

Los Angeles Auto Outlook



Comprehensive information on the LA County new vehicle market

FORECAST

New Vehicle Market Shows Resiliency During Pandemic

2020 has been a year unlike any other for the Los Angeles County new vehicle market, with several, seemingly paradoxical events occurring at the same time. Despite a preponderance of bad economic news, the main factor restricting growth in the new vehicle market has been tight inventories, not weak demand. The latest evidence: September registrations were essentially unchanged versus a year earlier. And even with a 22.5% decline in year-to-date new vehicle sales, dealership profits have for the most part, held steady. It's unprecedented that these events would take place simultaneously.

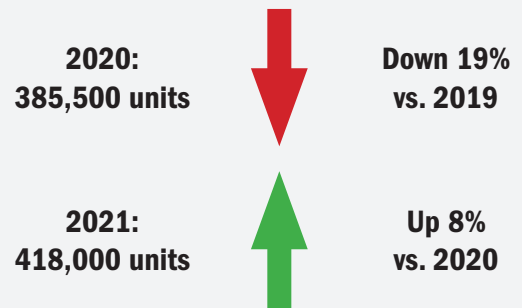
In times such as these, it is challenging to get a clear picture of what lies ahead for the county new vehicle market. But despite the elevated uncertainty, there are four identifiable trends that should dictate the course of the new vehicle market over the next year:

- **Pent up demand is growing.** Pent up demand has grown significantly due to the sales slowdown resulting from the pandemic (see page 2). These delayed purchases will occur at some point in the future and will give a boost to sales during the next several years.
- **Vehicle affordability will remain strong.** Interest rates are low and the Fed has indicated that they will stay that way for an extended period, which is key factor in helping to keep monthly lease and finance payments affordable. Incentives have eased during the summer as vehicle supplies have dwindled, but the manufacturers will almost certainly increase discounts once inventories improve. In addition, record high used vehicle prices have boosted vehicle trade in values.
- **Robust economic recovery will take a while.** Employment levels and GDP growth have rebounded during the summer, but most economists believe it will take years, not months, for the labor market to return to full employment. Until then, the new vehicle market will be limited to about 85% of its baseline potential.
- **Pandemic will likely fuel increased desire for vehicle ownership.** As discussed in last issue of Auto Outlook, new vehicle sales will get a boost by changes in consumer behavior brought about by the virus. Vehicle ownership provides freedom, independence, and a sense of personal control that is now front and center in peoples' minds. These benefits are likely to impact consumer behavior, even when COVID-19 fades.

Bottom line: There are some encouraging signs pointing to a recovery in the new vehicle market, but until the virus is no longer a factor, significant economic headwinds are likely to prevent sales from taking off. Auto Outlook predicts that 385,500 new vehicles will be registered in the county this year, a 19% decline from 2019. Assuming there is not a major spike in the virus that would lead to the reoccurrence of widespread business closures, the market should move higher next year. However, even with the increase, registrations are predicted to remain below 420,000 units, which is about 60,000 units lower than the total in 2019.

Key Indicators for County New Vehicle Market

Annual Forecasts



County Market vs. U.S.

Percent change in new retail registrations YTD '20 thru Sept. vs. YTD '19



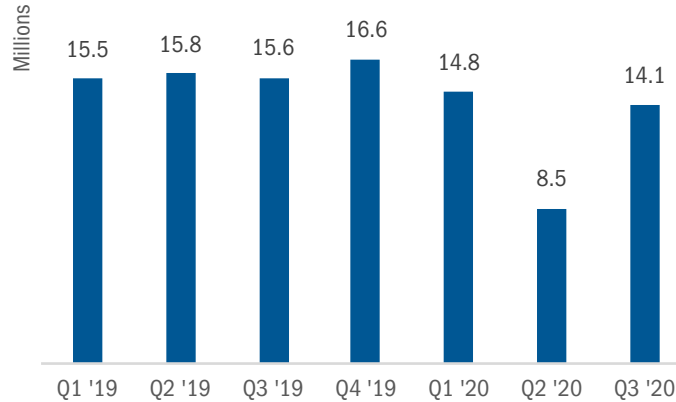
Historical Data Source: AutoCount data from Experian.
Forecast projections: Auto Outlook.

Los Angeles County New Vehicle Market Dashboard



MARKET PERFORMANCE DURING PAST TWO YEARS

Los Angeles County Quarterly Registrations
Seasonally Adjusted Annual Rate, Converted to Equivalent U.S. New Vehicle Market SAAR (millions of units)



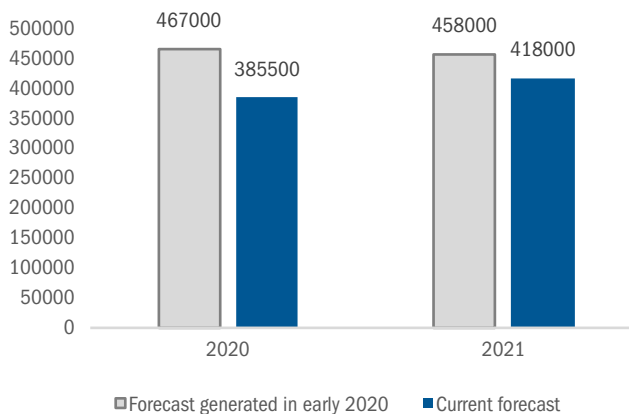
The graph on the left provides an easily recognizable way to gauge the strength of the county market. It shows quarterly registrations in the county, based on a seasonally adjusted annual rate. These figures are then indexed to SAAR sales figures for the U.S. new vehicle market. So just like in the national market, when the quarterly SAAR is above 17 million units, the county market is strong, 15 million is about average, and below 13 million is weak. Quarterly registrations in the county plummeted to a U.S. equivalent level of 8.5 million units in the Second Quarter, and recovered to a better, but still not great 14.1 million in the Third Quarter.

Data Source: AutoCount data from Experian.



PENT UP DEMAND

County market forecasts for 2020 and 2021
Before and after onset of COVID Pandemic



121,500
new vehicle purchases will be postponed during 2020 and 2021,
representing about
26%
of sales in an average year

Historical Data Source: AutoCount data from Experian. Forecast projections: Auto Outlook.

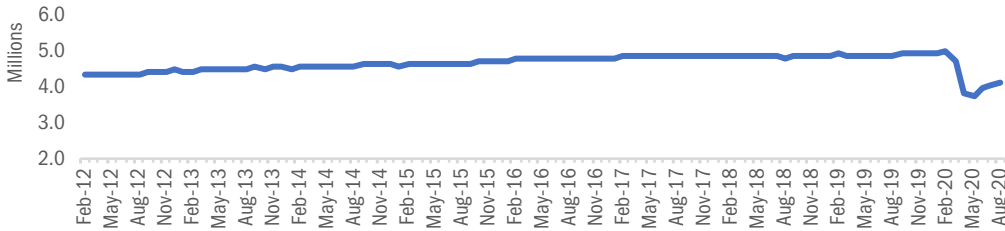
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Los Angeles County New Vehicle Market Dashboard



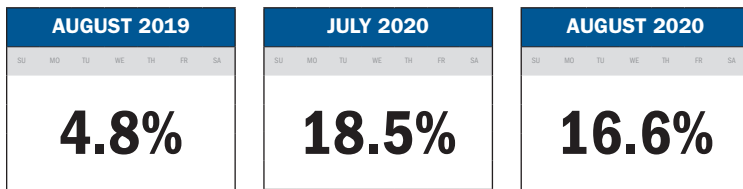
TRACKING ECONOMIC INDICATORS

Total Employment in Los Angeles County



Following the sharp decline in April, total employment in Los Angeles County has trended upward, but still remains well below pre-pandemic levels. The county unemployment rate was 16.6% in August, down from 18.5% in July, but higher than a year earlier. Consumer sentiment has improved somewhat during the past few months, but is still off from recent highs.

Monthly Unemployment Rates in Los Angeles County



Average Hourly Earnings for All Workers in County - August 2020



University of Michigan Consumer Sentiment



10 year high - 101.4 (Mar. 2018)
12 month high - 101.0 (Feb. 2020)

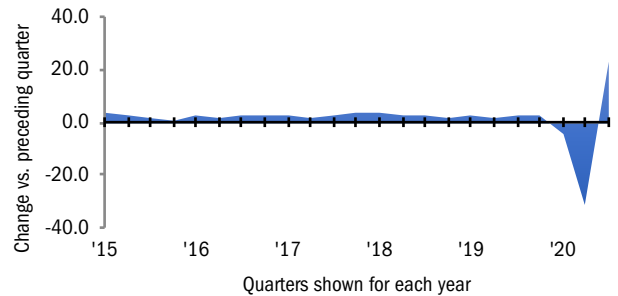
Most recent - 78.1 (Sept., 2020)

10 year low - 55.7 (Aug. 2011)

Key Values During Past 10 Years

Percent Change in U.S. Gross Domestic Product

Change vs. previous quarter

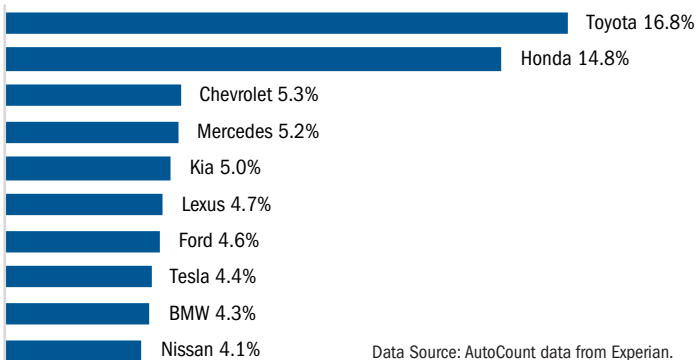


Sources: Bureau of Labor Statistics, University of Michigan, and U.S. Bureau of Econ. analysis.



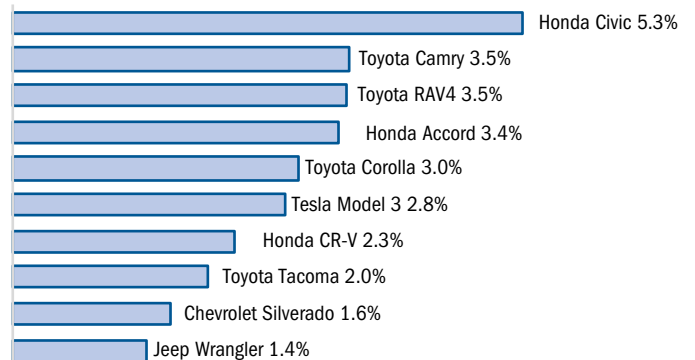
TOP TEN RANKINGS IN COUNTY MARKET

Market Share for Top Ten Selling Brands in County Market YTD 2020 thru September



Data Source: AutoCount data from Experian.

Market Share for Top Ten Selling Models in County Market YTD 2020 thru September

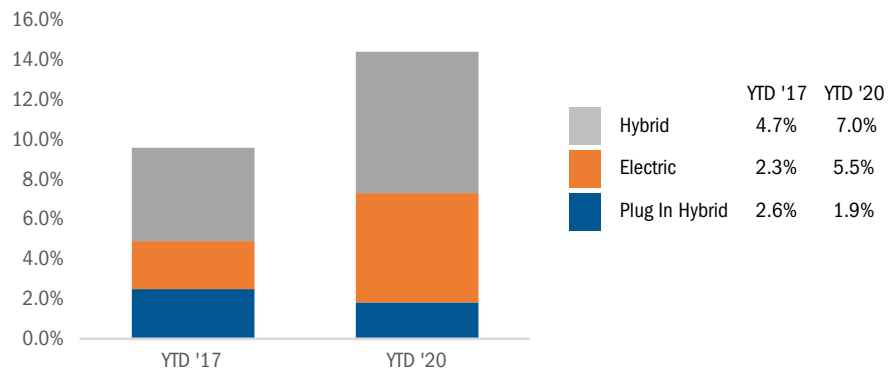


Three Long Term Trends in County New Vehicle Market

Trend...	The numbers...	Primary conclusion...
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Estimated Alternative Powertrain Share*-YTD '17 and '20, thru Sept.

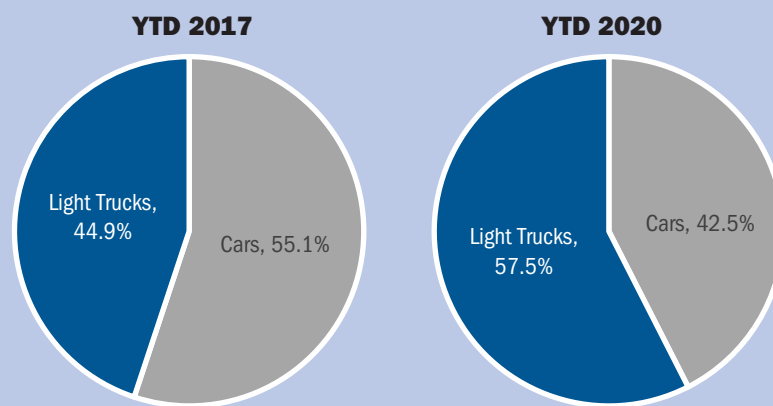
Alternative Powertrains



Electric vehicle market share in the county has increased by 3.2 share points during the past three years. Hybrid vehicle share was up 2.3 points.

Light Truck and Passenger Car Share - YTD '17 and '20, thru Sept.

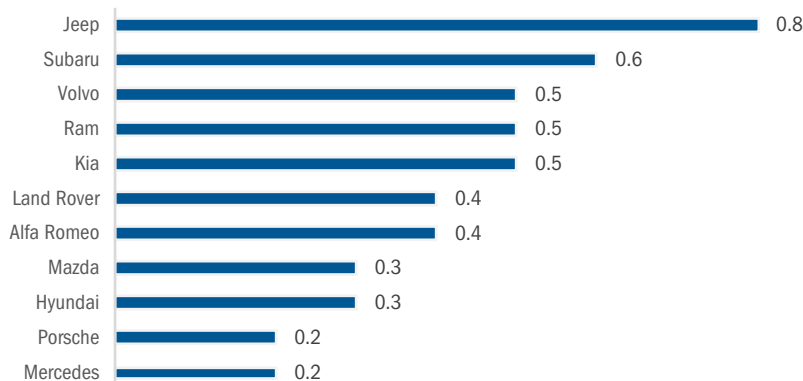
Light Trucks



Light truck market share increased to 57.5% during the first nine months of 2020, up 12.6 points from 2017.

Brands with Largest Market Share Increases - YTD '17 to YTD '20

New Vehicle Brands



Five brands had market share increases of 0.5 of a point or higher: Jeep, Subaru, Volvo, Ram, and Kia

Data Source: AutoCount data from Experian. *Registrations by powertrain for vehicles equipped with multiple engine types were estimated by Auto Outlook. The estimates are based on model registrations compiled by Experian, and engine installation rates collected from other sources. The graph above showing largest market share increases excludes Tesla, since the Model 3 was introduced during 2017.

SEGMENT CLOSE-UP: MID SIZE SUVs

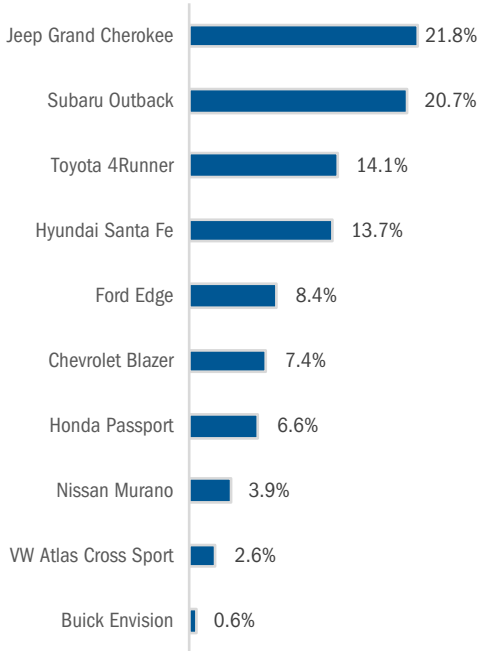


Toyota & Subaru Lead County Mid Size SUV Segment

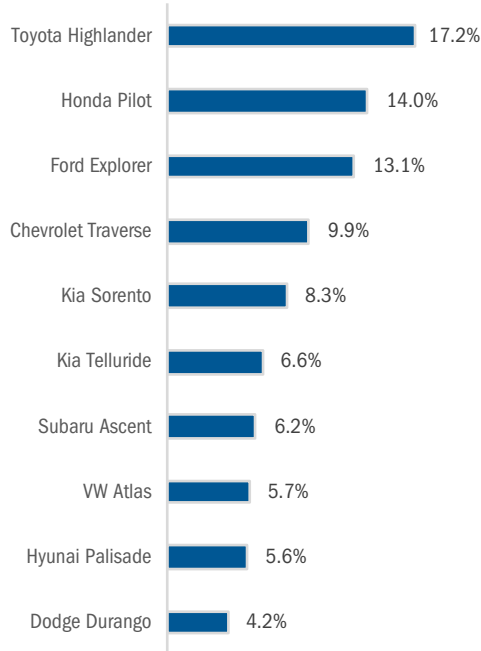
Model Sales Leaders

Top 10 Selling Models in County for Two Row and Three Row Mid Size SUVs - YTD 2020 thru Sept.

Market Share for Two Row Mid Size SUVs



Market Share for Three Row Mid Size SUVs



Two Key Trends

#1 Mid Size SUV segment is performing better than the overall market...

% Change in New Vehicle Registrations
YTD '17 thru Sept. to YTD '20

Mid Size SUVs: **DOWN 10.2%**

Industry **DOWN 29.2%**

#2 Three row SUVs have been gaining market share in Mid Size SUV segment...

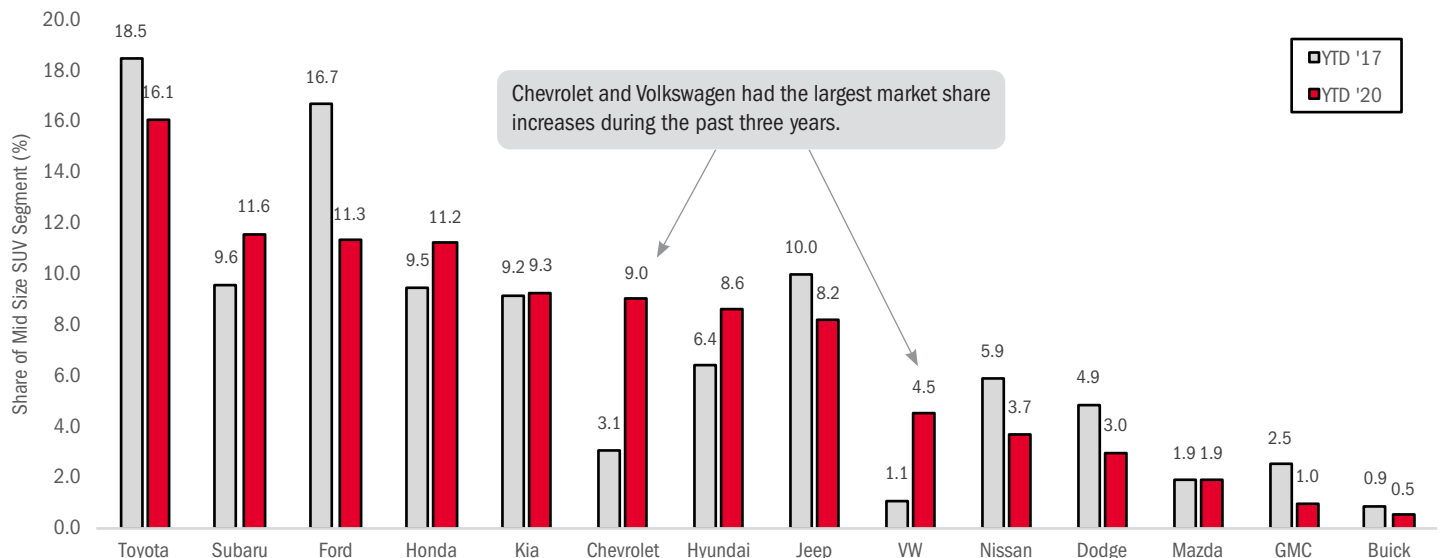
3 Row SUV Share of Mid Size SUV Segment - YTD '17 and YTD '20 (Sept.)

YTD 2017: **59.9%**

YTD 2020: **62.6%**

Data Source: AutoCount data from Experian.

Brand Market Share in County Mid Size SUV Segment - YTD 2017 and YTD 2020 (thru Sept.)



Data Source: AutoCount data from Experian.

Brand Registrations Report												
Los Angeles County New Retail Car and Light Truck Registrations												
	Third Quarter						YTD thru September					
	Registrations			Market Share (%)			Registrations			Market Share (%)		
	3Q '19	3Q '20	% change	3Q '19	3Q '20	Change	YTD '19	YTD '20	% change	YTD '19	YTD '20	Change
TOTAL	120,330	101,206	-15.9				357,588	276,976	-22.5			
Cars	55,843	41,173	-26.3	46.4	40.7	-5.7	168,337	117,824	-30.0	47.1	42.5	-4.6
Light Trucks	64,487	60,033	-6.9	53.6	59.3	5.7	189,251	159,152	-15.9	52.9	57.5	4.6
Domestic Brands	25,005	22,788	-8.9	20.8	22.5	1.7	75,887	62,751	-17.3	21.2	22.7	1.5
European Brands	24,556	20,232	-17.6	20.4	20.0	-0.4	73,929	55,901	-24.4	20.7	20.2	-0.5
Japanese Brands	61,387	49,137	-20.0	51.0	48.6	-2.4	181,635	134,343	-26.0	50.8	48.5	-2.3
Korean Brands	9,382	9,049	-3.5	7.8	8.9	1.1	26,137	23,981	-8.2	7.3	8.7	1.4
Acura	1,116	974	-12.7	0.9	1.0	0.1	3,726	2,674	-28.2	1.0	1.0	0.0
Alfa Romeo	465	482	3.7	0.4	0.5	0.1	1,414	1,545	9.3	0.4	0.6	0.2
Audi	3,148	2,629	-16.5	2.6	2.6	0.0	9,872	7,718	-21.8	2.8	2.8	0.0
BMW	5,916	4,021	-32.0	4.9	4.0	-0.9	17,380	12,032	-30.8	4.9	4.3	-0.6
Buick	295	216	-26.8	0.2	0.2	0.0	978	502	-48.7	0.3	0.2	-0.1
Cadillac	511	433	-15.3	0.4	0.4	0.0	1,594	1,233	-22.6	0.4	0.4	0.0
Chevrolet	6,342	5,150	-18.8	5.3	5.1	-0.2	20,041	14,547	-27.4	5.6	5.3	-0.3
Chrysler	247	165	-33.2	0.2	0.2	0.0	871	483	-44.5	0.2	0.2	0.0
Dodge	1,796	1,551	-13.6	1.5	1.5	0.0	4,908	4,553	-7.2	1.4	1.6	0.2
FIAT	126	52	-58.7	0.1	0.1	0.0	409	152	-62.8	0.1	0.1	0.0
Ford	5,272	4,771	-9.5	4.4	4.7	0.3	15,748	12,830	-18.5	4.4	4.6	0.2
Genesis	181	129	-28.7	0.2	0.1	-0.1	333	413	24.0	0.1	0.1	0.0
GMC	810	896	10.6	0.7	0.9	0.2	2,546	2,404	-5.6	0.7	0.9	0.2
Honda	18,558	14,758	-20.5	15.4	14.6	-0.8	55,455	41,085	-25.9	15.5	14.8	-0.7
Hyundai	3,831	3,742	-2.3	3.2	3.7	0.5	10,453	9,827	-6.0	2.9	3.5	0.6
Infiniti	1,438	845	-41.2	1.2	0.8	-0.4	4,573	2,577	-43.6	1.3	0.9	-0.4
Jaguar	327	291	-11.0	0.3	0.3	0.0	1,196	874	-26.9	0.3	0.3	0.0
Jeep	3,621	3,449	-4.8	3.0	3.4	0.4	11,018	9,026	-18.1	3.1	3.3	0.2
Kia	5,370	5,178	-3.6	4.5	5.1	0.6	15,351	13,741	-10.5	4.3	5.0	0.7
Land Rover	1,453	1,326	-8.7	1.2	1.3	0.1	4,852	3,861	-20.4	1.4	1.4	0.0
Lexus	5,914	4,941	-16.5	4.9	4.9	0.0	18,176	13,081	-28.0	5.1	4.7	-0.4
Lincoln	387	348	-10.1	0.3	0.3	0.0	1,242	1,049	-15.5	0.3	0.4	0.1
Maserati	110	117	6.4	0.1	0.1	0.0	432	342	-20.8	0.1	0.1	0.0
Mazda	2,604	2,621	0.7	2.2	2.6	0.4	8,004	6,765	-15.5	2.2	2.4	0.2
Mercedes	6,480	5,479	-15.4	5.4	5.4	0.0	18,949	14,359	-24.2	5.3	5.2	-0.1
MINI	660	519	-21.4	0.5	0.5	0.0	2,003	1,306	-34.8	0.6	0.5	-0.1
Mitsubishi	387	165	-57.4	0.3	0.2	-0.1	957	552	-42.3	0.3	0.2	-0.1
Nissan	5,423	3,790	-30.1	4.5	3.7	-0.8	16,958	11,375	-32.9	4.7	4.1	-0.6
Other	304	232	-23.7	0.3	0.2	-0.1	961	782	-18.6	0.3	0.3	0.0
Porsche	1,206	1,170	-3.0	1.0	1.2	0.2	3,305	2,893	-12.5	0.9	1.0	0.1
Ram	1,306	1,653	26.6	1.1	1.6	0.5	3,843	3,989	3.8	1.1	1.4	0.3
Subaru	4,216	3,745	-11.2	3.5	3.7	0.2	12,389	9,693	-21.8	3.5	3.5	0.0
Tesla	4,418	4,156	-5.9	3.7	4.1	0.4	13,098	12,135	-7.4	3.7	4.4	0.7
Toyota	21,731	17,298	-20.4	18.1	17.1	-1.0	61,397	46,541	-24.2	17.2	16.8	-0.4
Volkswagen	3,311	2,865	-13.5	2.8	2.8	0.0	10,268	7,438	-27.6	2.9	2.7	-0.2
Volvo	1,050	1,049	-0.1	0.9	1.0	0.1	2,888	2,599	-10.0	0.8	0.9	0.1

Source: AutoCount data from Experian.

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