

# Silicon Valley Auto Outlook

Comprehensive information on the Santa Clara County new vehicle market

## FORECAST

### County New Vehicle Registrations Predicted to Exceed 96K in '18



**Key factors providing a boost to new vehicle sales**



**Key factors holding back new vehicle sales**

**Economic growth is solid.** The economy has been growing at a respectable, albeit less than robust, pace for several years. Most economists expect this trend to continue in 2018. Positives are lower taxes and rising employment. Negatives are increasing interest rates and potential harmful fallout resulting from restrictive trade policies. These negatives should not be enough to derail the economy, however.

**Consumer confidence is high.** The improving economy, rising incomes, and ascending net worth have led many consumers to feel upbeat about current and future economic conditions. The volatile stock market and higher borrowing costs are potential concerns for 2018, but baseline consumer sentiment should remain positive.

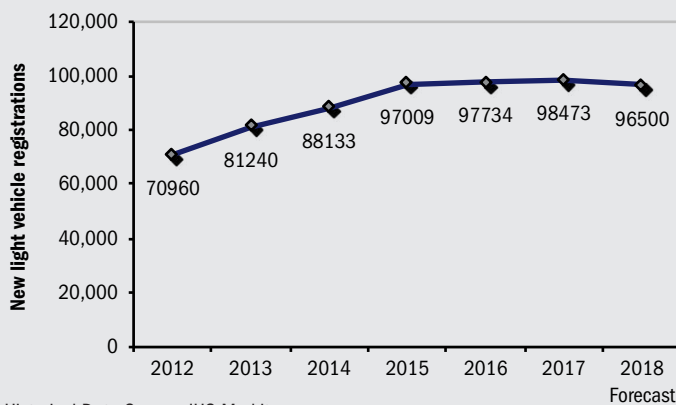
**New vehicles have a lot to offer.** From zero emission electric vehicles to every conceivable iteration of SUVs and trucks, manufacturers are serving up an impressive array of new vehicles. And these new models are packed with driver assistance and infotainment technologies that make the average 10 year old vehicle on the road seem obsolete.

**Consumer affordability is weakening.** Low interest rates, steady (if not spectacular) household income growth and high incentives combined to keep new vehicle affordability strong for many years. But this scenario is changing. Higher loan rates are boosting monthly finance and lease payments, which will keep some new vehicle shoppers on the sidelines.

**Used vehicle values are softening.** Improving supplies of used cars and trucks and increasing off-lease volumes are likely to put a mild damper on new vehicle sales in two ways. First, trade in values will soften, increasing net transaction prices. And second, lower used vehicle prices will entice some consumers to purchase used vehicles instead of new.

**Pent up demand is waning.** The county new vehicle market posted big gains between 2009 and 2015, but there is a ceiling on high how sales can go. As shown on the graph to the left, the market has plateaued during the past two years and is likely to drift lower in 2018.

**Annual Trend in County Market**



Historical Data Source: IHS Markit.

The graph above shows annual new retail light vehicle registrations in the county from 2012 thru 2017 and Auto Outlook's projection for 2018.

**Market Summary**

	YTD '17 thru Mar.	YTD '18 thru Mar.	% Chg. '17 to '18	Mkt. Share YTD '18
TOTAL	23,130	22,718	-1.8%	
Car	12,069	10,866	-10.0%	47.8%
Light Truck	11,061	11,852	7.2%	52.2%
Domestic	6,054	6,226	2.8%	27.4%
European	4,344	4,176	-3.9%	18.4%
Japanese	11,736	11,377	-3.1%	50.1%
Korean	996	939	-5.7%	4.1%

Source: IHS Markit.

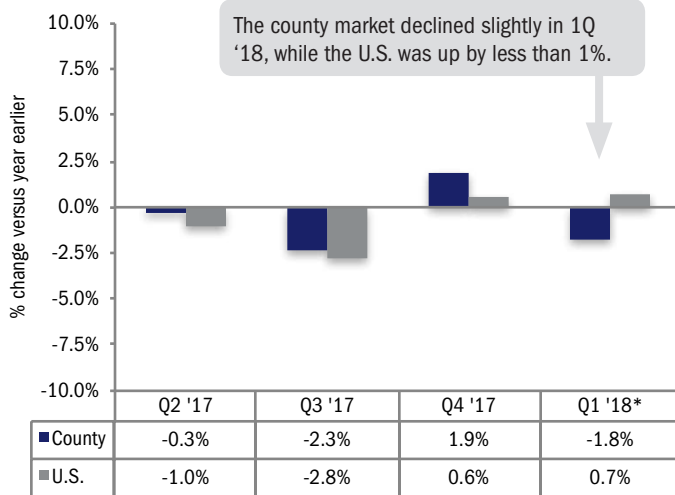
Domestics consist of vehicles sold by GM, Ford, FCA (excluding Alfa and FIAT), and Tesla. Historical figures were revised by IHS Markit and will differ slightly from those shown in previous releases. \*Figures for March '18 were estimated by Auto Outlook.

MARKET TRACKER: QUARTERLY RESULTS

# County Registrations Remained Strong in 1Q '18

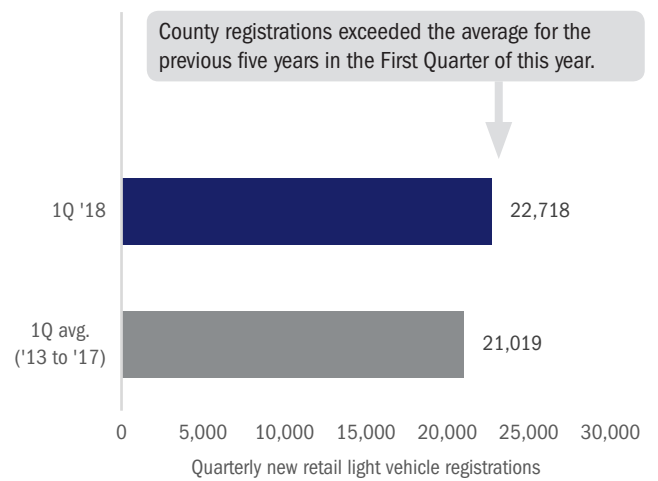
### QUARTERLY TREND

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



### QUARTERLY PERSPECTIVE

1Q 2018 Registrations Versus Average for Previous Five Years



\* Figures for the First Quarter of 2018 were estimated by Auto Outlook based on data for January and February. Source: IHS Markit.

\* Figures for 1Q 2018 were estimated by Auto Outlook based on data for January and February. Source: IHS Markit.

MARKET TRACKER: COUNTY MARKET VERSUS U.S.

## County Car Share Falls to 47.8%

	County Market		U.S. Market	
<b>Percent change in registrations YTD '18 thru Mar.* vs. YTD '17</b>		-1.8%		0.7%
<b>Passenger car market share YTD '18 thru Mar.*</b>		47.8%		31.5%
<b>Domestic brand market share YTD '18 thru Mar.*</b>		27.4%		42.5%
<b>Top 10 brands and market share YTD '18 thru Mar.*</b>				
First	Toyota	16.1%	Toyota	13.0%
Second	Honda	13.6%	Ford	11.8%
Third	Ford	7.6%	Chevrolet	11.6%
Fourth	Chevrolet	7.2%	Honda	9.7%
Fifth	Subaru	5.6%	Nissan	6.8%
Sixth	Tesla	4.7%	Jeep	6.3%
Seventh	Mazda	4.4%	Subaru	4.4%
Eighth	BMW	4.2%	Kia	3.5%
Ninth	Volkswagen	4.1%	GMC	3.5%
Tenth	Nissan	3.8%	Hyundai	3.3%

\*March 2018 figures estimated by Auto Outlook

Source: IHS Markit

## Silicon Valley Auto Outlook

### Covering First Quarter 2018

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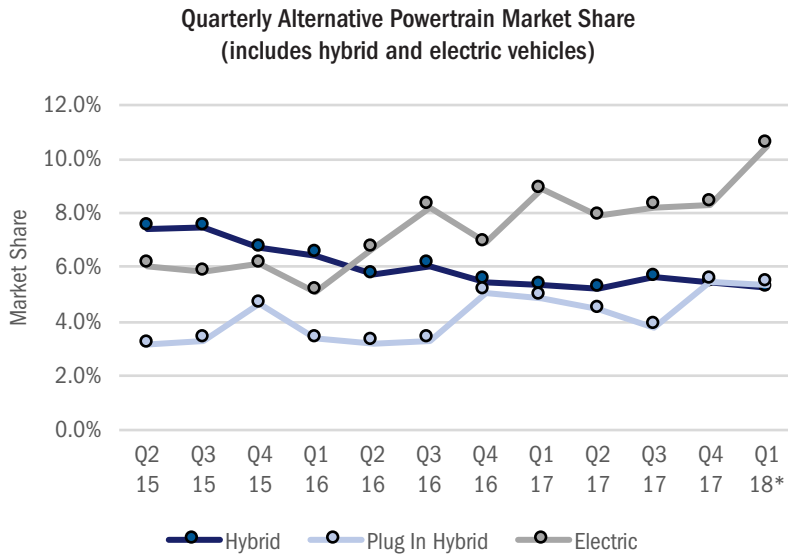
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MARKET TRACKER: HYBRID AND ELECTRIC VEHICLES

# Electric Vehicle Market Share Exceeds 10%



Hybrid/electric vehicle market share in Q1 '18: **21.1%**



The graph above shows hybrid powertrain and electric vehicle quarterly market share in the county. \*First Quarter 2018 includes January and February. Source: IHS Markit.

**New Retail Hybrid and Electric Vehicle Registrations**

**Top 10 Selling Models in County - YTD '18 thru February**

Rank	Model	Regs.
1	Tesla Model 3	530
2	Chevrolet Bolt	342
3	Toyota Prius	325
4	Tesla Model S	207
5	Toyota RAV4	144
6	Chevrolet Volt	143
7	Tesla Model X	143
8	Ford Fusion	119
9	Volkswagen Golf	97
10	Honda Clarity	73

MARKET TRACKER - SEGMENTS

# Compact SUV Segment Nears Top of County Market

Santa Clara County Segment Market Share Review

Segment	Market Share YTD '17 thru February	Market Share YTD '18 thru February	Change in share YTD '17 to '18	Best selling model in segment
Compact Car	21.9	17.0	-4.9	Honda Civic
Compact SUV	13.1	15.3	2.2	Toyota RAV4
Mid Size Car	10.9	10.2	-0.7	Toyota Camry
Mid Size SUV	9.9	10.0	0.1	Subaru Outback
Near Luxury Car	5.0	8.5	3.5	Tesla Model 3
Luxury Mid Size SUV	6.3	5.8	-0.5	Lexus RX
Subcompact Car	4.7	5.2	0.5	Chevrolet Bolt
Luxury Compact SUV	4.0	4.8	0.8	Audi Q5
Full Size Pickup	4.6	4.5	-0.1	Ford F Series
Luxury and High-end Sports Cars	5.0	3.9	-1.1	Tesla Model S
Mini Van	2.9	3.2	0.3	Honda Odyssey
Subcompact SUV	1.5	2.4	0.9	Honda HR-V
Compact/Mid-Size Pickup	1.8	1.8	0.0	Toyota Tacoma
Sports/Pony cars	2.0	1.6	-0.4	Ford Mustang
Entry Luxury Car	1.9	1.3	-0.6	BMW I3
Large Van	0.9	1.2	0.3	Ford Transit Connect Van
Large Car	0.8	0.8	0.0	Dodge Charger
Large SUV	0.8	0.8	0.0	Chevrolet Tahoe
Luxury Large SUV	0.8	0.8	0.0	Land Rover Range Rover
Luxury Subcompact SUV	1.1	0.8	-0.3	BMW X1

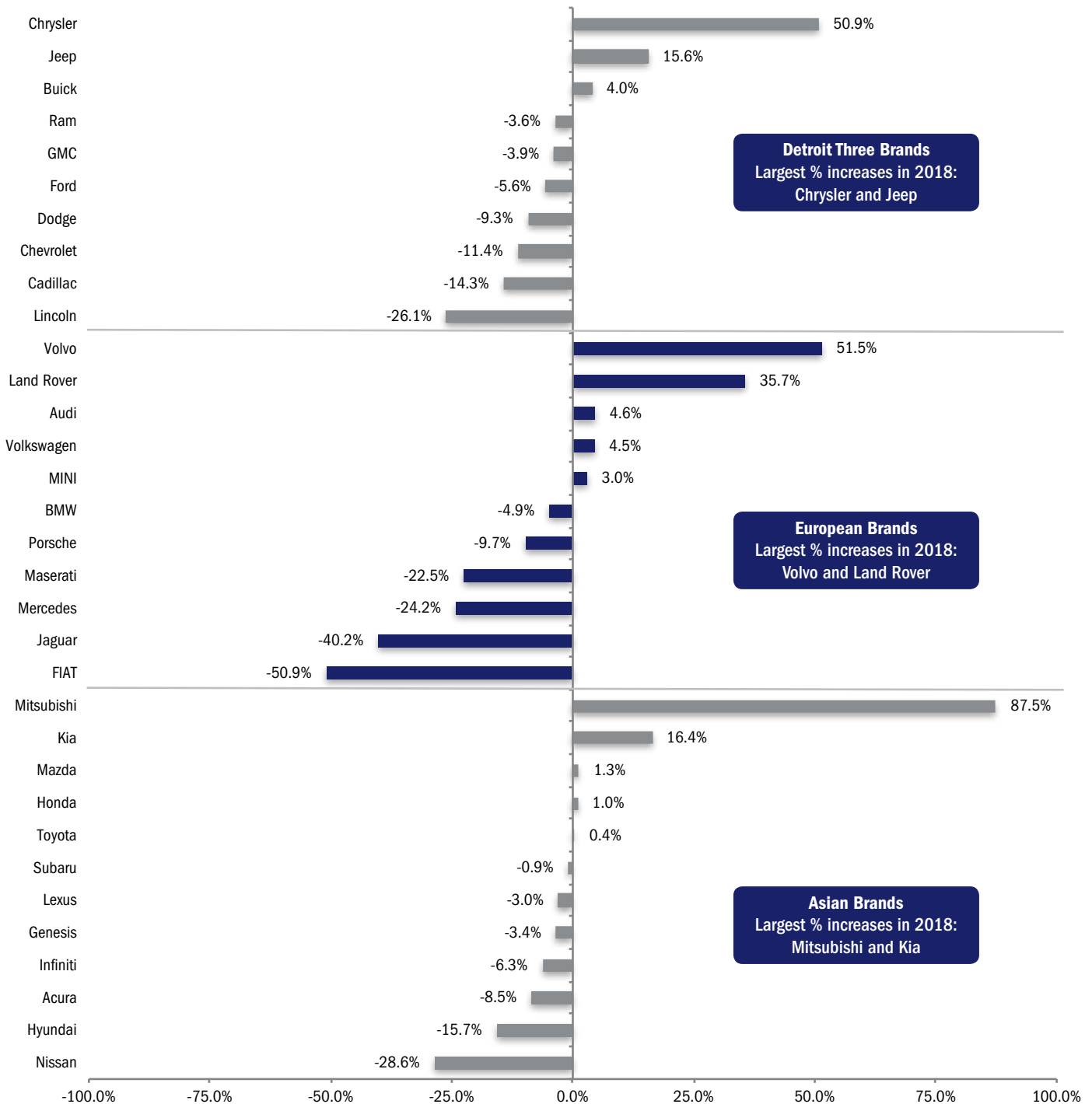
The table above shows Santa Clara County market share for 20 vehicle segments during the first two months of 2017 and 2018, and the change in market share over the period. The best selling model in each segment is also shown. Segments are ranked from top to bottom based on 2018 share. Data Source: IHS Markit.

BRAND SCOREBOARD - PART ONE

# Mitsubishi, Volvo, and Chrysler Have Largest Percentage Gains

The graph below provides a comparative evaluation of brand sales performance in the county market. It shows the year-to-date percent change in registrations for each brand, organized by category (i.e., Detroit Three, European, and Asian).

**Percent Change in County New Retail Light Vehicle Registrations  
YTD 2018 thru March\* vs. YTD 2017**



**Detroit Three Brands**  
Largest % increases in 2018:  
Chrysler and Jeep

**European Brands**  
Largest % increases in 2018:  
Volvo and Land Rover

**Asian Brands**  
Largest % increases in 2018:  
Mitsubishi and Kia

\*Figures for March, 2018 were estimated by Auto Outlook.

Source: IHS Markit.

BRAND SCOREBOARD - PART TWO

# Chevrolet and Honda Have Big Gains In Past 5 Years

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 2012 and 2017 (dark blue bars) and the percent change (silver bars) for the top 20 selling brands in 2017. Viewing both indicators on the same graph makes it easier to identify brands that have posted significant and consistent gains during the past five years. Only one brand had a decline in registrations during the five year period.

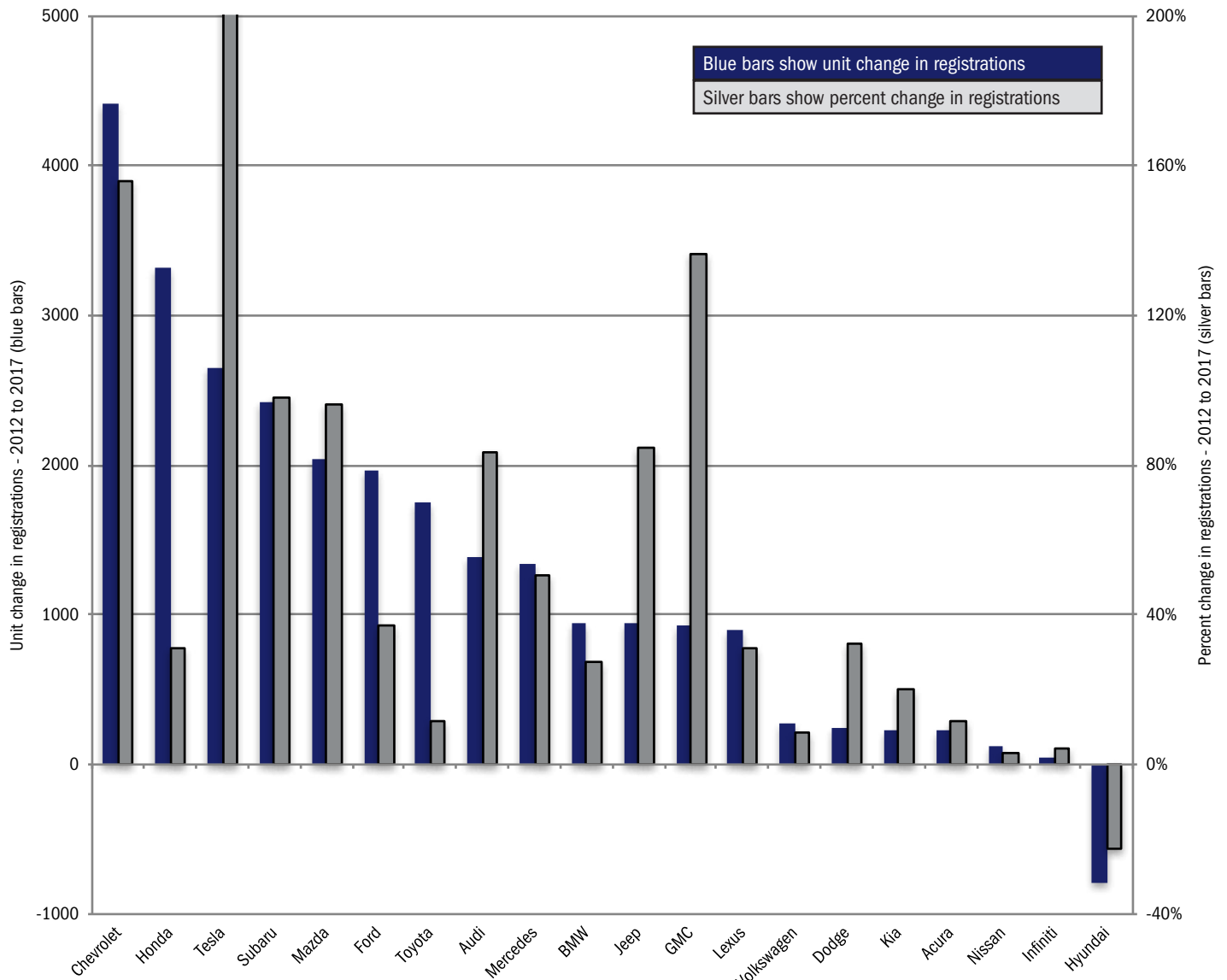
50 percent

Eight brands had increases of greater than 50%: Tesla (up 900%), Chevrolet, GMC, Subaru, Mazda, Jeep, Audi, and Mercedes.

1,000 units

Nine brands had increases of greater than 1,000 units: Chevrolet, Honda, Tesla, Subaru, Mazda, Ford, Toyota, Audi, and Mercedes.

**Five Year Unit and Percent Change in County New Retail Light Vehicle Registrations (Top 20 Brands) 2017 vs. 2012**



Source: IHS Markit.

Santa Clara County New Retail Car and Light Truck Registrations												
	First Quarter*						Annual Totals					
	Registrations			Market Share (%)			Registrations			Market Share (%)		
	1Q '17	1Q '18	% change	1Q '17	1Q '18	Change	2016	2017	% change	2016	2017	Change
TOTAL	23,130	22,718	-1.8				97,734	98,473	0.8			
Cars	12,069	10,866	-10.0	52.2	47.8	-4.4	52,586	49,638	-5.6	53.8	50.4	-3.4
Light Trucks	11,061	11,852	7.2	47.8	52.2	4.4	45,148	48,835	8.2	46.2	49.6	3.4
Domestic Brands	6,054	6,226	2.8	26.2	27.4	1.2	22,952	24,651	7.4	23.5	25.0	1.5
European Brands	4,344	4,176	-3.9	18.8	18.4	-0.4	19,138	18,630	-2.7	19.6	18.9	-0.7
Japanese Brands	11,736	11,377	-3.1	50.7	50.1	-0.6	51,217	51,021	-0.4	52.4	51.8	-0.6
Korean Brands	996	939	-5.7	4.3	4.1	-0.2	4,427	4,171	-5.8	4.5	4.2	-0.3
Acura	457	418	-8.5	2.0	1.8	-0.2	2,138	2,119	-0.9	2.2	2.2	0.0
Alfa Romeo	9	44	388.9	0.0	0.2	0.2	5	92	1740.0	0.0	0.1	0.1
Audi	630	659	4.6	2.7	2.9	0.2	2,632	3,036	15.3	2.7	3.1	0.4
BMW	1,007	958	-4.9	4.4	4.2	-0.2	4,892	4,396	-10.1	5.0	4.5	-0.5
Buick	101	105	4.0	0.4	0.5	0.1	372	432	16.1	0.4	0.4	0.0
Cadillac	77	66	-14.3	0.3	0.3	0.0	386	361	-6.5	0.4	0.4	0.0
Chevrolet	1,838	1,629	-11.4	7.9	7.2	-0.7	5,919	7,248	22.5	6.1	7.4	1.3
Chrysler	116	175	50.9	0.5	0.8	0.3	361	605	67.6	0.4	0.6	0.2
Dodge	280	254	-9.3	1.2	1.1	-0.1	1,165	992	-14.8	1.2	1.0	-0.2
FIAT	55	27	-50.9	0.2	0.1	-0.1	505	233	-53.9	0.5	0.2	-0.3
Ford	1,826	1,724	-5.6	7.9	7.6	-0.3	7,498	7,271	-3.0	7.7	7.4	-0.3
Genesis	29	28	-3.4	0.1	0.1	0.0	41	96	134.1	0.0	0.1	0.1
GMC	387	372	-3.9	1.7	1.6	-0.1	1,346	1,618	20.2	1.4	1.6	0.2
Honda	3,062	3,093	1.0	13.2	13.6	0.4	13,434	14,064	4.7	13.7	14.3	0.6
Hyundai	668	563	-15.7	2.9	2.5	-0.4	3,051	2,748	-9.9	3.1	2.8	-0.3
Infiniti	222	208	-6.3	1.0	0.9	-0.1	914	993	8.6	0.9	1.0	0.1
Jaguar	97	58	-40.2	0.4	0.3	-0.1	301	359	19.3	0.3	0.4	0.1
Jeep	500	578	15.6	2.2	2.5	0.3	2,352	2,046	-13.0	2.4	2.1	-0.3
Kia	299	348	16.4	1.3	1.5	0.2	1,335	1,327	-0.6	1.4	1.3	-0.1
Land Rover	129	175	35.7	0.6	0.8	0.2	536	605	12.9	0.5	0.6	0.1
Lexus	841	816	-3.0	3.6	3.6	0.0	4,208	3,832	-8.9	4.3	3.9	-0.4
Lincoln	46	34	-26.1	0.2	0.1	-0.1	227	193	-15.0	0.2	0.2	0.0
Maserati	40	31	-22.5	0.2	0.1	-0.1	157	151	-3.8	0.2	0.2	0.0
Mazda	986	999	1.3	4.3	4.4	0.1	4,160	4,175	0.4	4.3	4.2	-0.1
Mercedes	952	722	-24.2	4.1	3.2	-0.9	4,240	4,000	-5.7	4.3	4.1	-0.2
MINI	133	137	3.0	0.6	0.6	0.0	722	546	-24.4	0.7	0.6	-0.1
Mitsubishi	24	45	87.5	0.1	0.2	0.1	125	62	-50.4	0.1	0.1	0.0
Nissan	1,214	867	-28.6	5.2	3.8	-1.4	5,192	4,122	-20.6	5.3	4.2	-1.1
Other	40	23	-42.5	0.2	0.1	-0.1	140	192	37.1	0.1	0.2	0.1
Porsche	236	213	-9.7	1.0	0.9	-0.1	847	958	13.1	0.9	1.0	0.1
Ram	222	214	-3.6	1.0	0.9	-0.1	904	941	4.1	0.9	1.0	0.1
Subaru	1,282	1,270	-0.9	5.5	5.6	0.1	4,661	4,892	5.0	4.8	5.0	0.2
Tesla	660	1,075	62.9	2.9	4.7	1.8	2,411	2,934	21.7	2.5	3.0	0.5
Toyota	3,644	3,660	0.4	15.8	16.1	0.3	16,373	16,742	2.3	16.8	17.0	0.2
Volkswagen	887	927	4.5	3.8	4.1	0.3	3,531	3,476	-1.6	3.6	3.5	-0.1
Volvo	134	203	51.5	0.6	0.9	0.3	653	616	-5.7	0.7	0.6	-0.1

\*March 2018 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 2017 and 2018, and annual totals for 2016 and 2017. The top ten ranked brands in each category are shaded yellow.