

# Silicon Valley Auto Outlook

Comprehensive information on the Santa Clara County new vehicle market

## FORECAST

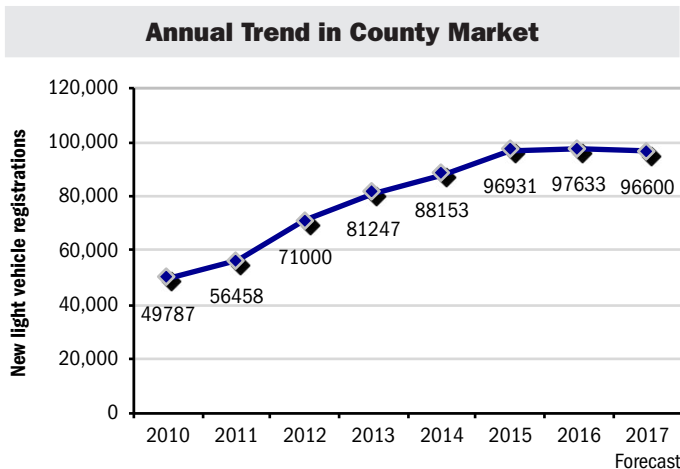
### Market Has Small Increase in 1Q '17 vs. Strong 1Q '16

**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 slowdown. After 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. In addition, interest rates are increasing, used vehicle prices are sliding, and incentives are on the rise, all signs of a market that is running out of steam.

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.



Historical Data Source: IHS Markit.

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

### 7 Key Market Trends

- County new retail registrations increased to 97,633 units in 2016, up less than 1% from 2015. The U.S. market increased slightly.
- The market is predicted to post a small decline in 2017.
- County light truck market share increased from 44.5% in the First Quarter of 2016 to 47.9% this year.
- Domestic brand registrations were up in the first three months of this year. Japanese brands were off 3.2%.
- Hybrid and electric vehicle market share was 19.8% in the first two months of this year, up sharply vs. a year earlier.
- County market shares for Toyota, Honda, Tesla, Mazda, and BMW are higher than in the U.S.
- Compact SUVs have gained ground, while Compact car share fell sharply in the First Quarter of this year.

### Market Summary

|             | YTD '16<br>thru Mar. | YTD '17<br>thru Mar.* | % Chg.<br>'16 to '17 | Mkt. Share<br>2017* |
|-------------|----------------------|-----------------------|----------------------|---------------------|
| TOTAL       | 22,165               | 22,438                | 1.2%                 |                     |
| Car         | 12,298               | 11,681                | -5.0%                | 52.1%               |
| Light Truck | 9,867                | 10,757                | 9.0%                 | 47.9%               |
| Domestic    | 5,266                | 5,832                 | 10.7%                | 26.0%               |
| European    | 4,107                | 4,172                 | 1.6%                 | 18.6%               |
| Japanese    | 11,860               | 11,482                | -3.2%                | 51.2%               |
| Korean      | 932                  | 952                   | 2.1%                 | 4.2%                |

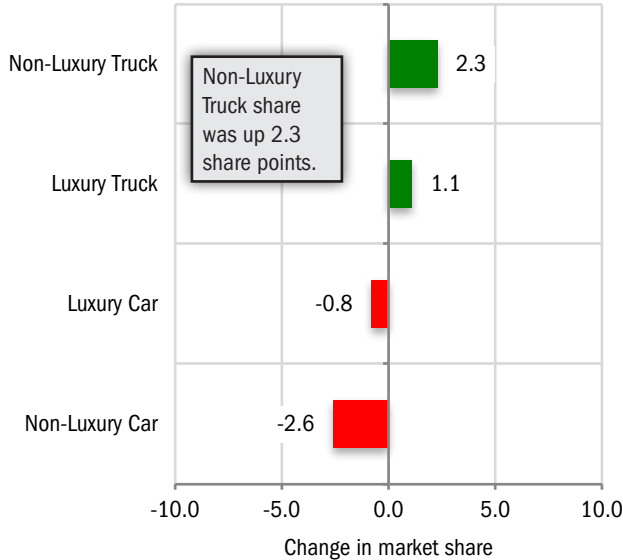
Source: IHS Markit.

Domestics consist of vehicles sold by GM, Ford, FCA (excluding FIAT), and Tesla. Historical figures were revised by IHS Markit and will differ slightly from those shown in previous releases. \*Figures for March, 2017 were estimated by Auto Outlook.

**MARKET TRACKER: PRIMARY SEGMENTS**

**Non Luxury Trucks Surge**

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

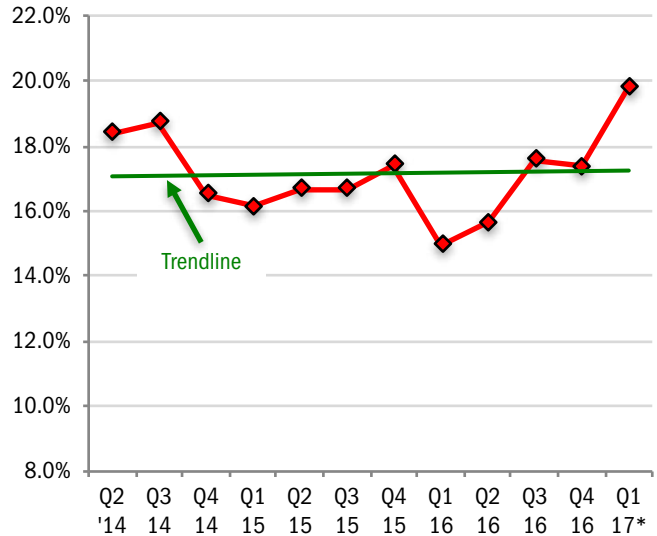


The graph above shows the change in year-to-date market share for four primary brand segments. \*Figures for March 2017 were estimated by Auto Outlook. Data Source: IHS Markit.

**MARKET TRACKER: HYBRID AND ELECTRIC VEHICLES**

**Hybrid/Electric Share is 19.8%**

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. \*First Quarter 2017 includes January and February. Source: IHS Markit.

**MARKET TRACKER: COUNTY MARKET VERSUS U.S.**

**County Car Share Falls to 52.1%**

|  | County Market |       | U.S. Market |       |
|--|---------------|-------|-------------|-------|
| <b>Percent change in registrations YTD '17 thru March* vs. YTD '16</b> | 1.2%          |       | -1.3%       |       |
| <b>Passenger car market share YTD '17 thru March*</b>                  | 52.1%         |       | 35.7%       |       |
| <b>Domestic brand market share YTD '17 thru March</b>                  | 26.0%         |       | 42.0%       |       |
| <b>Top 10 brands and market share YTD '17 thru March*</b>              |               |       |             |       |
| First  | Toyota        | 16.2% | Toyota      | 12.7% |
| Second   | Honda         | 13.3% | Ford        | 12.3% |
| Third  | Ford          | 8.1%  | Chevrolet   | 11.3% |
| Fourth   | Chevrolet     | 7.4%  | Honda       | 10.0% |
| Fifth  | Subaru        | 5.4%  | Nissan      | 7.7%  |
| Sixth  | Nissan        | 5.2%  | Jeep        | 5.2%  |
| Seventh  | Mazda         | 4.5%  | Subaru      | 4.4%  |
| Eighth   | BMW           | 4.5%  | GMC         | 3.6%  |
| Ninth  | Mercedes      | 4.0%  | Hyundai     | 3.5%  |
| Tenth  | Lexus         | 3.5%  | Kia         | 3.4%  |

\*March 2017 figures estimated by Auto Outlook

Source: IHS Markit

**Silicon Valley Auto Outlook**

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**BRAND SCOREBOARD**

# Toyota and Honda Have Big Gains During Past Five Years

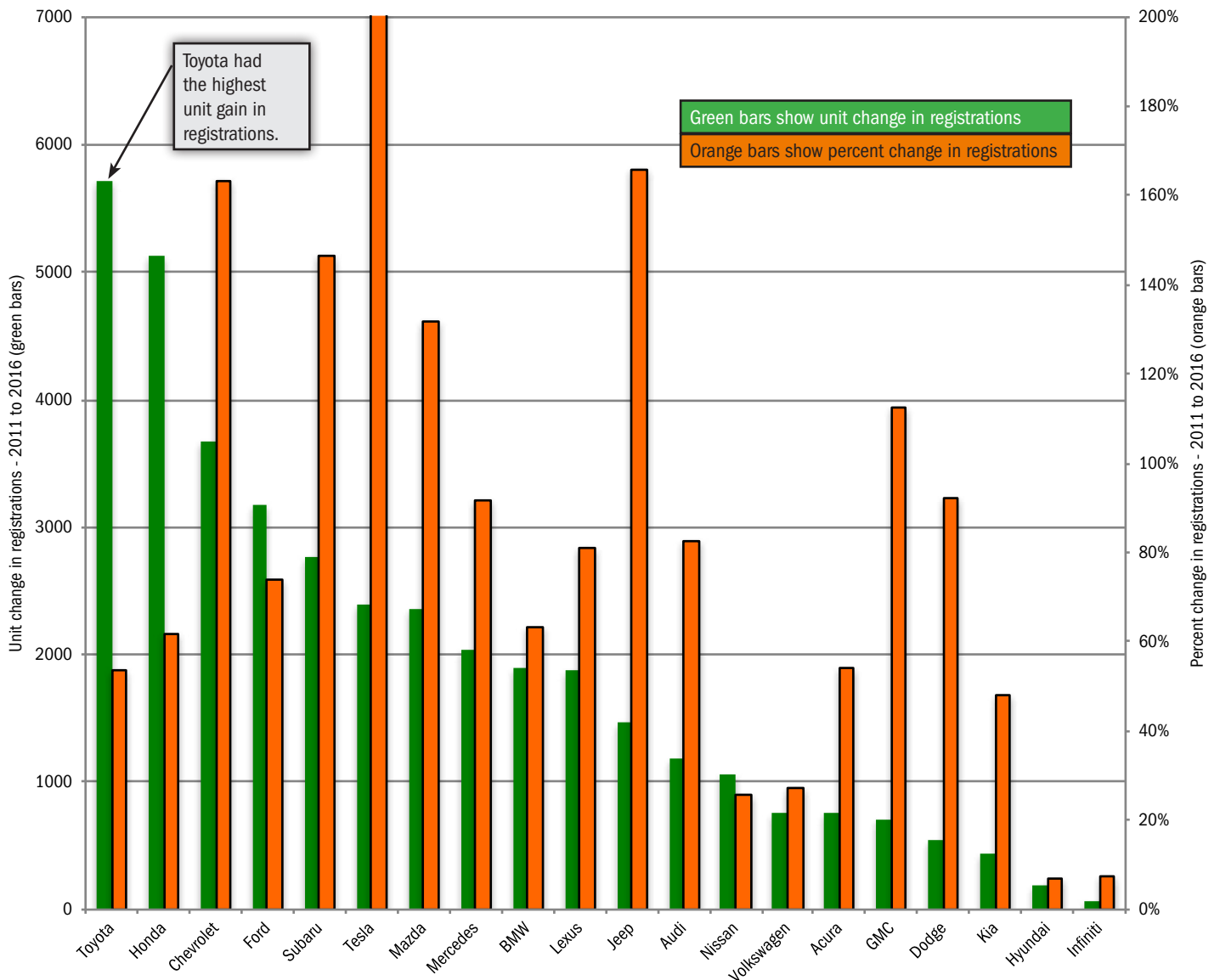
**County registrations for both brands were up more than 5,000 units between 2011 and 2016**

The graph below provides a balanced appraisal of brand sales performance in the Santa Clara County market during the past five years. It shows both the **unit** change in registrations between 2011 and 2016 (green bars) and the **percent** change (orange bars) for the top 20 selling brands in 2016.

Viewing both indicators on the same graph makes it is easy to identify brands that have posted significant and consistent gains during the past five years. Toyota, Honda, Chevrolet, and Ford had the largest unit gains. Registrations for each of the four brands were up by more than 3,000 units. Tesla, Jeep, and Chev-

rolet had the largest percentage gains, with increases of more than 160%. Each of the top 20 brands had an increase in registrations during the five year period.

**Five Year Unit and Percent Change in County New Retail Light Vehicle Registrations (Top 20 Brands) 2016 vs. 2011**



Source: IHS Markit.

| Brand Registrations Report                                      |                |         |          |                  |         |        |               |        |          |                  |      |        |
|---|----------------|---------|----------|------------------|---------|--------|---------------|--------|----------|------------------|------|--------|
| Santa Clara County New Retail Car and Light Truck Registrations |                |         |          |                  |         |        |               |        |          |                  |      |        |
|   | First Quarter* |         |          |                  |         |        | Annual Totals |        |          |                  |      |        |
|   | Registrations  |         |          | Market Share (%) |         |        | Registrations |        |          | Market Share (%) |      |        |
|   | 1Q '16         | 1Q '17* | % change | 1Q '16           | 1Q '17* | Change | 2015          | 2016   | % change | 2015             | 2016 | Change |
| TOTAL   | 22,165         | 22,438  | 1.2      |                  |         |        | 96,931        | 97,633 | 0.7      |                  |      |        |
| Cars  | 12,298         | 11,681  | -5.0     | 55.5             | 52.1    | -3.4   | 57,326        | 52,489 | -8.4     | 59.1             | 53.8 | -5.3   |
| Light Trucks  | 9,867          | 10,757  | 9.0      | 44.5             | 47.9    | 3.4    | 39,605        | 45,144 | 14.0     | 40.9             | 46.2 | 5.3    |
| Domestic Brands   | 5,266          | 5,832   | 10.7     | 23.8             | 26.0    | 2.2    | 20,935        | 22,935 | 9.6      | 21.6             | 23.5 | 1.9    |
| European Brands   | 4,107          | 4,172   | 1.6      | 18.5             | 18.6    | 0.1    | 19,406        | 19,141 | -1.4     | 20.0             | 19.6 | -0.4   |
| Japanese Brands   | 11,860         | 11,482  | -3.2     | 53.5             | 51.2    | -2.3   | 52,387        | 51,161 | -2.3     | 54.0             | 52.4 | -1.6   |
| Korean Brands   | 932            | 952     | 2.1      | 4.2              | 4.2     | 0.0    | 4,203         | 4,396  | 4.6      | 4.3              | 4.5  | 0.2    |
| Acura   | 486            | 426     | -12.3    | 2.2              | 1.9     | -0.3   | 2,571         | 2,138  | -16.8    | 2.7              | 2.2  | -0.5   |
| Audi  | 512            | 651     | 27.1     | 2.3              | 2.9     | 0.6    | 2,323         | 2,632  | 13.3     | 2.4              | 2.7  | 0.3    |
| BMW   | 1,106          | 1,008   | -8.9     | 5.0              | 4.5     | -0.5   | 5,401         | 4,892  | -9.4     | 5.6              | 5.0  | -0.6   |
| Buick   | 101            | 91      | -9.9     | 0.5              | 0.4     | -0.1   | 363           | 372    | 2.5      | 0.4              | 0.4  | 0.0    |
| Cadillac  | 85             | 67      | -21.2    | 0.4              | 0.3     | -0.1   | 377           | 386    | 2.4      | 0.4              | 0.4  | 0.0    |
| Chevrolet   | 1,258          | 1,654   | 31.5     | 5.7              | 7.4     | 1.7    | 4,482         | 5,919  | 32.1     | 4.6              | 6.1  | 1.5    |
| Chrysler  | 65             | 88      | 35.4     | 0.3              | 0.4     | 0.1    | 419           | 361    | -13.8    | 0.4              | 0.4  | 0.0    |
| Dodge   | 309            | 290     | -6.1     | 1.4              | 1.3     | -0.1   | 1,310         | 1,150  | -12.2    | 1.4              | 1.2  | -0.2   |
| FIAT  | 135            | 80      | -40.7    | 0.6              | 0.4     | -0.2   | 832           | 505    | -39.3    | 0.9              | 0.5  | -0.4   |
| Ford  | 1,933          | 1,822   | -5.7     | 8.7              | 8.1     | -0.6   | 7,904         | 7,498  | -5.1     | 8.2              | 7.7  | -0.5   |
| GMC   | 301            | 371     | 23.3     | 1.4              | 1.7     | 0.3    | 1,181         | 1,346  | 14.0     | 1.2              | 1.4  | 0.2    |
| Honda   | 2,789          | 2,984   | 7.0      | 12.6             | 13.3    | 0.7    | 12,741        | 13,434 | 5.4      | 13.1             | 13.8 | 0.7    |
| Hyundai   | 688            | 671     | -2.5     | 3.1              | 3.0     | -0.1   | 2,947         | 3,020  | 2.5      | 3.0              | 3.1  | 0.1    |
| Infiniti  | 207            | 222     | 7.2      | 0.9              | 1.0     | 0.1    | 980           | 914    | -6.7     | 1.0              | 0.9  | -0.1   |
| Jaguar  | 30             | 90      | 200.0    | 0.1              | 0.4     | 0.3    | 115           | 301    | 161.7    | 0.1              | 0.3  | 0.2    |
| Jeep  | 585            | 485     | -17.1    | 2.6              | 2.2     | -0.4   | 2,436         | 2,350  | -3.5     | 2.5              | 2.4  | -0.1   |
| Kia   | 244            | 261     | 7.0      | 1.1              | 1.2     | 0.1    | 1,256         | 1,335  | 6.3      | 1.3              | 1.4  | 0.1    |
| Land Rover  | 131            | 120     | -8.4     | 0.6              | 0.5     | -0.1   | 544           | 536    | -1.5     | 0.6              | 0.5  | -0.1   |
| Lexus   | 1,006          | 780     | -22.5    | 4.5              | 3.5     | -1.0   | 3,940         | 4,208  | 6.8      | 4.1              | 4.3  | 0.2    |
| Lincoln   | 58             | 54      | -6.9     | 0.3              | 0.2     | -0.1   | 197           | 227    | 15.2     | 0.2              | 0.2  | 0.0    |
| Mazda   | 979            | 1,018   | 4.0      | 4.4              | 4.5     | 0.1    | 4,314         | 4,160  | -3.6     | 4.5              | 4.3  | -0.2   |
| Mercedes  | 864            | 906     | 4.9      | 3.9              | 4.0     | 0.1    | 4,122         | 4,243  | 2.9      | 4.3              | 4.3  | 0.0    |
| MINI  | 174            | 149     | -14.4    | 0.8              | 0.7     | -0.1   | 913           | 722    | -20.9    | 0.9              | 0.7  | -0.2   |
| Mitsubishi  | 23             | 21      | -8.7     | 0.1              | 0.1     | 0.0    | 118           | 125    | 5.9      | 0.1              | 0.1  | 0.0    |
| Nissan  | 1,246          | 1,175   | -5.7     | 5.6              | 5.2     | -0.4   | 5,736         | 5,174  | -9.8     | 5.9              | 5.3  | -0.6   |
| Other   | 66             | 81      | 22.7     | 0.3              | 0.4     | 0.1    | 394           | 343    | -12.9    | 0.4              | 0.4  | 0.0    |
| Porsche   | 211            | 215     | 1.9      | 1.0              | 1.0     | 0.0    | 843           | 847    | 0.5      | 0.9              | 0.9  | 0.0    |
| Ram   | 200            | 219     | 9.5      | 0.9              | 1.0     | 0.1    | 844           | 904    | 7.1      | 0.9              | 0.9  | 0.0    |
| Subaru  | 1,156          | 1,216   | 5.2      | 5.2              | 5.4     | 0.2    | 4,733         | 4,661  | -1.5     | 4.9              | 4.8  | -0.1   |
| Tesla   | 371            | 690     | 86.0     | 1.7              | 3.1     | 1.4    | 1,412         | 2,411  | 70.8     | 1.5              | 2.5  | 1.0    |
| Toyota  | 3,965          | 3,638   | -8.2     | 17.9             | 16.2    | -1.7   | 17,236        | 16,335 | -5.2     | 17.8             | 16.7 | -1.1   |
| Volkswagen  | 702            | 757     | 7.8      | 3.2              | 3.4     | 0.2    | 3,498         | 3,531  | 0.9      | 3.6              | 3.6  | 0.0    |
| Volvo   | 179            | 138     | -22.9    | 0.8              | 0.6     | -0.2   | 449           | 653    | 45.4     | 0.5              | 0.7  | 0.2    |

\*March 2017 figures were estimated by Auto Outlook.

Source: IHS Markit

The table above shows new retail light vehicle (car and light truck) registrations in Santa Clara County. Figures are shown for the First Quarters of 2016 and 2017, and annual totals for 2015 and 2016. The top ten ranked brands in each category are shaded yellow.