

# Orange County Auto Outlook™



Comprehensive information on the Orange County automotive market

## FORECAST

### Another Increase Predicted for County New Vehicle Market in '15

**This year's increase follows the 6.8% improvement in 2014; market is up 84% 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.

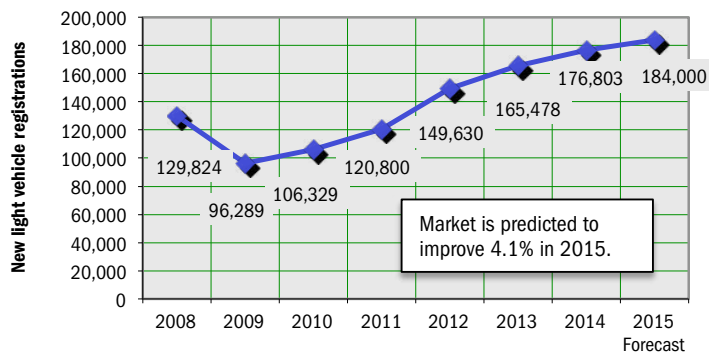
- Pent up demand and benefits to “upgrade” should continue to give the market a boost. The average age of vehicles on the road exceeds 10 years, which based on historical standards, is very high. Some have argued that due to improvements in quality and durability, this is to be expected, and the time-line 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 Orange County New Vehicle Market



The graph above shows annual new retail light vehicle registrations in the county from 2008 thru 2014 and Auto Outlook's projection for 2015.

#### Market Summary

	2012	2013	2014	% ch. '13 to '14
TOTAL	112,513	165,478	176,803	6.8%
Car	70,572	103,125	108,264	5.0%
Light Truck	41,941	62,353	68,539	9.9%
Detroit Three	21,618	32,601	36,601	12.3%
European	23,051	33,311	33,659	1.0%
Japanese	55,038	82,186	89,677	9.1%
Korean	12,806	17,380	16,866	-3.0%

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

**Data Source:** AutoCount data from Experian Automotive.

**MARKET TRACKER: MONTHLY MOVING AVERAGE**

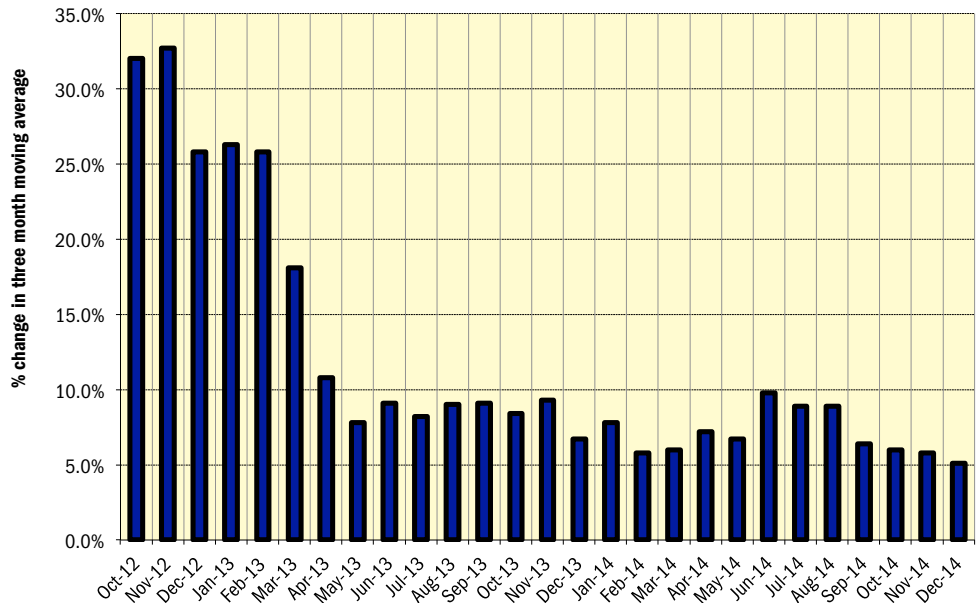
# New Vehicle Market Continues to Post Gains

**Percent change in three month moving average has improved for 37 consecutive months!**

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 over the past two years is decidedly 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.

New vehicle registrations have continued their upward trend during the past several years, with the three month moving average increasing from year earlier levels in 59 of the past 61 months!

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

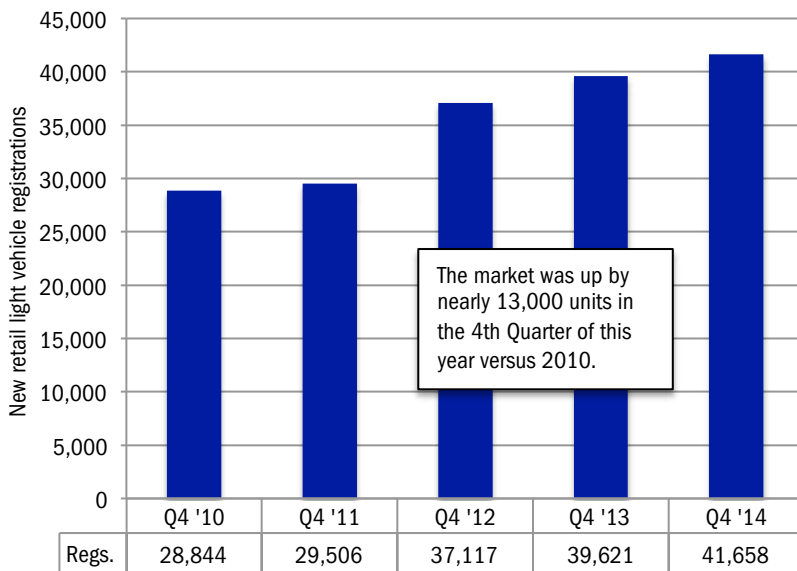


**MARKET TRACKER: QUARTERLY PERSPECTIVE**

## 4Q '14 Registrations Up From '13

**Fourth Quarter total last year was up 44% from 2010**

**QUARTERLY PERSPECTIVE**  
Five Years of Fourth Quarter Results in Orange County Market



The market was up by nearly 13,000 units in the 4th Quarter of this year versus 2010.

Fourth quarter registrations during past five years

WHAT  
NEW AND USED  
CARS SELL WELL  
IN MY MARKETS?

WHO ARE  
MY TOP  
COMPETITORS?  
-BY MARKET AREA?

**ANSWERS DRIVE RESULTS.**

You need insights into your marketplace to make the best decisions to maximize profits. The AutoCount® Dealer Report analyzes full details on new and used competitive dealer market share, down to specific areas you define. You bring the questions. We'll bring the answers.



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**Details on Data**

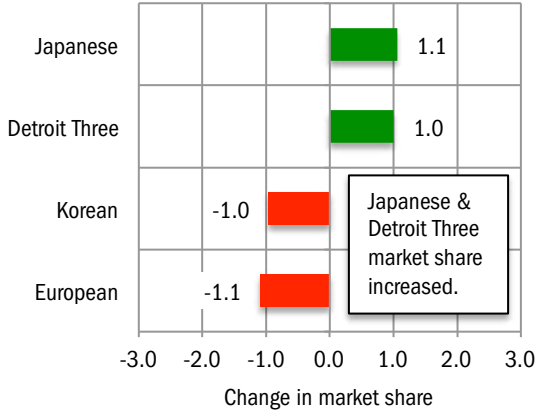
Data presented measures new vehicles registered to purchasers (or lessees) residing in Orange County. Monthly recording of registrations occurs when vehicle title is processed.

Data Source: AutoCount Data from Experian Automotive.

MARKET TRACKER: BRAND MARKET SHARE

# Japanese, Detroit 3 Gain

Change in County Market Share  
2014 vs. 2013



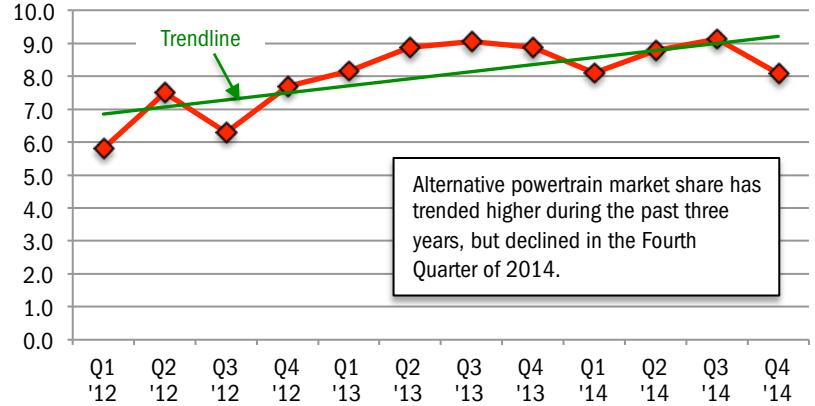
The graph above shows the change in market share for four primary brand segments.

Data Source: AutoCount data from Experian Automotive.

MARKET TRACKER: HYBRID AND ELECTRIC VEHICLES

# Hybrid/Electric Share Slips

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 Automotive.

MARKET TRACKER - SEGMENTS

# Compact SUV and Pickup Market Shares Moves Higher

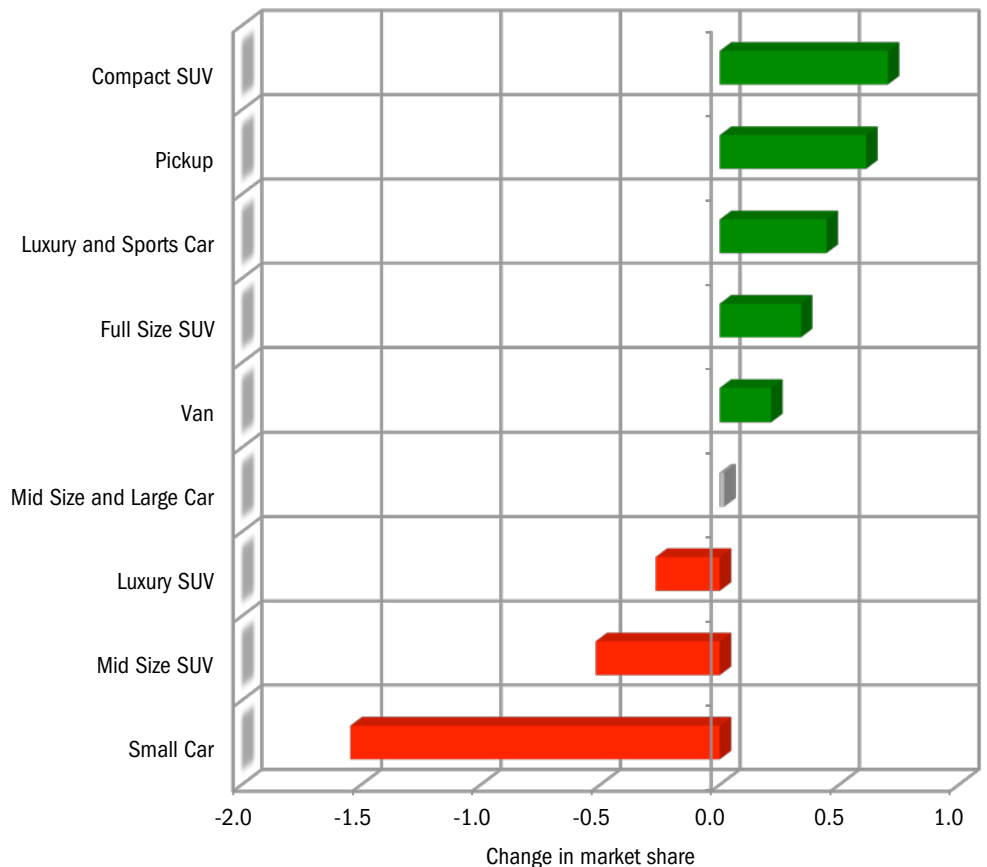
Change in Segment Market Share  
2014  
vs.  
2013

Orange County Market

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: Mazda CX5
- Mid Size SUV: Jeep Grand Cherokee
- Full Size SUV: Chevrolet Tahoe
- Luxury SUV: Lexus RX

Data Source: AutoCount data from Experian Automotive.



BRAND SCOREBOARD - PART ONE

# Toyota Registrations Increased by 2,670 Units in 2014

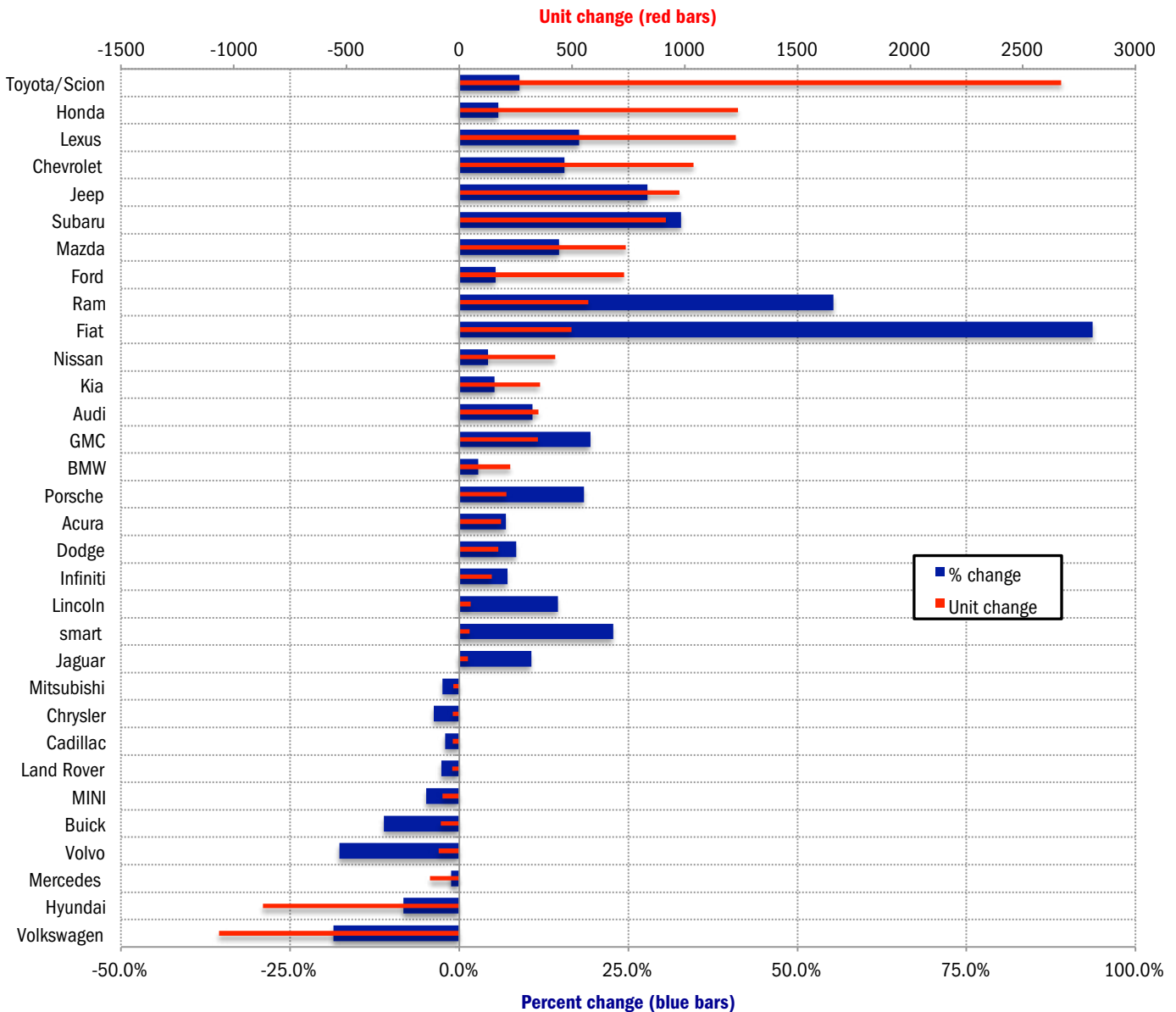
## FIAT and Ram had the largest percentage increases last year

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 from 2013 to 2014. 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: Lincoln had a sizeable percentage increase last year (up 14.6%; shown by the thick blue bar on the graph), but it's a relatively low-selling brand. Lincoln registrations increased by only 51 units. Toyota's percentage increase was in the middle of the pack (up 8.9%), but unit regis-

trations were up by a sizeable 2,670. Subaru posted big gains last year. Registrations increased by 917 units versus a year earlier, up 32.8%. Ram and FIAT also had significant percentage and unit increases.

**Change in New Retail Light Vehicle Registrations (2014 vs. 2013)**



Source: AutoCount data from Experian Automotive.

**BRAND SCOREBOARD - PART TWO**

# Toyota is Most Popular Brand in County

**Mercedes, Honda, BMW, Lexus, Hyundai, and Mazda also rank high**

The graph below provides an indicator of brands that are popular in Orange 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

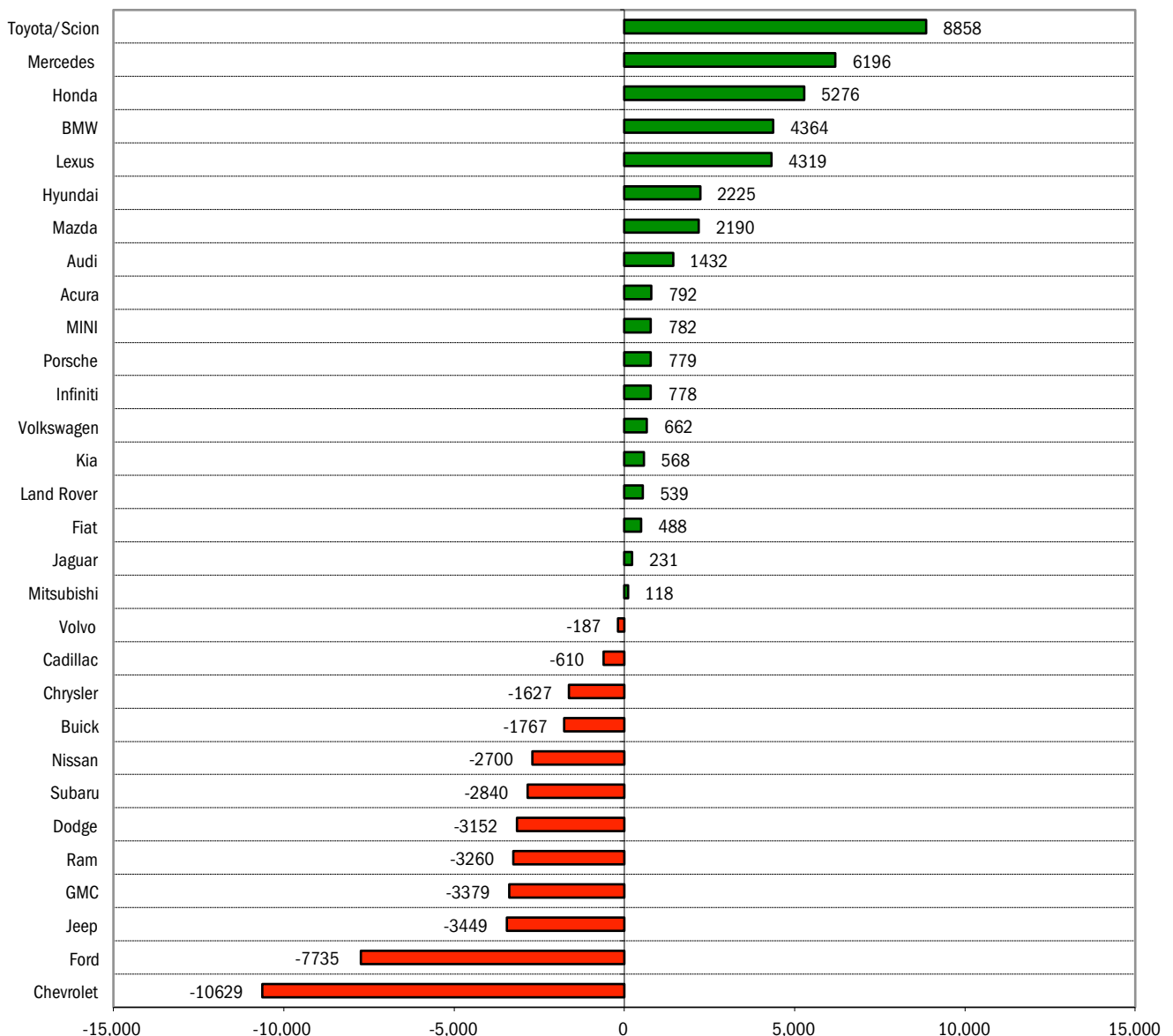
in the county during 2014. This yields a "target" for the county market. Target registrations are subtracted from actual registrations to derive the measurement of sales performance.

Brands at the top of the graph (i.e., Toyota, Mercedes, Honda, BMW, Lexus, Hyundai, and Mazda are relatively strong sellers in the

county, with actual registrations exceeding calculated targets by large margins. For instance, Toyota registrations exceeded the target by 8,858 units.

Data Source: AutoCount data from Experian Automotive.

**Orange 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 registrations times U.S. market share)**

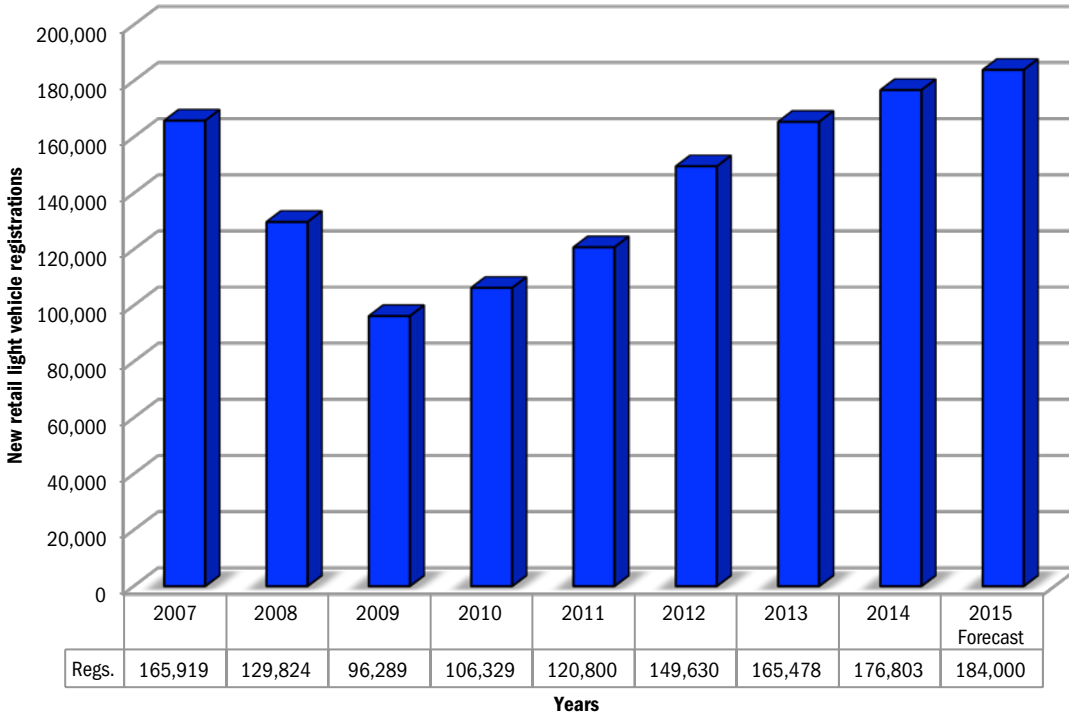
LONG TERM TRENDS

# 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 Orange 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. Source: AutoCount data from Experian Automotive.

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



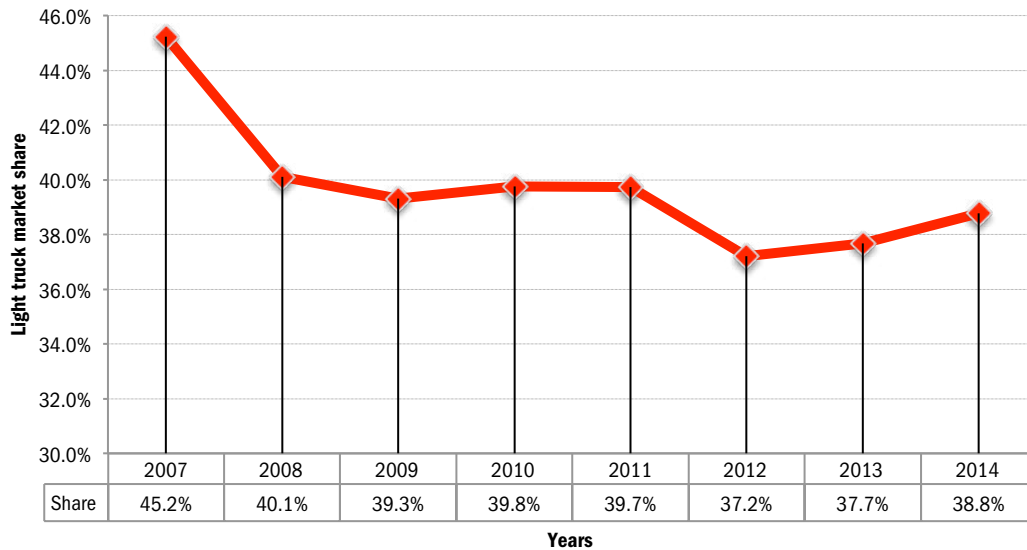
### Key Trends

Between 2009 (the low point during the market downturn) and 2014, county new retail light vehicle registrations have increased by more than 80,000 units an increase of 84%!

The market was up 6.8% last year versus 2013, and Auto Outlook is predicting a 4.1% increase this year.

Following a wild roller-coaster ride during the seven year period, county registrations exceeded 2007 levels in 2014, and should easily do so again this year.

**County New Retail Light Truck Market Share - 2007 thru 2014**



### Key Trends

Light truck share of the Orange County light vehicle market declined by eight market share points between 2007 and 2012.

Light truck share was up in 2013 and 2014.

## COMPARISON OF ORANGE COUNTY AND U.S. MARKETS

# Orange County Market Increased 6.8% in 2014

**U.S. market was up 5.9%**

	Orange County Retail Market	U.S. Market*
<b>Market Growth</b> % change in registrations 2014 vs. 2013	6.8%	5.9%
<b>Car Market Share</b> Car share of industry retail light vehicle 2014	61.2%	48.0%
<b>Domestic Brand Market Share</b> Domestic brand share of industry retail light vehicle registrations - 2014	20.7%	45.1%

Brand	New Retail Registrations -2014				Market Share (2014)	
	Orange County		U.S.*		Orange County	U.S.
	Regs.	% ch. from '13	Sales	% ch. from '13		
Acura	2,861	6.9%	167,843	1.5%	1.6	1.0
Audi	3,600	10.8%	182,011	15.2%	2.0	1.1
BMW	8,337	2.8%	339,738	9.8%	4.7	2.1
Buick	662	-11.1%	228,963	11.4%	0.4	1.4
Cadillac	1,384	-2.1%	170,750	-6.5%	0.8	1.0
Chevrolet	7,723	15.6%	2,033,442	4.4%	4.4	12.3
Chry Dodge Jeep Ram	9,023	23.1%	2,044,427	16.4%	5.1	12.4
Chrysler	712	-3.8%	308,785	2.1%	0.4	1.9
Dodge	2,216	8.4%	574,155	-3.7%	1.3	3.5
Jeep	4,489	27.8%	692,348	41.2%	2.5	4.2
Ram	1,606	55.3%	469,139	27.5%	0.9	2.8
Fiat	1,030	93.6%	46,121	6.7%	0.6	0.3
Ford	14,311	5.4%	2,376,841	-1.1%	8.1	14.4
GMC	2,151	19.4%	501,853	11.3%	1.2	3.0
Honda	22,743	5.7%	1,373,029	1.0%	12.9	8.3
Hyundai	9,693	-8.2%	725,718	0.7%	5.5	4.4
Infiniti	2,160	7.1%	117,330	0.8%	1.2	0.7
Jaguar	406	10.6%	15,773	-7.0%	0.2	0.1
Kia	7,173	5.2%	580,234	8.4%	4.1	3.5
Land Rover	1,166	-2.7%	51,465	2.9%	0.7	0.3
Lexus	8,151	17.7%	311,389	13.7%	4.6	1.9
Lincoln	401	14.6%	94,474	15.6%	0.2	0.6
Mazda	5,739	14.8%	305,801	7.7%	3.2	1.8
Mercedes	10,225	-1.2%	356,136	6.5%	5.8	2.2
MINI	1,466	-4.9%	56,112	-15.6%	0.8	0.3
Mitsubishi	1,069	-2.5%	77,643	24.8%	0.6	0.5
Nissan	10,538	4.2%	1,269,565	12.2%	6.0	7.7
Porsche	1,334	18.5%	47,007	11.1%	0.8	0.3
smart	243	22.7%	10,453	12.8%	0.1	0.1
Subaru	3,711	32.8%	513,693	21.0%	2.1	3.1
Toyota/Scion	32,705	8.9%	2,062,382	5.1%	18.5	12.5
Volkswagen	4,666	-18.6%	366,970	-10.0%	2.6	2.2
Volvo	427	-17.7%	56,366	-7.9%	0.2	0.3
Other	1,705	54.3%	47,541	19.7%	1.0	0.3

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

\*U.S. figures include fleets

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

Orange County New Retail Car and Light Truck Registrations												
	December			Three Month Period Oct '14 thru Dec '14			YTD thru December			YTD Market Share (%)		
	Orange County			Orange County			Orange County			Orange County		
	2013	2014	% chg.	Prev.	Curr.	% chg.	2013	2014	% chg.	2013	2014	Chg.
<b>MARKET SUMMARY</b>												
TOTAL	15,332	15,900	3.7%	39,621	41,658	5.1%	165,478	176,803	6.8%	0.0	0.0	0.0
Cars	9,482	9,650	1.8%	24,884	25,574	2.8%	103,125	108,264	5.0%	62.3	61.2	-1.1
Light Trucks	5,850	6,250	6.8%	14,737	16,084	9.1%	62,353	68,539	9.9%	37.7	38.8	1.1
Domestic	3,000	3,224	7.5%	7,694	8,610	11.9%	32,601	36,601	12.3%	19.7	20.7	1.0
European	3,352	3,295	-1.7%	8,432	8,274	-1.9%	33,311	33,659	1.0%	20.1	19.0	-1.1
Japanese	7,401	7,962	7.6%	19,500	21,051	8.0%	82,186	89,677	9.1%	49.7	50.7	1.1
Korean	1,579	1,419	-10.1%	3,995	3,723	-6.8%	17,380	16,866	-3.0%	10.5	9.5	-1.0
<b>BRAND REGISTRATIONS</b>												
Acura	251	301	19.9%	630	729	15.7%	2,676	2,861	6.9%	1.6	1.6	0.0
Audi	304	355	16.8%	739	875	18.4%	3,249	3,600	10.8%	2.0	2.0	0.0
BMW	773	961	24.3%	1,916	2,242	17.0%	8,110	8,337	2.8%	4.9	4.7	-0.2
Buick	57	52	-8.8%	172	144	-16.3%	745	662	-11.1%	0.5	0.4	-0.1
Cadillac	135	109	-19.3%	341	298	-12.6%	1,414	1,384	-2.1%	0.9	0.8	-0.1
Chevrolet	674	688	2.1%	1,686	1,831	8.6%	6,683	7,723	15.6%	4.0	4.4	0.4
C/D/J/R	611	809	32.4%	1,556	2,152	38.3%	7,331	9,023	23.1%	4.4	5.1	0.7
Chrysler	52	98	88.5%	143	232	62.2%	740	712	-3.8%	0.4	0.4	0.0
Dodge	139	189	36.0%	393	490	24.7%	2,044	2,216	8.4%	1.2	1.3	0.1
Jeep	309	384	24.3%	764	1,007	31.8%	3,513	4,489	27.8%	2.1	2.5	0.4
Ram	111	138	24.3%	256	423	65.2%	1,034	1,606	55.3%	0.6	0.9	0.3
Fiat	49	63	28.6%	141	270	91.5%	532	1,030	93.6%	0.3	0.6	0.3
Ford	1,243	1,193	-4.0%	3,165	3,169	0.1%	13,581	14,311	5.4%	8.2	8.1	-0.1
GMC	146	214	46.6%	431	543	26.0%	1,802	2,151	19.4%	1.1	1.2	0.1
Honda	1,847	2,034	10.1%	5,053	5,473	8.3%	21,507	22,743	5.7%	13.0	12.9	-0.1
Hyundai	1,027	935	-9.0%	2,571	2,237	-13.0%	10,564	9,693	-8.2%	6.4	5.5	-0.9
Infiniti	229	228	-0.4%	566	535	-5.5%	2,017	2,160	7.1%	1.2	1.2	0.0
Jaguar	42	24	-42.9%	101	87	-13.9%	367	406	10.6%	0.2	0.2	0.0
Kia	552	484	-12.3%	1,424	1,486	4.4%	6,816	7,173	5.2%	4.1	4.1	0.0
Land Rover	106	83	-21.7%	258	219	-15.1%	1,198	1,166	-2.7%	0.7	0.7	0.0
Lexus	753	864	14.7%	1,820	1,943	6.8%	6,924	8,151	17.7%	4.2	4.6	0.4
Lincoln	34	42	23.5%	101	125	23.8%	350	401	14.6%	0.2	0.2	0.0
Mazda	543	550	1.3%	1,279	1,490	16.5%	5,000	5,739	14.8%	3.0	3.2	0.2
Mercedes	1,295	876	-32.4%	3,208	2,273	-29.1%	10,354	10,225	-1.2%	6.3	5.8	-0.5
MINI	104	119	14.4%	279	336	20.4%	1,541	1,466	-4.9%	0.9	0.8	-0.1
Mitsubishi	100	88	-12.0%	230	229	-0.4%	1,096	1,069	-2.5%	0.7	0.6	-0.1
Nissan	923	868	-6.0%	2,500	2,328	-6.9%	10,113	10,538	4.2%	6.1	6.0	-0.1
Porsche	125	156	24.8%	302	358	18.5%	1,126	1,334	18.5%	0.7	0.8	0.1
smart	9	14	55.6%	45	52	15.6%	198	243	22.7%	0.1	0.1	0.0
Subaru	288	353	22.6%	758	921	21.5%	2,794	3,711	32.8%	1.7	2.1	0.4
Toyota/Scion	2,467	2,676	8.5%	6,664	7,403	11.1%	30,035	32,705	8.9%	18.2	18.5	0.3
Volkswagen	448	507	13.2%	1,208	1,175	-2.7%	5,731	4,666	-18.6%	3.5	2.6	-0.9
Volvo	47	48	2.1%	118	113	-4.2%	519	427	-17.7%	0.3	0.2	-0.1
Other	150	206	37.3%	359	622	73.3%	1,105	1,705	54.3%	0.7	1.0	0.3

### 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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Data Source: AutoCount data from Experian Automotive.