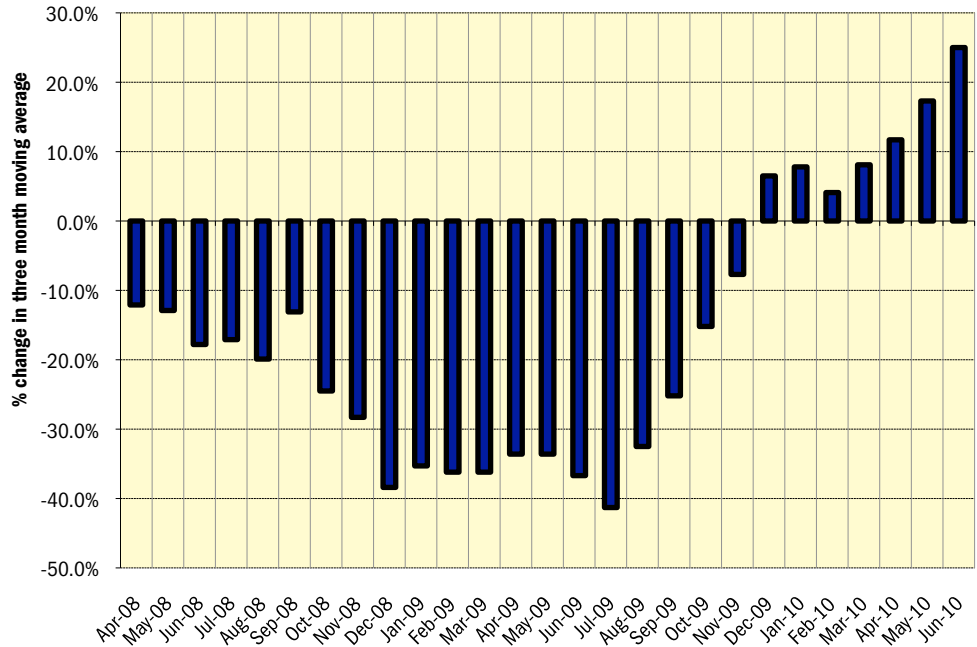
Market Recovery Continues in Second Quarter

Softening likely in Third Quarter

The graph to the right provides a clear picture of the general trending direction of the Orange County new retail light vehicle market. And as highlighted in the graph, the trend so far this year is positive. 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.

The market has improved for seven consecutive months, with the percentage increase exceeding 25% in June. The rate of improvement should subside during the next two months, however, as the market struggles to equal relatively strong sales a year earlier.

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



MODELS

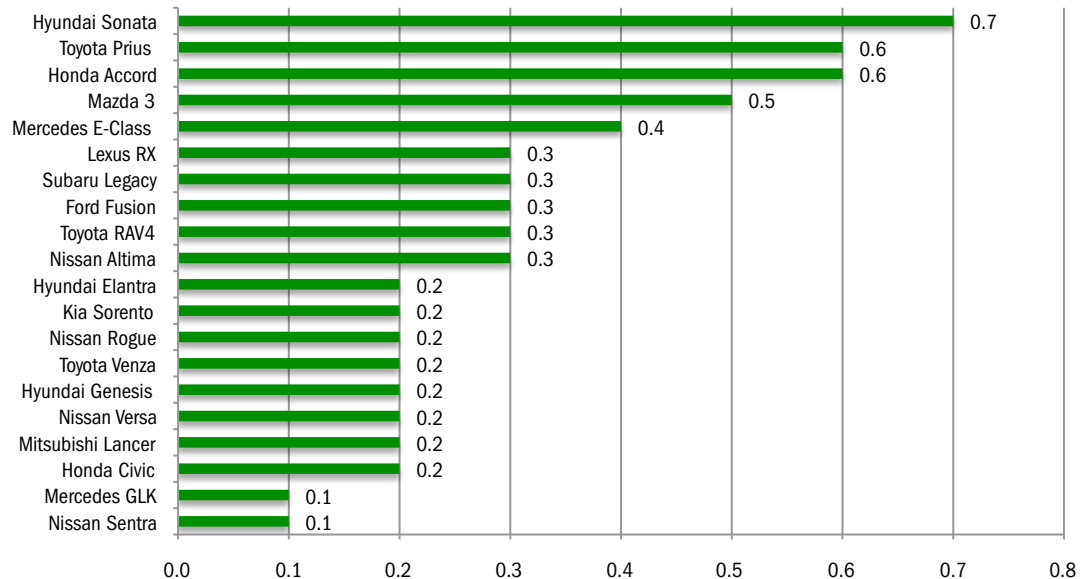
Hyundai Sonata Has Big Market Share Gain

Toyota Prius and Honda Accord also post increases

The graph on the right shows the models with the biggest increases in market share during the first half of this year versus a year earlier. Hyundai Sonata had the biggest gain, up 0.7 of a point. Toyota Prius, Honda Accord, Mazda3, and Mercedes E-Class also had large increases.

Source: AutoCount data from Experian Automotive.

Biggest Gains in Market Share-YTD '10 thru June vs. YTD '09



COUNTY RETAIL MARKET VERSUS U.S.

County Market Hit Hard by Economic Downturn

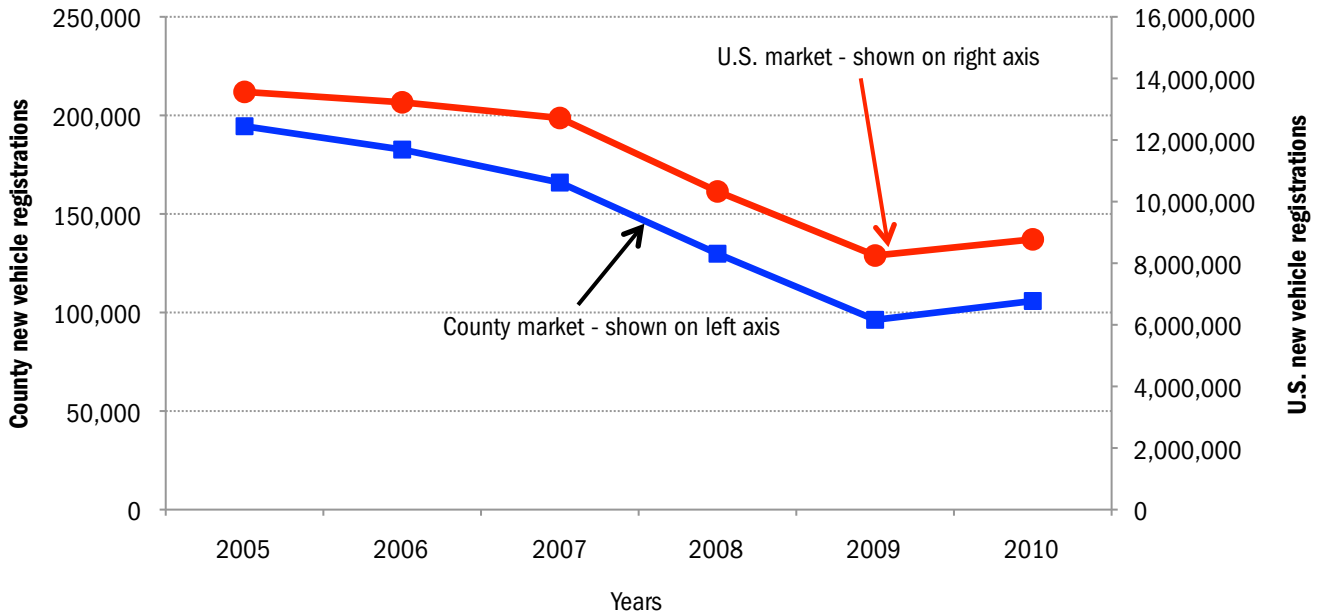
County market plays "catch up" in 2010

The Orange County new vehicle market felt the full impact from the economic turmoil that has ensued over the past three years. County new retail light vehicle registrations fell to very low levels in 2009, declining by more than 50% from 2005. Following this steep drop, however, the rate of recovery in the county market has exceeded the National average so far this year.

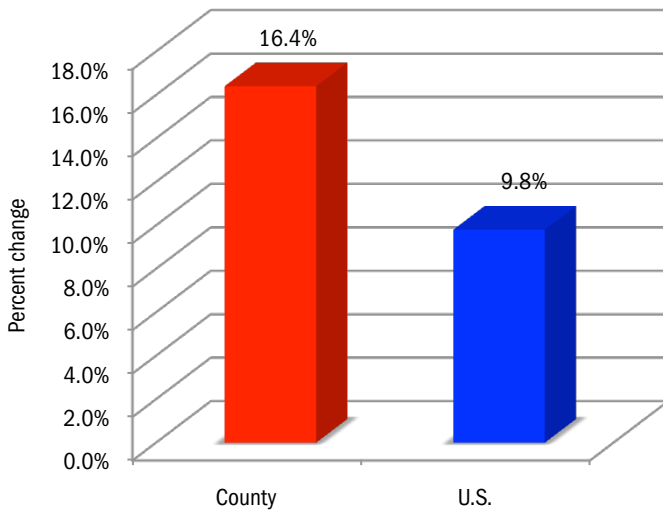
The first graph below shows Orange County and U.S. new retail light vehicle registrations between 2005 and 2010. (This year's total is projected.) The county market (blue line and left axis) and U.S. (red line and right axis) have followed similar paths, but there are some distinctions. The decline in the county market intensified in 2007, but it's a different story

so far this year. As shown on the graph on the lower left, Orange County registrations were up 16.4% thru June of this year versus 9.8% in the Nation.

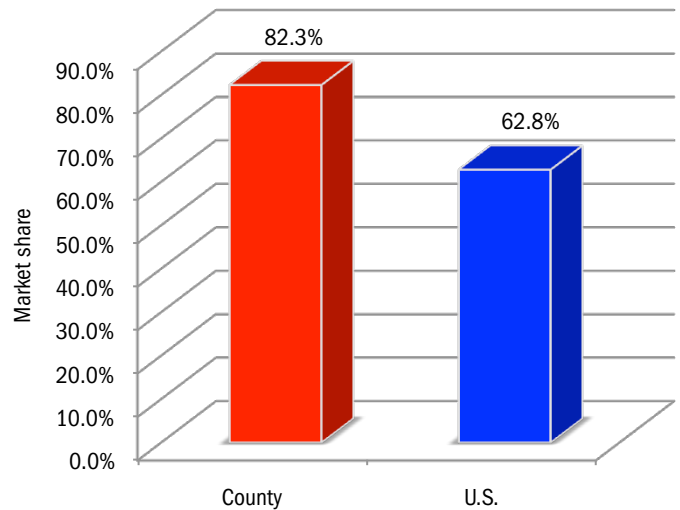
New Retail Light Vehicle Registrations in Orange County and U.S. Markets 2005 thru 2010 (2010 estimated)



% Change in County and U.S. Retail Markets YTD 2010 thru June vs. YTD 2009



Import Brand Market Share in County and U.S. YTD 2010 thru June



BRAND SCOREBOARD PART 1

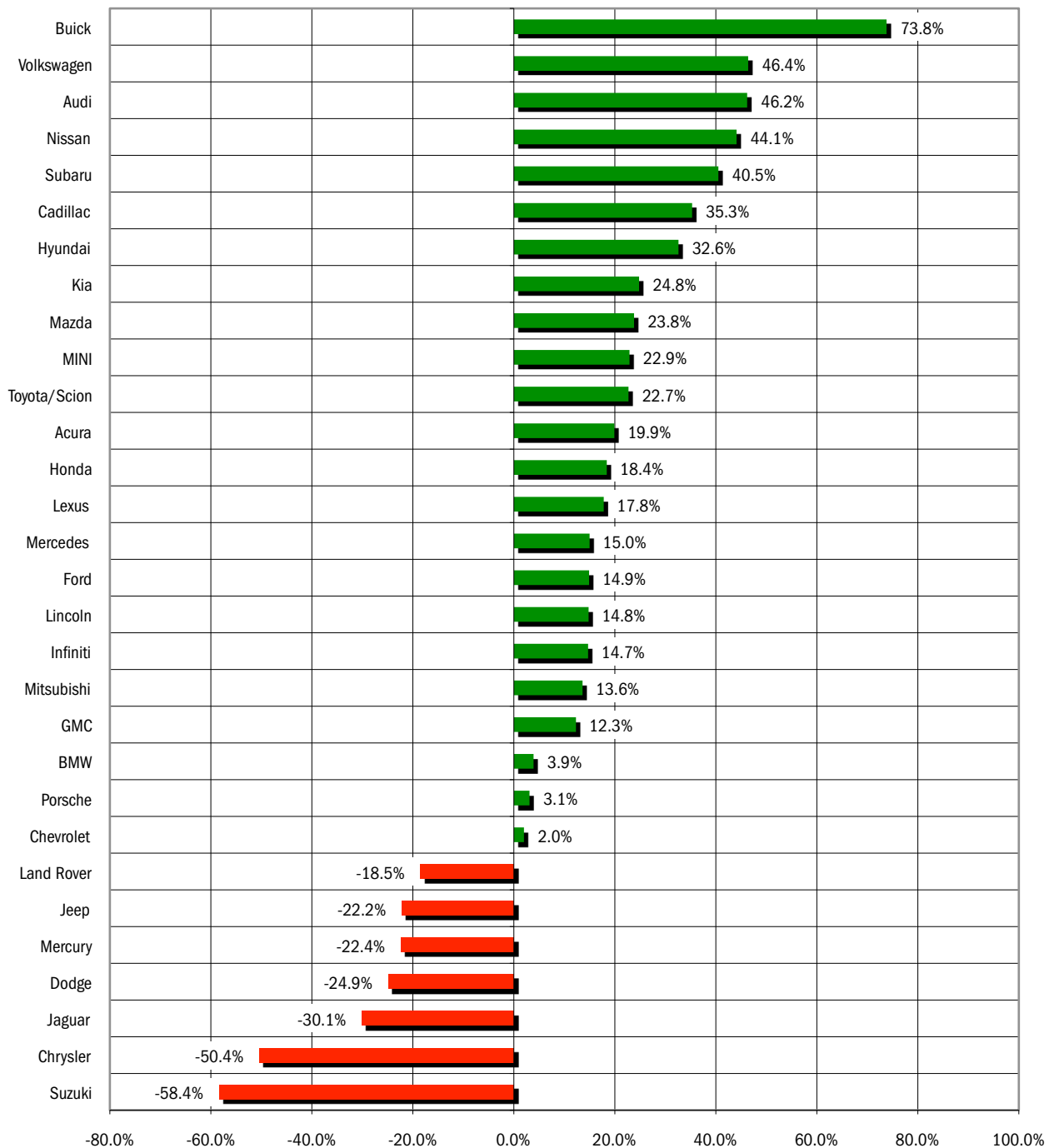
Buick, Volkswagen, and Audi Have Big Gains in First Half

Nissan, Subaru, Cadillac, and Hyundai also rank high

The graph below shows the percent change in county new retail light vehicle registrations during the first six months of this year versus the same period a year earlier. Here are the brands with biggest gains and the models contributing to the increases: Buick, up 73.8% (LaCrosse), Volkswagen, up 46.4% (Tiguan), and Audi, up 46.2% (Q5).

Source: AutoCount data from Experian Automotive.

Percent Change in New Retail Registrations for Top 30 Brands - YTD 2010 thru June vs. YTD 2009



LONG TERM TRENDS

Cyclical Sales Pattern Points to Prolonged Recovery

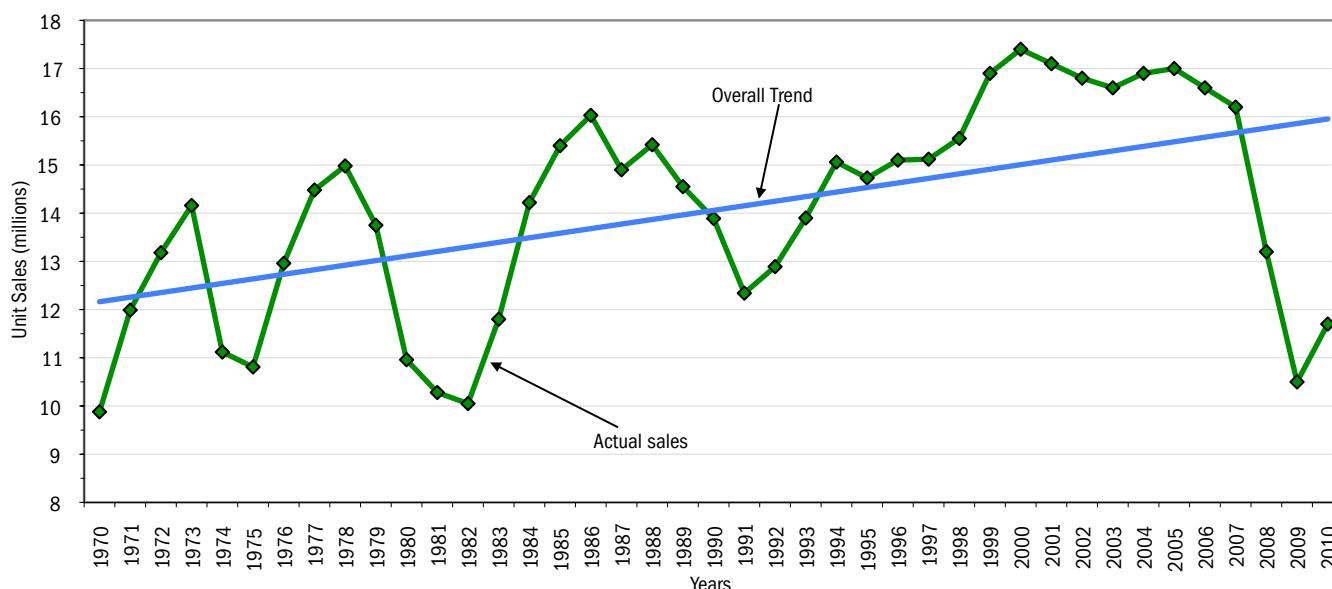
Cumulative U.S. sales from 2008 thru 2010 are nearly 12 million units below trend!

The graph below has appeared frequently over the past couple of years, and for good reason: it presents convincing evidence on where new vehicle sales are headed. And for the foreseeable future, the direction is almost certainly up. Following a prolonged streak from 1999 thru 2007 when actual sales exceeded trend,

the market has tumbled to levels not seen since the early 1980's. During the three year period (2008 thru 2010), actual sales trailed trend levels by a cumulative total of nearly 12 million units. It would take a significant, unexpected economic calamity to halt the market's positive sales momentum. Like a rider pulling

back on the reigns of the horse, economic factors (including household debt levels, likely tax increases, sluggish growth, and high unemployment) will almost certainly slow down the pace of the sales rebound and could lead to some stops and starts. But the general sales trend should be positive for an extended time.

Long Term Trend for U.S. New Vehicle Sales - 1970 thru 2010 ('10 estimated)



Source: CNW Marketing Research

TOP TEN SCOREBOARD

Toyota Maintains Large Lead

Hyundai moves into seventh place

1st QUARTER, 2010			2nd QUARTER, 2010			Change in mkt. Share
Rank	Make	Share	Rank	Make	Share	
1	Toyota/Scion	19.5%	1	Toyota/Scion	21.3%	1.8%
2	Honda	13.7%	2	Honda	14.4%	0.7%
3	Ford	7.8%	3	Ford	7.6%	-0.2%
4	Mercedes	7.3%	4	Mercedes	6.9%	-0.4%
5	Nissan	6.6%	5	Nissan	6.1%	-0.5%
6	Lexus	5.9%	6	Lexus	5.2%	-0.7%
7	BMW	5.7%	7	Hyundai	4.7%	0.7%
8	Hyundai	4.0%	8	BMW	4.5%	-1.2%
9	Chevrolet	3.8%	9	Volkswagen	3.8%	0.3%
10	Volkswagen	3.5%	10	Chevrolet	3.7%	-0.1%

The table on the left shows the top ten selling brands in the county during the First and Second Quarters of this year. Toyota gained 1.8 share points and widened its first place lead over second place Honda. Hyundai gained 0.7 of a point and moved into seventh place.

Source: AutoCount data from Experian Automotive.

FORECAST DETERMINANTS

Consumers Make Headway Reducing Debt

Consumer sentiment remains subdued

As discussed on page one, weak household finances are the primary roadblock holding back new vehicle sales. Consumer spending (including a new vehicle purchase) obviously takes a back seat when the more pressing priorities for many households are to reduce debt and build savings.

The first graph below provides a snapshot of the progress that households are making in reducing debt that accumulated during the past 10 years. And for the most part, the news is good. The graph shows debt service payments as a percent of disposable personal income.

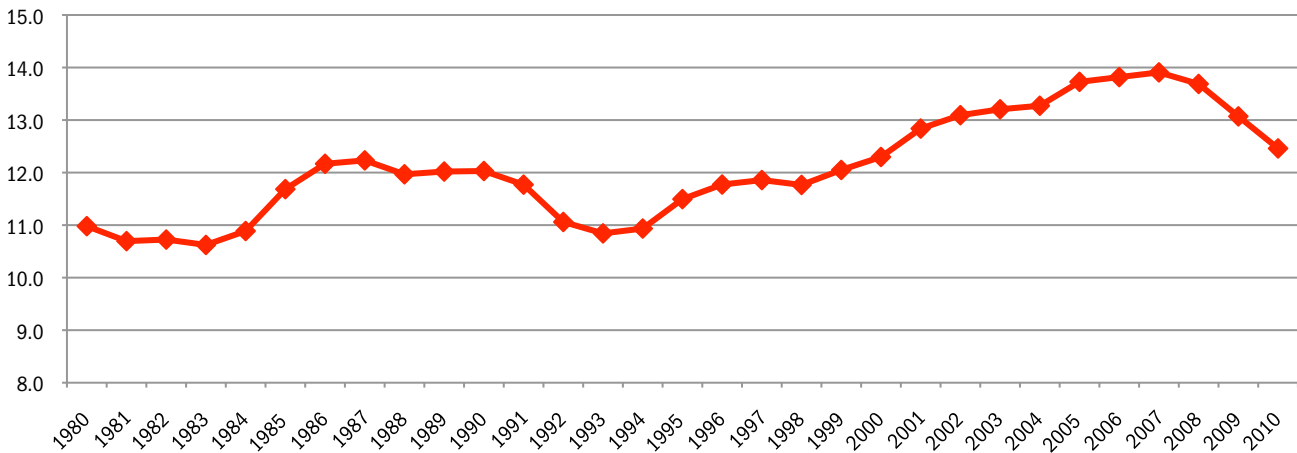
After marching steadily higher from the early 1990's to 2007, the percentage has declined from 14% in 2007 to 12.5% early this year. Clearly, a sizeable portion of this decline is attributable to delinquencies and loans simply being erased from the books. But nevertheless, the fact that households are allocating less income toward servicing debt is a tangible sign that the debt burden is easing somewhat.

Whereas debt levels have a clear relation to consumers' **ability** to purchase a new vehicle, consumer sentiment is an indicator of their **willingness**. And as shown on the second

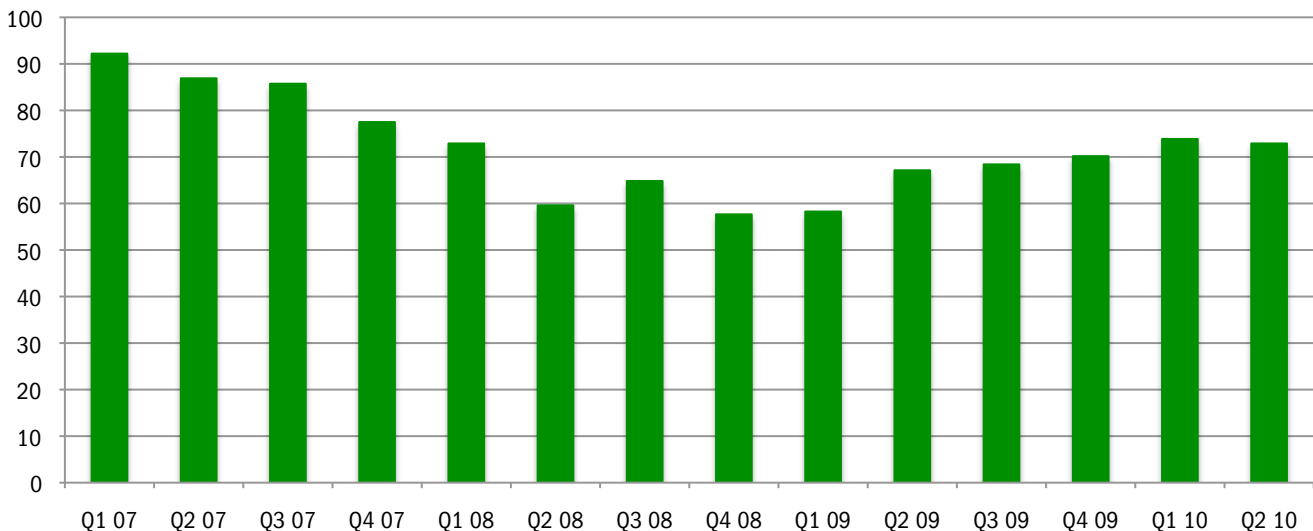
graph below, sentiment is well below 2007 levels. Although it has moved up from the lows in early 2009, consumers are justifiably concerned about employment prospects, incomes, the likelihood of future tax increases, and an uncertain global economy.

As discussed on page one, the county new vehicle market is very likely to head higher over the next several years. But weak household balance sheets and below average consumer sentiment will likely make the sales recovery slow and gradual

Debt Service Payments as a Percent of Disposable Personal Income



University of Michigan Consumer Sentiment Index



Comparison Of Orange County, Los Angeles County, And U.S. Markets

Orange County Market Improves 16.4% in First Half of Year

Los Angeles County market was up 16.6%

	Orange County Retail Market	Los Angeles County Retail Market	U.S. Retail Market
Market Growth % change in registrations YTD 2010 thru June vs. Year Earlier	16.4%	16.6%	9.8%
Car Market Share Car share of industry retail light vehicle YTD 2010 thru June	60.1%	65.3%	53.4%
Domestic Brand Market Share Domestic brand share of industry retail light vehicle registrations - YTD 2010 thru June	17.7%	15.3%	37.2%

Brand	New Retail Registrations - YTD thru June (U.S. figures below include fleets)						Market Share (YTD '10)		
	Orange County		Los Angeles County		U.S.		Orange County	L.A. County	U.S.
	Regs.	% ch. from '08	Regs.	% ch. from '08	Regs.	% ch. from '08			
Acura	941	19.9%	2,074	5.5%	61,117	19.6%	1.8	1.6	1.1
Audi	1,051	46.2%	3,796	27.0%	48,440	28.0%	2.0	2.9	0.9
BMW	2,639	3.9%	7,137	0.9%	100,632	7.6%	5.0	5.5	1.8
Buick	212	73.8%	475	86.3%	70,032	48.3%	0.4	0.4	1.2
Cadillac	525	35.3%	1,133	26.5%	64,785	33.3%	1.0	0.9	1.2
Chevrolet	1,975	2.0%	4,848	16.0%	781,006	31.6%	3.8	3.7	13.9
Chrysler	221	-50.4%	356	-57.3%	108,126	21.1%	0.4	0.3	1.9
Dodge	667	-24.9%	1,430	-25.6%	292,322	11.8%	1.3	1.1	5.2
Ford	4,050	14.9%	8,271	30.0%	858,454	30.4%	7.7	6.4	15.3
GMC	666	12.3%	1,370	22.2%	150,834	31.2%	1.3	1.1	2.7
Honda	7,369	18.4%	19,977	17.4%	532,792	11.1%	14.1	15.4	9.5
Hummer	17	-62.2%	23	-77.5%	2,929	-52.7%	0.0	0.0	0.1
Hyundai	2,304	32.6%	2,870	74.5%	255,782	25.0%	4.4	2.2	4.6
Infiniti	672	14.7%	2,109	13.1%	47,300	23.0%	1.3	1.6	0.8
Isuzu	4	-63.6%	17	-66.7%	0	-100.0%	0.0	0.0	0.0
Jaguar	144	-30.1%	482	-31.8%	5,851	-1.6%	0.3	0.4	0.1
Jeep	617	-22.2%	1,165	-19.4%	126,771	5.2%	1.2	0.9	2.3
Kia	836	24.8%	1,942	56.7%	170,070	15.4%	1.6	1.5	3.0
Land Rover	334	-18.5%	1,115	-2.9%	14,964	24.2%	0.6	0.9	0.3
Lexus	2,885	17.8%	7,335	20.6%	107,430	19.3%	5.5	5.6	1.9
Lincoln	194	14.8%	524	-6.9%	43,762	7.5%	0.4	0.4	0.8
Mazda	1,562	23.8%	2,469	27.9%	115,719	15.3%	3.0	1.9	2.1
Mercedes	3,706	15.0%	9,321	14.6%	107,015	25.7%	7.1	7.2	1.9
Mercury	52	-22.4%	158	-21.4%	50,930	14.0%	0.1	0.1	0.9
MINI	638	22.9%	1,638	7.1%	20,953	0.3%	1.2	1.3	0.4
Mitsubishi	534	13.6%	626	44.9%	26,490	0.1%	1.0	0.5	0.5
Nissan	3,332	44.1%	8,115	21.7%	393,032	27.1%	6.4	6.2	7.0
Pontiac	17	-85.5%	30	-91.5%	927	-99.0%	0.0	0.0	0.0
Porsche	299	3.1%	1,028	7.4%	10,983	13.7%	0.6	0.8	0.2
Saab	5	-81.5%	45	-58.3%	1,346	-75.0%	0.0	0.0	0.0
Saturn	44	-82.6%	106	-85.0%	6,480	-84.9%	0.1	0.1	0.1
smart	40	-23.1%	152	-59.0%	3,349	-60.9%	0.1	0.1	0.1
Subaru	684	40.5%	1,472	19.8%	125,960	35.0%	1.3	1.1	2.2
Suzuki	99	-58.4%	25	-61.5%	11,549	-48.5%	0.2	0.0	0.2
Toyota/Scion	10,728	22.7%	30,295	24.2%	739,112	8.6%	20.5	23.3	13.2
Volkswagen	1,899	46.4%	4,876	26.7%	126,012	29.9%	3.6	3.8	2.2
Volvo	273	8.3%	839	6.9%	28,206	-5.2%	0.5	0.6	0.5
Other	96	-12.7%	247	-8.5%	3,537	16.5%	0.2	0.2	0.1

The two tables above provide a comparison of the Orange County, Los Angeles County, and U.S. new light vehicle markets. Orange County and Los Angeles County figures include retail transactions only. U.S. brand sales figures includes fleets. Source for county data: AutoCount data from Experian Automotive. Source for U.S. data: Automotive News.

Orange County New Retail Car and Light Truck Registrations (U.S. figures include fleets)															
	June				Three Month Period Apr '10 thru June '10				YTD thru June				YTD Market Share (%)		
	Orange County			U.S.	Orange County			U.S.	Orange County			U.S.	Orange County		
	2009	2010	% chg.	% chg.	Yr. Ago	Current	% chg.	% chg.	2009	2010	% chg.	% chg.	2009	2010	Chg.
MARKET SUMMARY															
TOTAL	6,589	9,647	46.4%	14.4%	22,655	28,360	25.2%	17.8%	44,964	52,331	16.4%	16.8%			
Cars	4,015	5,853	45.8%	9.6%	13,683	17,215	25.8%	14.3%	26,288	31,490	19.8%	16.5%	58.5	60.2	1.7
Light Trucks	2,574	3,794	47.4%	20.3%	8,972	11,145	24.2%	22.1%	18,676	20,841	11.6%	17.1%	41.5	39.8	-1.7
Domestic	1,340	1,795	34.0%	17.4%	4,428	4,961	12.0%	19.1%	9,343	9,257	-0.9%	18.6%	20.8	17.7	-3.1
Japanese	3,525	5,063	43.6%	8.7%	12,250	15,759	28.6%	15.5%	23,571	28,810	22.2%	14.2%	52.4	55.1	2.7
European	1,335	2,070	55.1%	11.8%	4,737	5,804	22.5%	13.3%	9,643	11,124	15.4%	15.3%	21.4	21.3	-0.1
Korean	389	719	84.8%	28.3%	1,240	1,836	48.1%	26.9%	2,407	3,140	30.5%	20.9%	5.4	6.0	0.6
BRAND REGISTRATIONS															
Acura	94	179	90.4%	30.9%	418	565	35.2%	25.5%	785	941	19.9%	19.6%	1.7	1.8	0.1
Audi	94	187	98.9%	14.3%	379	570	50.4%	23.1%	719	1,051	46.2%	28.0%	1.6	2.0	0.4
BMW	353	451	27.8%	14.6%	1,229	1,275	3.7%	6.8%	2,540	2,639	3.9%	7.6%	5.6	5.0	-0.6
Buick	20	29	45.0%	52.7%	63	97	54.0%	42.0%	122	212	73.8%	48.3%	0.3	0.4	0.1
Cadillac	45	97	115.6%	39.1%	169	272	60.9%	42.7%	388	525	35.3%	33.3%	0.9	1.0	0.1
Chevrolet	259	419	61.8%	33.3%	899	1,054	17.2%	27.4%	1,937	1,975	2.0%	31.6%	4.3	3.8	-0.5
Chrysler	60	47	-21.7%	30.1%	200	129	-35.5%	39.8%	446	221	-50.4%	21.1%	1.0	0.4	-0.6
Dodge	115	140	21.7%	42.0%	477	388	-18.7%	37.7%	888	667	-24.9%	11.8%	2.0	1.3	-0.7
Ford	577	773	34.0%	16.3%	1,706	2,189	28.3%	23.5%	3,524	4,050	14.9%	30.4%	7.8	7.7	-0.1
GMC	92	124	34.8%	50.2%	272	351	29.0%	32.3%	593	666	12.3%	31.2%	1.3	1.3	0.0
Honda	883	1,296	46.8%	4.0%	3,385	4,094	20.9%	11.3%	6,226	7,369	18.4%	11.1%	13.8	14.1	0.3
Hummer	3	3	0.0%	-71.9%	13	11	-15.4%	-32.8%	45	17	-62.2%	-52.7%	0.1	0.0	-0.1
Hyundai	224	537	139.7%	35.0%	789	1,336	69.3%	32.6%	1,737	2,304	32.6%	25.0%	3.9	4.4	0.5
Infiniti	79	126	59.5%	31.7%	274	355	29.6%	33.1%	586	672	14.7%	23.0%	1.3	1.3	0.0
Jaguar	23	27	17.4%	72.9%	107	61	-43.0%	2.7%	206	144	-30.1%	1.6%	0.5	0.3	-0.2
Jeep	90	125	38.9%	24.8%	351	350	-0.3%	9.4%	793	617	-22.2%	5.2%	1.8	1.2	-0.6
Kia	165	182	10.3%	18.9%	451	500	10.9%	18.9%	670	836	24.8%	15.4%	1.5	1.6	0.1
Land Rover	72	69	-4.2%	43.9%	204	170	-16.7%	32.9%	410	334	-18.5%	24.2%	0.9	0.6	-0.3
Lexus	301	536	78.1%	2.7%	1,159	1,476	27.4%	20.7%	2,450	2,885	17.8%	19.3%	5.4	5.5	0.1
Lincoln	17	27	58.8%	-11.5%	73	90	23.3%	-1.5%	169	194	14.8%	7.5%	0.4	0.4	0.0
Mazda	172	268	55.8%	32.8%	620	833	34.4%	28.3%	1,262	1,562	23.8%	15.3%	2.8	3.0	0.2
Mercedes	421	682	62.0%	25.3%	1,503	1,964	30.7%	25.7%	3,222	3,706	15.0%	25.7%	7.2	7.1	-0.1
Mercury	19	10	-47.4%	26.2%	39	27	-30.8%	9.1%	67	52	-22.4%	14.0%	0.1	0.1	0.0
MINI	79	125	58.2%	1.1%	250	344	37.6%	-1.2%	519	638	22.9%	0.3%	1.2	1.2	0.0
Mitsubishi	54	74	37.0%	-3.8%	210	248	18.1%	1.9%	470	534	13.6%	0.1%	1.0	1.0	0.0
Nissan	455	569	25.1%	8.2%	1,307	1,738	33.0%	21.4%	2,313	3,332	44.1%	27.1%	5.1	6.4	1.3
Pontiac	22	1	-95.5%	-99.5%	55	3	-94.5%	-99.3%	117	17	-85.5%	-99.0%	0.3	0.0	-0.3
Porsche	37	48	29.7%	137.4%	170	150	-11.8%	21.7%	290	299	3.1%	13.7%	0.6	0.6	0.0
Saab	6	1	-83.3%	-72.3%	15	1	-93.3%	-75.3%	27	5	-81.5%	-75.0%	0.1	0.0	-0.1
Saturn	21	0	-100.0%	-98.2%	111	0	-100.0%	-97.6%	253	44	-82.6%	-84.9%	0.6	0.1	-0.5
smart	4	7	75.0%	-48.3%	40	30	-25.0%	-46.2%	52	40	-23.1%	-60.9%	0.1	0.1	0.0
Subaru	79	97	22.8%	16.0%	272	353	29.8%	32.2%	487	684	40.5%	35.0%	1.1	1.3	0.2
Suzuki	10	12	20.0%	-5.3%	62	50	-19.4%	-19.1%	238	99	-58.4%	-48.5%	0.5	0.2	-0.3
Toyota/Scion	1,397	1,906	36.4%	7.4%	4,536	6,046	33.3%	11.1%	8,743	10,728	22.7%	8.6%	19.4	20.5	1.1
Volkswagen	179	424	136.9%	10.6%	653	1,070	63.9%	23.4%	1,297	1,899	46.4%	29.9%	2.9	3.6	0.7
Volvo	55	35	-36.4%	-29.1%	130	115	-11.5%	-17.1%	252	273	8.3%	-5.2%	0.6	0.5	-0.1
Other	13	14	7.7%	-7.9%	64	55	-14.1%	14.2%	121	100	-17.4%	10.5%	0.3	0.2	-0.1

Orange County Auto Outlook

Published by Auto Outlook, Inc.

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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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