

Los Angeles Auto Outlook



Comprehensive information on the LA County new vehicle market

FORECAST

2017 Should be Another Strong Year for New Vehicle Market



Key factors providing a boost to new vehicle sales

Incentive to upgrade. Advanced features that were once restricted to luxury vehicles are now commonplace on mainstream products (i.e., mitigation braking, lane alert, smart cruise control, blind spot monitoring, rear-view cameras, etc.). These new technologies are providing a strong motivation for consumers to enter the new vehicle market.

New products. In the past, auto companies have not been responsive to shifting consumer tastes. But that's not the case in 2017. As demand for SUVs has grown, manufacturers have introduced desirable new products in every conceivable size and configuration. And if fuel prices were to unexpectedly surge, there are a slew of plug in and all-electric vehicles scheduled to be introduced over the next few years.

Economic fundamentals are sound. Unemployment rates are very low, incomes are moving higher, household net worth is at an all-time high, GDP growth is solid, and consumer confidence is strong. It would be unprecedented for new vehicle sales to decline sharply in an environment with such strong core economic fundamentals.



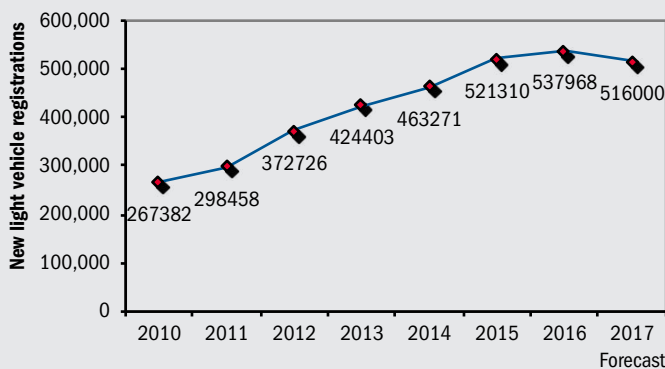
Key factors holding back new vehicle sales

Pent up demand is easing. Following seven years of increasing sales, the market has fully recovered from the low point in 2009, and as a result, pent up demand is easing. As pointed out on the left, there are a multitude of reasons for automotive consumers to be motivated to replace their current vehicles, but the frequency of purchases that occur out of necessity (i.e., current cars are wearing out) is lessening.

Rising interest rates. After several years of hovering near zero, interest rates are on the rise. It's not likely to be an abrupt, upward march, but it's inevitable that they will increase. Higher interest rates lead to increasing monthly finance and lease payments, which put a drag on new vehicle sales.

Insufficient savings. Leading into the financial crisis of 2008, households had amassed record debt. After several years of deleveraging, the debt burden has eased significantly. However, most households still have insufficient savings for retirement. As a result, consumers need to build savings, which will put a crimp on retail spending.

Annual Trend in County Market



Market Summary

	YTD '16 thru Sept.	YTD '17 thru Sept.	% Chg. '16 to '17	Mkt. Share YTD '17
TOTAL	413,437	391,012	-5.4%	
Car	251,354	219,097	-12.8%	56.0%
Light Truck	162,083	171,915	6.1%	44.0%
Domestic	81,819	79,129	-3.3%	20.2%
European	84,519	77,453	-8.4%	19.8%
Japanese	211,891	203,967	-3.7%	52.2%
Korean	35,208	30,463	-13.5%	7.8%

Historical Data Source: AutoCount data from Experian.

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

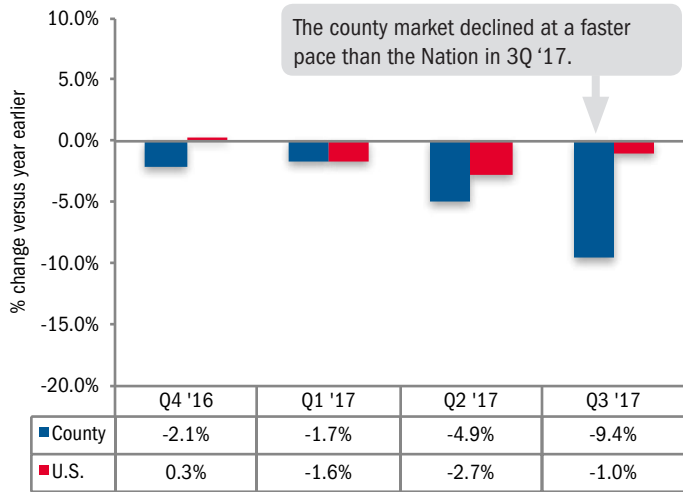
Domestic brands consist of vehicles sold by GM, Ford, Chrysler, and Tesla. Data source: AutoCount data from Experian.

MARKET TRACKER: QUARTERLY RESULTS

County Registrations Fell in 3Q '17; Market Still at Healthy Levels

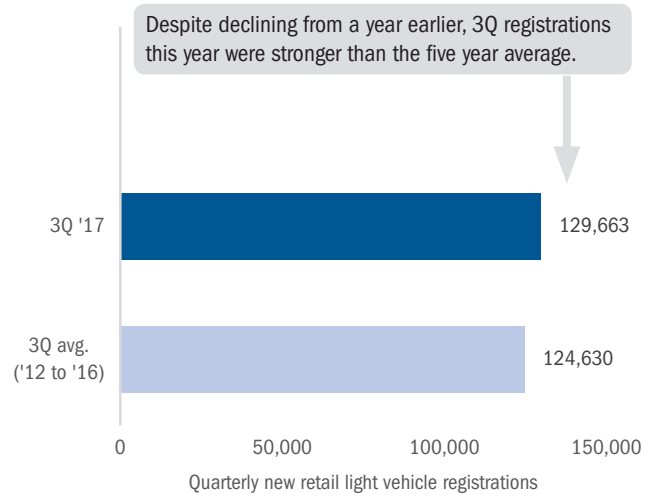
QUARTERLY TREND

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



QUARTERLY PERSPECTIVE

3Q 2017 Registrations Versus Average for Previous Five Years



Source for LA County data: AutoCount data from Experian
 Source for U.S. market data: Automotive News. U.S. figures include fleets

Source: AutoCount data from Experian.

MARKET TRACKER: AREA MARKET VERSUS U.S.

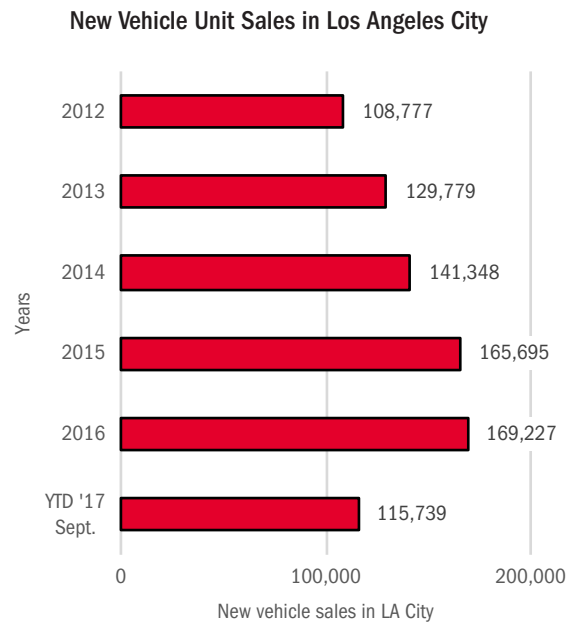
Area and U.S. Markets Move Lower

	County Market		U.S. Market*	
Percent change in registrations YTD '17 thru Sept. vs. YTD '16		-5.4%		-1.7%
Passenger car market share YTD '17 thru Sept.		56.0%		36.4%
Domestic brand market share YTD '17 thru Sept.		20.2%		44.0%
Top 10 brands and market share YTD '17 thru Sept.				
First	Toyota	17.6%	Ford	14.3%
Second	Honda	15.9%	Toyota	12.5%
Third	Chevrolet	6.8%	Chevrolet	11.8%
Fourth	Nissan	5.8%	Honda	8.7%
Fifth	Ford	5.3%	Nissan	8.4%
Sixth	Lexus	5.0%	Jeep	4.8%
Seventh	Mercedes	4.9%	Hyundai	3.9%
Eighth	Kia	4.4%	Subaru	3.7%
Ninth	BMW	4.4%	Kia	3.6%
Tenth	Hyundai	3.4%	Ram	3.2%

Source for LA County data: AutoCount data from Experian.
 Source for U.S. market data: Automotive News. U.S. figures include fleets.

ANALYSIS

New Vehicle Sales in LA City



The graph above shows the level of new vehicle sales in the city of Los Angeles from '12 through '16 and the first nine months of '17. The data measures vehicles sold by dealerships located in the city of Los Angeles. Source: AutoCount data from Experian.

MODEL RANKINGS

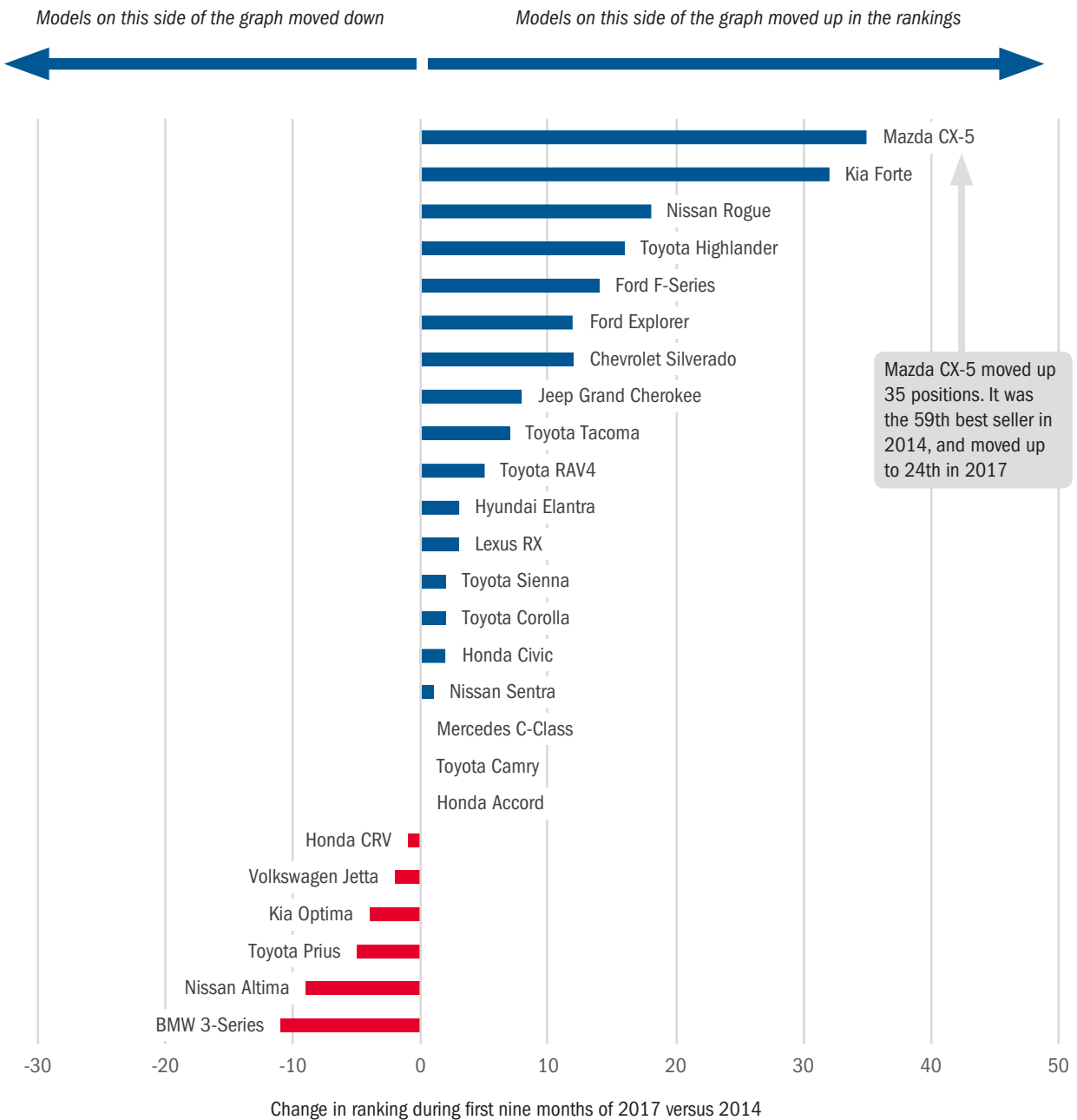
Mazda CX-5 Moves Up in County Market During Past 3 Years

The graph below shows the change in rankings during the first nine months of 2014 versus 2017 for the top 25 selling models in the Los Angeles County market. Models are positioned on the graph from top to bottom based on the

change in rankings. The biggest gainer during the three year period was the Mazda CX-5, which moved up 35 positions during the three year period. CX-5 was the 24th best seller in 2017 compared to 59th in 2014. Other big

winners were Kia Forte, Nissan Rogue, and Toyota Highlander. Note: Honda HR-V and Lexus NX were both among the top 25 selling models in 2017, but were not on the market in 2014.

Change in Rankings for Top 25 Selling Models - YTD 2017 thru September vs. YTD 2014



Source: AutoCount data from Experian

Los Angeles County New Retail Car and Light Truck Registrations												
	September						YTD thru September					
	Registrations			Market Share (%)			Registrations			Market Share (%)		
	2016	2017	% change	2016	2017	Change	YTD '16	YTD '17	% change	YTD '16	YTD '17	Change
TOTAL	46,958	41,830	-10.9				413,437	391,012	-5.4			
Cars	27,877	22,813	-18.2	59.4	54.5	-4.8	251,354	219,097	-12.8	60.7	56.0	-4.7
Light Trucks	19,081	19,017	-0.3	40.6	45.5	4.8	162,083	171,915	6.1	39.3	44.0	4.7
Domestic Brands	9,450	8,756	-7.3	20.1	20.9	0.8	81,819	79,129	-3.3	19.8	20.2	0.4
European Brands	9,766	7,947	-18.6	20.8	19.0	-1.8	84,519	77,453	-8.4	20.4	19.8	-0.6
Japanese Brands	23,771	21,947	-7.7	50.6	52.5	1.8	211,891	203,967	-3.7	51.3	52.2	0.9
Korean Brands	3,971	3,180	-19.9	8.5	7.6	-0.9	35,208	30,463	-13.5	8.5	7.8	-0.7
Acura	468	409	-12.6	1.0	1.0	0.0	4,439	4,068	-8.4	1.1	1.0	0.0
Audi	1,352	1,206	-10.8	2.9	2.9	0.0	12,209	11,704	-4.1	3.0	3.0	0.0
BMW	2,443	1,642	-32.8	5.2	3.9	-1.3	20,408	17,222	-15.6	4.9	4.4	-0.5
Buick	155	178	14.8	0.3	0.4	0.1	1,583	1,409	-11.0	0.4	0.4	0.0
Cadillac	265	184	-30.6	0.6	0.4	-0.1	2,398	2,006	-16.3	0.6	0.5	-0.1
Chevrolet	2,794	2,905	4.0	5.9	6.9	1.0	24,104	26,542	10.1	5.8	6.8	1.0
Chrysler	144	178	23.6	0.3	0.4	0.1	1,203	1,497	24.4	0.3	0.4	0.1
Dodge	621	614	-1.1	1.3	1.5	0.1	5,452	5,491	0.7	1.3	1.4	0.1
Fiat	328	201	-38.7	0.7	0.5	-0.2	2,391	2,569	7.4	0.6	0.7	0.1
Ford	2,924	2,368	-19.0	6.2	5.7	-0.6	24,770	20,717	-16.4	6.0	5.3	-0.7
GMC	447	396	-11.4	1.0	0.9	0.0	4,268	3,823	-10.4	1.0	1.0	-0.1
Honda	6,658	6,633	-0.4	14.2	15.9	1.7	61,647	62,058	0.7	14.9	15.9	1.0
Hyundai	1,739	1,442	-17.1	3.7	3.4	-0.3	13,508	13,189	-2.4	3.3	3.4	0.1
Infiniti	672	528	-21.4	1.4	1.3	-0.2	5,522	5,612	1.6	1.3	1.4	0.1
Jaguar	205	203	-1.0	0.4	0.5	0.0	1,319	2,065	56.6	0.3	0.5	0.2
Jeep	994	1,028	3.4	2.1	2.5	0.3	9,306	9,652	3.7	2.3	2.5	0.2
Kia	2,232	1,738	-22.1	4.8	4.2	-0.6	21,700	17,274	-20.4	5.2	4.4	-0.8
Land Rover	424	459	8.3	0.9	1.1	0.2	3,938	4,046	2.7	1.0	1.0	0.1
Lexus	2,385	2,200	-7.8	5.1	5.3	0.2	20,720	19,666	-5.1	5.0	5.0	0.0
Lincoln	203	181	-10.8	0.4	0.4	0.0	1,705	1,574	-7.7	0.4	0.4	0.0
Maserati	147	82	-44.2	0.3	0.2	-0.1	1,023	1,055	3.1	0.2	0.3	0.0
Mazda	926	933	0.8	2.0	2.2	0.3	8,563	8,444	-1.4	2.1	2.2	0.1
Mercedes	2,441	1,840	-24.6	5.2	4.4	-0.8	22,481	19,331	-14.0	5.4	4.9	-0.5
MINI	379	281	-25.9	0.8	0.7	-0.1	3,061	2,555	-16.5	0.7	0.7	-0.1
Mitsubishi	141	113	-19.9	0.3	0.3	0.0	1,362	1,245	-8.6	0.3	0.3	0.0
Nissan	2,962	2,031	-31.4	6.3	4.9	-1.5	28,487	22,846	-19.8	6.9	5.8	-1.0
Porsche	355	337	-5.1	0.8	0.8	0.0	3,283	3,345	1.9	0.8	0.9	0.1
Ram	448	356	-20.5	1.0	0.9	-0.1	3,571	3,495	-2.1	0.9	0.9	0.0
smart	16	9	-43.8	0.0	0.0	0.0	194	197	1.5	0.0	0.1	0.0
Subaru	1,248	1,270	1.8	2.7	3.0	0.4	9,745	11,342	16.4	2.4	2.9	0.5
Tesla	453	368	-18.8	1.0	0.9	-0.1	3,448	2,923	-15.2	0.8	0.7	-0.1
Toyota/Scion	8,311	7,830	-5.8	17.7	18.7	1.0	71,405	68,686	-3.8	17.3	17.6	0.3
Volkswagen	1,346	1,297	-3.6	2.9	3.1	0.2	11,508	10,339	-10.2	2.8	2.6	-0.1
Volvo	219	239	9.1	0.5	0.6	0.1	1,994	1,872	-6.1	0.5	0.5	0.0
Other	113	151	33.6	0.2	0.4	0.1	722	1,153	59.7	0.2	0.3	0.1

Source: AutoCount data from Experian.

Top ten brands are shaded yellow.

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