

Silicon Valley Auto Outlook

Comprehensive information on the Santa Clara 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.



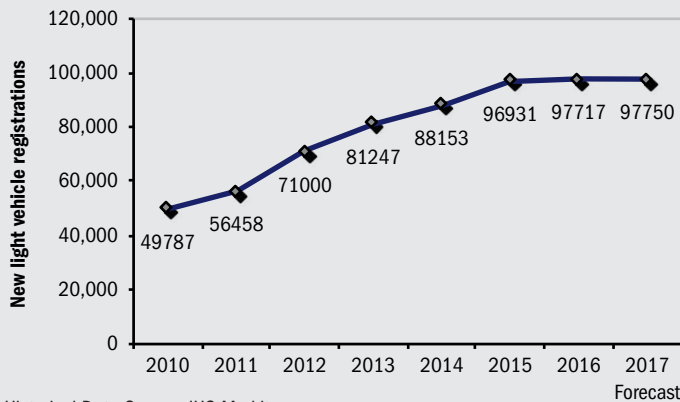
Key factors holding back new vehicle sales

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



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.

Market Summary

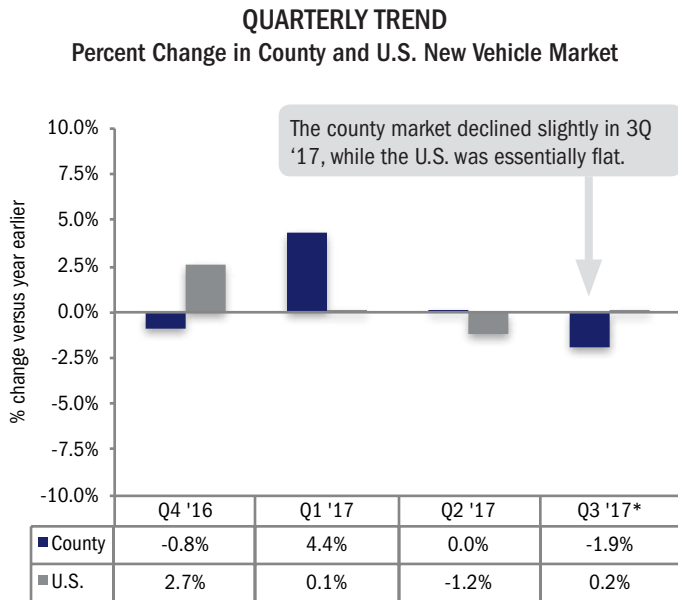
	YTD '16 thru Sept.	YTD '17 thru Sept*	% Chg. '16 to '17	Mkt. Share 2017*
TOTAL	72,856	73,343	0.7%	
Car	39,836	37,900	-4.9%	51.7%
Light Truck	33,020	35,443	7.3%	48.3%
Domestic	17,284	18,314	6.0%	25.0%
European	14,062	13,569	-3.5%	18.5%
Japanese	38,153	38,259	0.3%	52.2%
Korean	3,357	3,201	-4.6%	4.4%

Source: IHS Markit.

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

MARKET TRACKER: QUARTERLY RESULTS

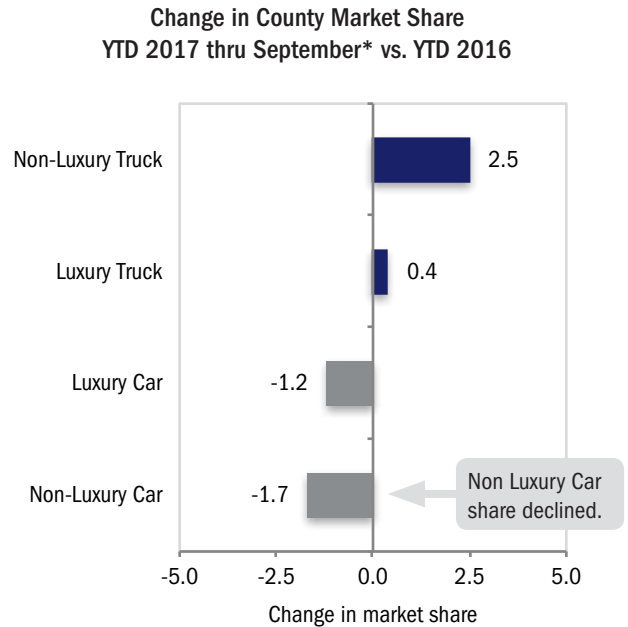
Market Down 1.9% in 3Q 2017



* Figures for the Third Quarter of 2017 were estimated by Auto Outlook based on data for July and August. Source: IHS Markit.

MARKET TRACKER: PRIMARY SEGMENTS

Non Luxury Trucks Surge



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

MARKET TRACKER: COUNTY MARKET VERSUS U.S.

County and U.S. Markets Tread Water

	County Market	U.S. Market
Percent change in registrations YTD '17 thru Sept.* vs. YTD '16	0.7%	-0.3%
Passenger car market share YTD '17 thru Sept.*	51.7%	36.0%
Domestic brand market share YTD '17 thru Sept.	25.0%	41.3%
Top 10 brands and market share YTD '17 thru Sept.*		
First	Toyota 17.0%	Toyota 13.6%
Second	Honda 14.1%	Ford 12.2%
Third	Ford 7.7%	Chevrolet 11.4%
Fourth	Chevrolet 7.3%	Honda 10.2%
Fifth	Subaru 5.1%	Nissan 7.2%
Sixth	Nissan 4.8%	Jeep 5.2%
Seventh	Mazda 4.3%	Subaru 4.2%
Eighth	BMW 4.2%	Hyundai 3.7%
Ninth	Mercedes 3.9%	Kia 3.5%
Tenth	Volkswagen 3.8%	GMC 3.3%

*Sept. 2017 figures estimated by Auto Outlook

Source: IHS Markit

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Covering Third Quarter 2017

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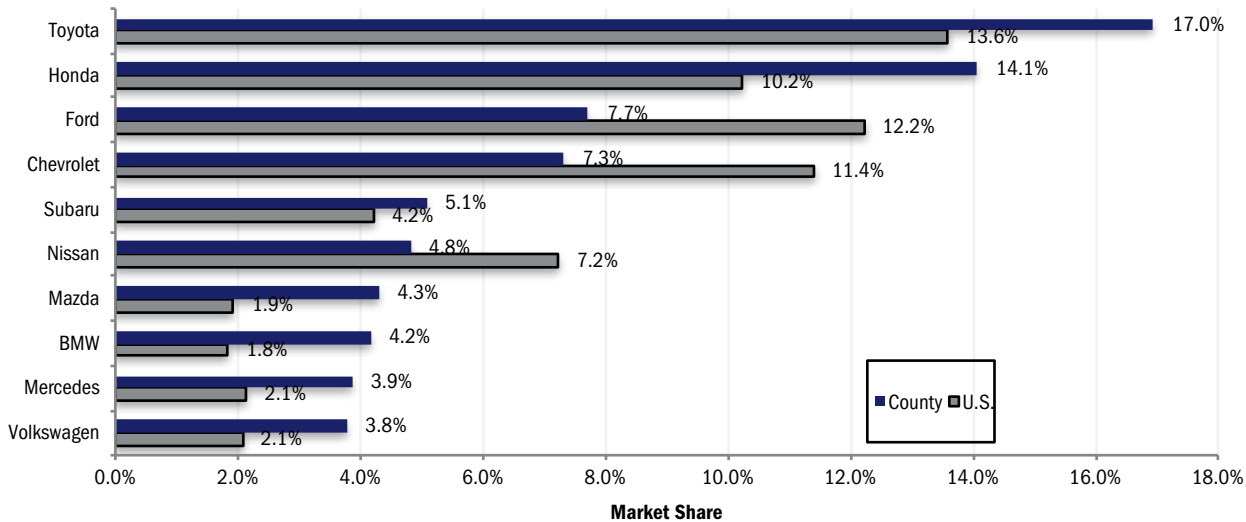
BRAND SCOREBOARD

Toyota is Leader in Santa Clara County Market

The graph below provides a comparison of Santa Clara County and U.S. new retail market share during the first nine months of this year for the top 10 selling brands in the county. Brands are positioned on the graph from top to bottom based on county market share. Actual market share figures are shown in the table on page 2.

Honda, Toyota, Mazda, and BMW
county market shares are much higher than in the Nation.

County and U.S. Market Share - YTD 2017 thru September*



*Figures for September, 2017 were estimated.

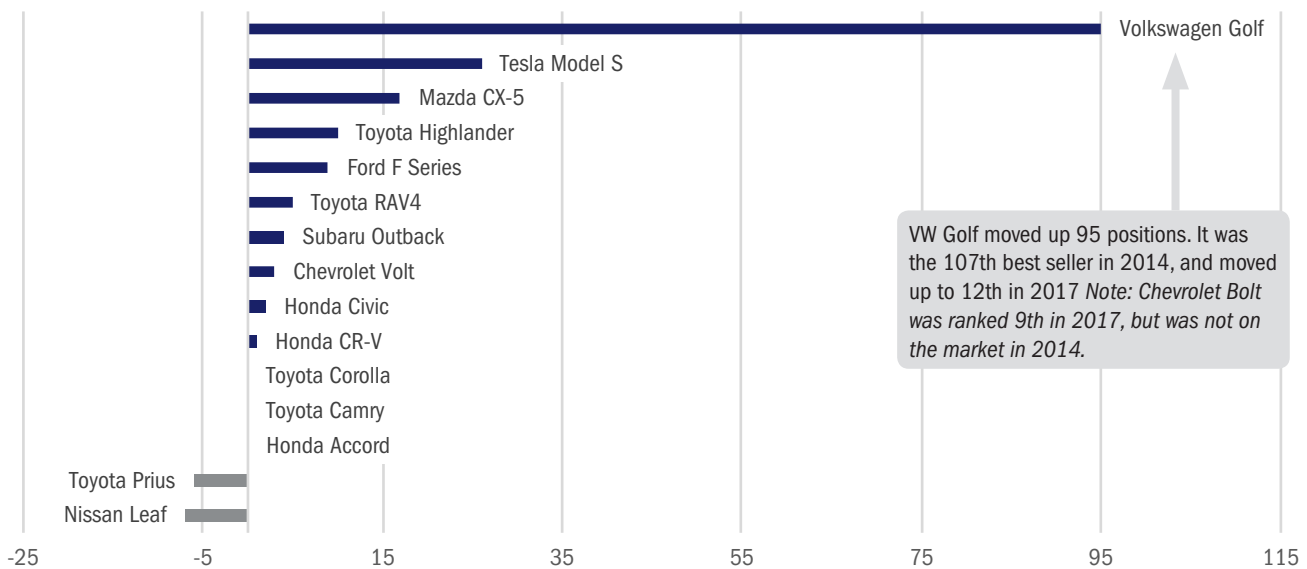
Source: IHS Markit.

MODEL RANKINGS

VW Golf Moves Up in County Market During Past Three Years

The graph below shows the change in rankings during the first eight months of 2014 versus 2017 for the top 15 selling models in Santa Clara County. Models are positioned on the graph from top to bottom based on the change in rankings.

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



VW Golf moved up 95 positions. It was the 107th best seller in 2014, and moved up to 12th in 2017. Note: Chevrolet Bolt was ranked 9th in 2017, but was not on the market in 2014.

Source: IHS Markit.

Change in ranking during first eight months of 2017 versus 2014

Santa Clara County New Retail Car and Light Truck Registrations												
	Third Quarter*						YTD totals thru September*					
	Registrations			Market Share (%)			Registrations			Market Share (%)		
	3Q '16	3Q '17*	% change	3Q '16	3Q '17*	Change	YTD '16	YTD '17	% change	YTD '16	YTD '17	Change
TOTAL	26,535	26,038	-1.9				72,856	73,343	0.7			
Acura	611	571	-6.5	2.3	2.2	-0.1	1,574	1,561	-0.8	2.2	2.1	-0.1
Alfa Romeo	1	54		0.0	0.2	0.2	3	83	2666.7	0.0	0.1	0.1
Audi	684	768	12.3	2.6	2.9	0.3	1,864	2,178	16.8	2.6	3.0	0.4
BMW	1,244	1,101	-11.5	4.7	4.2	-0.5	3,598	3,053	-15.1	4.9	4.2	-0.7
Buick	90	81	-10.0	0.3	0.3	0.0	284	291	2.5	0.4	0.4	0.0
Cadillac	97	86	-11.3	0.4	0.3	-0.1	273	254	-7.0	0.4	0.3	-0.1
Chevrolet	1,619	1,832	13.2	6.1	7.0	0.9	4,278	5,369	25.5	5.9	7.3	1.4
Chrysler	104	120	15.4	0.4	0.5	0.1	249	397	59.4	0.3	0.5	0.2
Dodge	300	212	-29.3	1.1	0.8	-0.3	902	783	-13.2	1.2	1.1	-0.1
FIAT	142	90	-36.6	0.5	0.3	-0.2	386	196	-49.2	0.5	0.3	-0.2
Ford	1,994	1,957	-1.9	7.5	7.5	0.0	5,774	5,664	-1.9	7.9	7.7	-0.2
Genesis	12	27		0.0	0.1	0.1	12	72		0.0	0.1	0.1
GMC	344	396	15.1	1.3	1.5	0.2	965	1,136	17.7	1.3	1.5	0.2
Honda	3,667	3,662	-0.1	13.8	14.1	0.3	9,916	10,324	4.1	13.6	14.1	0.5
Hyundai	868	689	-20.6	3.3	2.6	-0.7	2,344	2,128	-9.2	3.2	2.9	-0.3
Infiniti	230	244	6.1	0.9	0.9	0.0	633	696	10.0	0.9	0.9	0.0
Jaguar	109	110	0.9	0.4	0.4	0.0	198	281	41.9	0.3	0.4	0.1
Jeep	611	491	-19.6	2.3	1.9	-0.4	1,835	1,536	-16.3	2.5	2.1	-0.4
Kia	389	364	-6.4	1.5	1.4	-0.1	1,001	1,001	0.0	1.4	1.4	0.0
Land Rover	135	172	27.4	0.5	0.7	0.2	408	455	11.5	0.6	0.6	0.0
Lexus	1,097	1,038	-5.4	4.1	4.0	-0.1	3,094	2,771	-10.4	4.2	3.8	-0.4
Lincoln	53	54	1.9	0.2	0.2	0.0	169	153	-9.5	0.2	0.2	0.0
Maserati	37	41	10.8	0.1	0.2	0.1	115	110	-4.3	0.2	0.1	-0.1
Mazda	1,156	1,138	-1.6	4.4	4.4	0.0	3,184	3,153	-1.0	4.4	4.3	-0.1
Mercedes	1,196	970	-18.9	4.5	3.7	-0.8	3,099	2,838	-8.4	4.3	3.9	-0.4
MINI	161	146	-9.3	0.6	0.6	0.0	559	401	-28.3	0.8	0.5	-0.3
Mitsubishi	33	18	-45.5	0.1	0.1	0.0	88	53	-39.8	0.1	0.1	0.0
Nissan	1,326	1,169	-11.8	5.0	4.5	-0.5	3,764	3,530	-6.2	5.2	4.8	-0.4
Other	32	24	-25.0	0.1	0.1	0.0	101	119	17.8	0.1	0.2	0.1
Porsche	196	208	6.1	0.7	0.8	0.1	627	695	10.8	0.9	0.9	0.0
Ram	221	235	6.3	0.8	0.9	0.1	656	669	2.0	0.9	0.9	0.0
Subaru	1,241	1,233	-0.6	4.7	4.7	0.0	3,479	3,726	7.1	4.8	5.1	0.3
Tesla	863	803	-7.0	3.3	3.1	-0.2	1,891	2,056	8.7	2.6	2.8	0.2
Toyota	4,413	4,659	5.6	16.6	17.9	1.3	12,413	12,433	0.2	17.0	17.0	0.0
Volkswagen	1,080	1,105	2.3	4.1	4.2	0.1	2,614	2,773	6.1	3.6	3.8	0.2
Volvo	179	170	-5.0	0.7	0.7	0.0	506	405	-20.0	0.7	0.6	-0.1

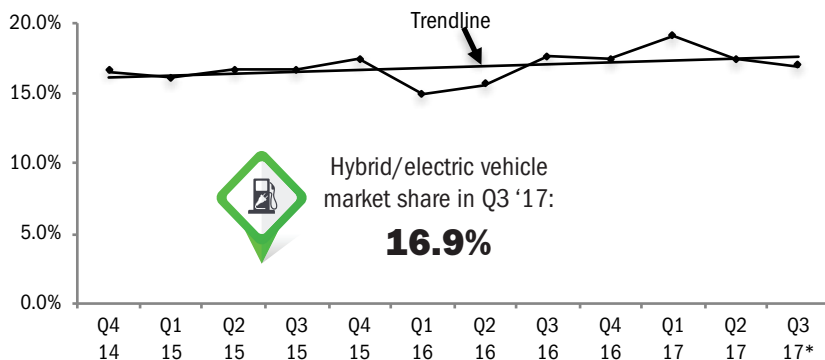
*September 2017 figures were estimated by Auto Outlook.

Source: IHS Markit

MARKET TRACKER: HYBRID AND ELECTRIC VEHICLES

Hybrid/Electric Vehicle Share Slips in Third Quarter 2017

Quarterly Alternative Powertrain Market Share (includes hybrid and electric vehicles)



County Hybrid and Electric Vehicle New Retail Registrations 2010 thru 2016, 2017 thru August			
Year	Hybrids	Electrics	Total
2010	4044	35	4079
2011	3952	838	4790
2012	8032	1029	9061
2013	9674	3799	13473
2014	10754	5031	15785
2015	10313	5905	16218
2016	9431	6647	16078
2017 thru Aug.	6195	5315	11510

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. *Third Quarter 2017 includes July and August. Source: IHS Markit.