

May 2021

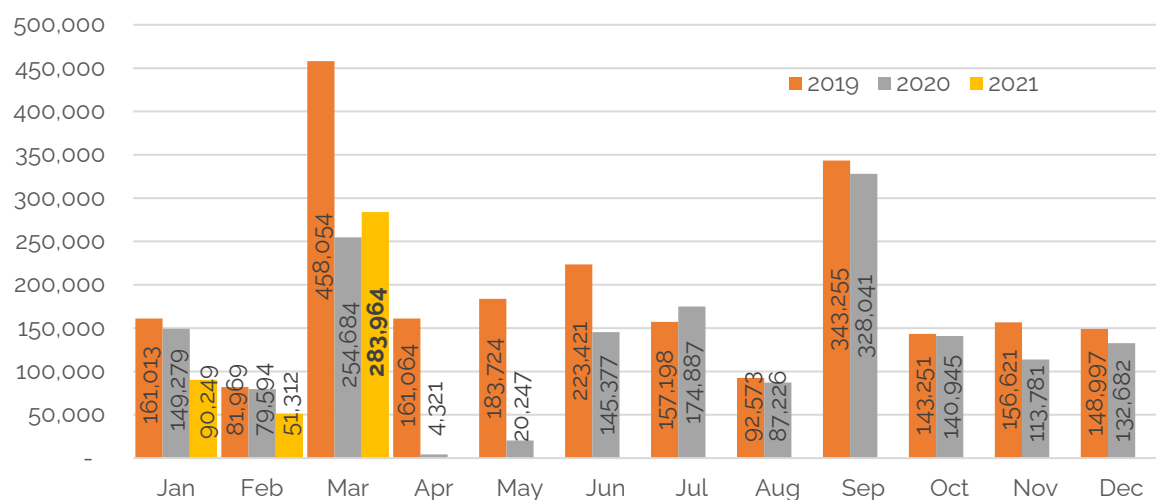
Car Market Overview

It certainly feels as though we have entered a whole new era, with hopefully the worst of the impact of the COVID-19 pandemic behind us. Car showrooms are physically open once more and as this editorial overview will report, the used car industry at least, is in rude health.

In this overview, we will report on registration activity in the new car market to the end of March 2021 and dynamics in the used car market at the time of writing, including what may happen over the coming weeks and months. All information is correct as of 27th April 2021.

New Car Sales

According to the figures produced by the Society of Motor Manufacturers and Traders (SMMT), 283,964 cars were registered in March 2021, 11.5% up on the same month last year, which was the first month to be affected by the pandemic. Compared with the average of the previous 10-years, registrations were down 36.9% or around 166,000 units. Year-to-date, registrations were 12%, or 58,032, lower than at the same point in 2020.



Source: SMMT

Fleet and business registrations took up 55.3% of the market, with retail falling by 4.1% compared to the same month last year.

Registrations of diesel cars were down 25.6% year-to-date to the end of March, and petrol ones down 19%. These figures include mild hybrids. Battery Electric Vehicles (BEVs) were up 74.1%, Plug-in Hybrids (PHEVs) up 93.6% and Hybrids (HEVs) up 11.6%. Alternatively-Fuelled Vehicles (AFVs) now make up 21.2% of the market, ahead of diesel at 19%, again with mild hybrids included within the diesel figure. Petrol makes up the remaining almost 60%.

Daily Rental registrations in March were up 20.6% on the same month a year ago, but still close to 50% less than in March 2019. There is less demand from rental companies and less desire from manufacturers to sell cars in this heavily discounted channel.

Used Car Retail Activity

April has been a month of two halves for retailers, certainly in England. But, what a second half it has been.

Over the Easter period and prior to car showrooms reopening on 12th April, demand was either steady or down slightly. In Scotland, car showrooms reopened on 5th April so there was an uplift in demand a week earlier than in England.

It was unsurprising that there was a lull for many in the lead up to the 12th, with consumers holding off waiting to be able to visit a retail outlet and test drive a car once more.

With activity levels ranging from 50-90% of normal during March, depending on the business – premium franchise dealers at the top end, car supermarkets nearer the bottom, it was reasonable to expect pent-up demand to be less than in June last year, following lockdown 1. During that initial heavily restricted period, business levels at dealerships were almost non-existent for many and far lower than normal for most.

As soon as car showrooms reopened on Monday, 12th demand was high. There were reports of consumers queuing at the door before some opened and once they were open, queues outside as showrooms had social distance restrictions in place and were simply too busy.

Car supermarkets, in particular, experienced hugely increased business levels as the opportunities for consumers to turn up without an appointment and browse around a forecourt were seized upon. Those businesses still operating appointment only were also seeing high demand.

It would appear that it is more than just normal “pent-up” demand. There are “accidental savers” that have funds from less socialising, leisure activities and holidays over the last 13-months, many of which are now looking to make a purchase that is either required or desired. Aspirational purchases of premium brand cars or of convertibles and sports cars, vehicles that may not have been under consideration previously, are high on the agenda currently.

Many retailers have reported record weeks – even stronger than last June. Retail prices have noticeably increased, reflected in the data received by cap hpi.

Used Car Remarketing Activity

The early days of April coincided with the Easter period, with two bank holidays, and also before showrooms were open, and many retailers were careful with regards to restocking. As such, there was a brief lull on purchasing in the wholesale arena.

Once the Easter period was over and retailers could see the levels of retail activity were surpassing expectations, buying from remarketers and the auctions picked up at pace. High specification cars in cap clean condition, were being fought for and even poorer condition cars selling quicker than they had done previously.

Conversion rates at auction dipped over the 2-week Easter period, but increased again from the 12th April, being well into the 80%+ region.

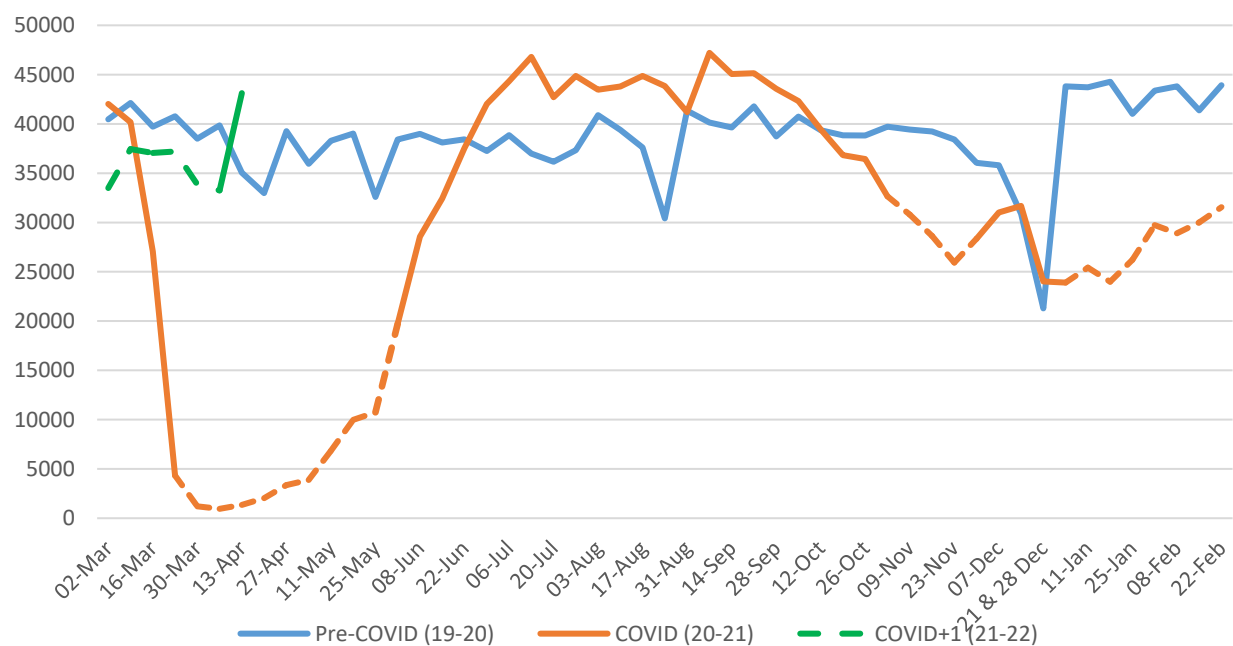
Some auctions have reopened physically, as soon as they were able to, whilst the larger operations remain online only. There is now the opportunity to visit some auction halls as well as buying online and this seems an ideal situation.

The majority of remarketers that sell direct to retailers have increased their prices over the April period and some have even tried to hold off selling in expectation of being able to increase prices further still in the coming weeks – bids from some customers have been too good to turn away, however.

The chart below shows wholesale volumes of data received. Each point on the line graph is a weekly volume and the graph shows a 12-month period, running from March to coincide with the start of the impact of COVID-19 on the UK. The blue line shows 2019-20, or pre-COVID, the orange line is volumes from March 2020 to the end of February 2021 and the green line is from March 2021 onwards. Each lockdown period, when showrooms were physically closed, is denoted by dotted lines.

The green line illustrates how volumes increased during week commencing the 12th, slightly exaggerated by two short weeks earlier, but also far higher than the period in March before the Easter break and also well ahead of this time in 2019, although Easter was later that year.

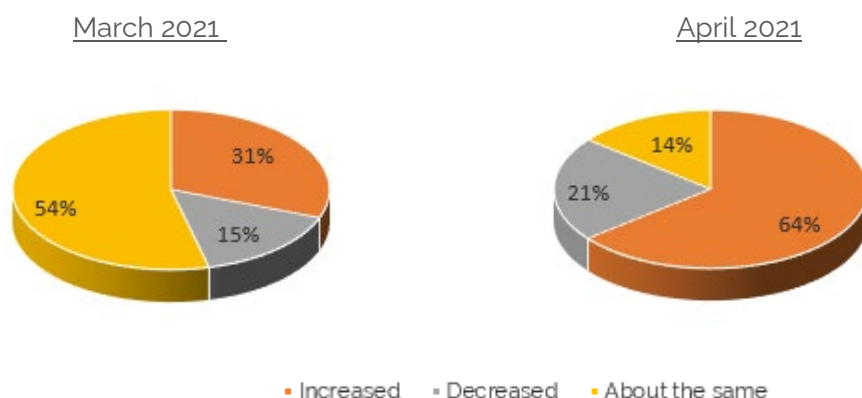
Wholesale Volumes since initial lockdown, comparison to previous year



(Source: cap hpi wholesale data. Dotted lines denote lockdown periods when car showrooms were physically closed)

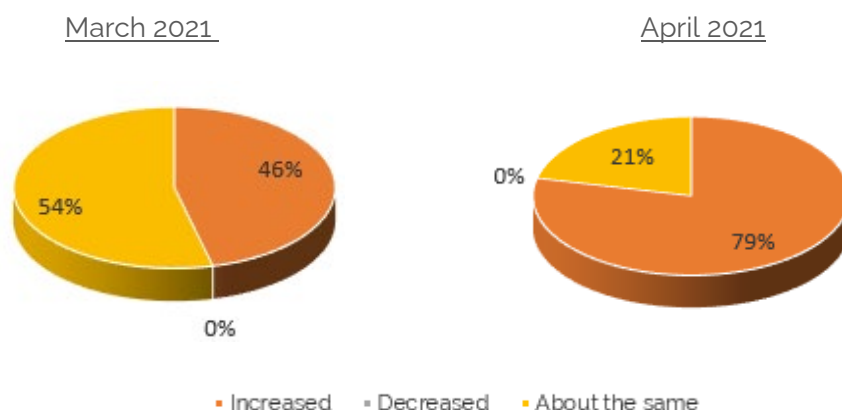
So, what did the cap hpi auction survey return this month? Note, there is no comparison this month to April 2020 as auctions were closed during lockdown 1, with very little online activity.

How do your current stock levels compare to last month?



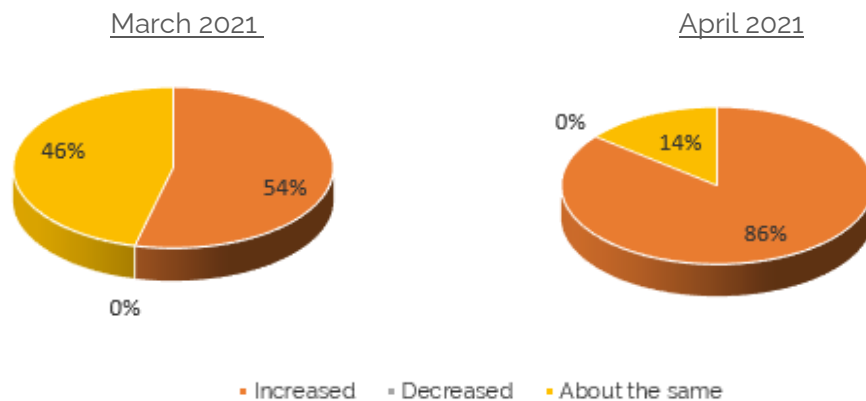
Despite there being a degree of noise around stock availability being lower than normal, as these results show, for the majority of auction houses, stock levels have increased over the last month, although 1 in 5 did confirm they are declining – unusual for this time of year. With March new car registrations depressed compared to normal times, this has undoubtedly impacted on stock levels of part-exchanges and fleet returns. There are also more retailers retailing part-exchanges rather than sending them straight to the trade.

How does your current overall demand compare to last month?



Unsurprisingly, bearing in mind the buoyant retail market, demand levels increased in April, particularly as the month progressed. Not one respondent for the last 2-months has stated that demand is on the wane. Similar to last summer, we are in a particularly positive period for used car wholesale activity.

How do your conversion rates compare to last month?



In line with demand increasing, the April survey confirmed that conversion rates continue to increase. Again, for the last 2-months, no one has stated that conversions rates have declined.

Used Cars – Trade Values

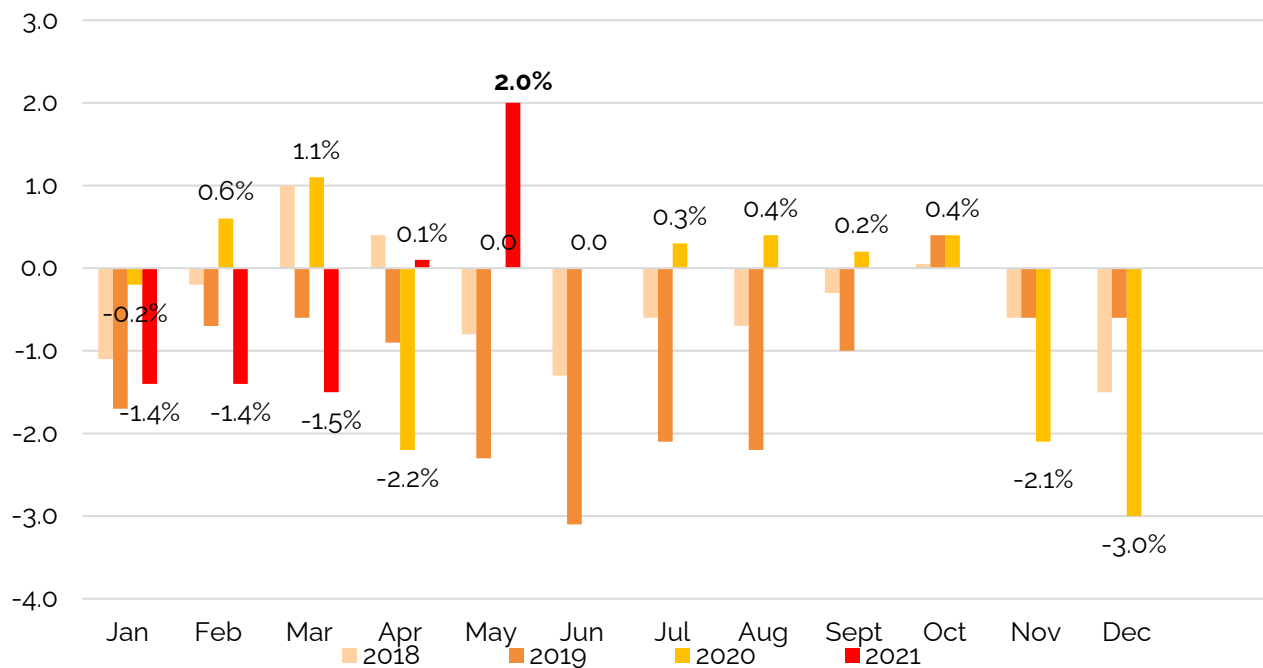
So, what has the positive retail and trade market meant for trade values in April's Live product?

The 5-months from October's Live (shown by November's monthly bar on the graph below) onwards were all on a downward trajectory, with values dropping by 9.4% at the 3-year age point during this time. As consumer and trade demand started to stabilise in March, values went up slightly.

April started in a very similar vein to March, small increases for the period up until the 13th or 14th of the month. At this point, the very latest data started to give an idea of what was to come. The period since then has seen values increasing at a rate not witnessed for over a decade, even during last summer's post-lockdown boom for used cars.

As you can see from the chart below, May's monthly figure, derived from April's Live valuations, shows a 2% increase at the 3-year point. This is equivalent to an average c.£275 per car and is the largest upward movement in a month since Live was introduced in 2012. Indeed, you have to go back to the 2009 recovery from the credit crunch to find a monthly increase as large as this.

Monthly Percentage Movements in Live Valuations (3-years, 60k miles)



Younger used cars have also increased in value. At the one-year age point, values increased by an average of 1.6%, equivalent to almost £350. Interestingly, older cars saw no average movement, despite being the area that saw the largest increases following the first lockdown, last year. At that point there was a great deal of activity from consumers looking to buy to avoid public transport – it seems the profile of consumers buying now is quite different.

Convertibles continue to be the strongest sector overall – aspirational purchases for consumer savers and trade buyers speculatively purchasing as well as replacing sold stock. With sunny weather comes an increase in demand for these types of vehicles. What is particularly interesting though is that these seasonal vehicles have not dipped in value like they normally do over a winter. Models such as the BMW 6-Series Convertible Diesel and the Mercedes-Benz S-Class Cabriolet Petrol have increased by 25% at the 3-year point over the last 12-months. For the latter, this is equivalent to almost £10,000 for a 3-year old car with 30,000 miles, compared to the equivalent car a year ago. This is almost unprecedented.

Mainstream sectors have also seen large increases.

SUVs have gone up by an average of 2.4% at the 3-year, 60,000 mile point (almost £350) during April, with models such as the BMW X3, Porsche Macan, Skoda Karoq and Volvo XC40 all outperforming the average, with some going up by more than £1,000 in the month. The majority of that movement was in the last 2-weeks of the month.

All other sectors have also increased in value at the 3-year age point, including MPVs which now look value for money due to the decreases experienced over the last few months. They have also been helped by car supermarkets being open once more. The ability to browse around a forecourt and see the practicality and value of these types of vehicle, particularly with summer staycations likely to be popular, has certainly helped values. Some notable increases have been for the Mercedes-Benz V-Class, Peugeot Traveller and Ford Grand Tourneo Connect, the former going up by almost £900 at the 3-year, 60,000 mile point.

Lower medium and upper medium (C and D Sector) cars have also gone up in value, both by more than the average. Some of these look value for money compared to size-comparable SUVs and mainstream models like the Ford Focus and Mondeo and the Vauxhall Astra have all increased in value.

Looking at fuel-type, once again petrol and diesel cars have outperformed alternatively-fuelled vehicles, with electric vehicles actually dropping in value, on average. This is the 10th consecutive month that EVs have dropped in value, however, the downward movement is not as great as seen in previous months. Despite used wholesale supply still increasing and used retail demand remaining an issue along with much of the focus on the new car market, we have seen less pressure coming from used retail prices. It would appear that used retail volumes of vehicles that some manufacturers tactically registered in the final quarter of last year, has started to reduce – easing some of the pressure on true used cars both in the wholesale and retail markets, at least for the time being.

As with every sector, however, the devil is in the detail and April saw some EVs increase in value, Kia Soul and Tesla Model X for example, and others drop – Corsa Electric and Smart Fortwo being two examples that declined by more than the average.

What Next?

Traditionally, May, with its two bank holidays, school half term holidays and abundance of stock in the wholesale market from new car activity, tends to see Live values drop. Excluding 2020, when no values moved in May due to the restrictions in place, the average is a reduction of 1.9% over the previous 5-years.

In 2021, though, seasonality can almost be ignored. The 14-week lockdown at the start of the year, added to the different market dynamics in the new and used market last year, plus changes to consumer's bank balances and personal circumstances means the used market is in a very different place to other years at this time.

Used car activity is likely to remain strong for the next few weeks at least, led by pent-up demand and consumers desire to spend money on big-ticket items that bring a smile to their faces. For these reasons car showrooms are likely to remain busy and retailers will be actively looking to replace stock in the wholesale arena.

There is likely to be a double whammy for used car prices in that demand will likely stay strong and supply may well be affected by new car availability. Supply of parts, in particular semiconductors, is already having an effect on new car lead times. This could well lead to lower numbers of registrations than manufacturers were hoping and planning for, meaning consumers may switch to used cars and there may be less part-exchanges appearing in the market, both of which will mean demand outstripping supply and prices staying strong.

How long this remains for is very much down to these supply issues and that seems to be different for different manufacturers. It will be a fascinating used car market over the course of 2021, but the strength we are currently seeing is certainly likely to last into the summer.

With different brands and models likely to see different levels of demand and supply, attention to detail will be more important than ever, as will daily, Live values. It is very likely, that with values increasing in this fast-moving market, monthly values will be out of date within days of being published at the end of April.

Current Used Valuations May 2021 - Average Value Movements

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
City Car	0.5%	0.8%	0.7%	(2.5%)
Supermini	1.6%	1.7%	0.5%	(1.8%)
Lower Medium	1.9%	2.1%	1.6%	(1.2%)
Upper Medium	1.6%	2.2%	2.2%	0.1%
Executive	1.6%	1.8%	1.5%	(0.4%)
Large Executive	0.4%	0.1%	0.5%	0.3%
MPV	1.0%	0.7%	0.3%	(0.5%)
SUV	1.5%	2.4%	2.5%	0.7%
Convertible	3.7%	4.9%	5.1%	5.6%
Coupe Cabriolet	3.0%	3.5%	3.6%	6.7%
Sports	0.5%	1.9%	2.7%	2.0%
Luxury Executive	(0.1%)	0.6%	1.1%	(0.4%)
Supercar	0.2%	0.7%	0.8%	0.4%
Overall Avg Book Movement	1.6%	2.0%	1.7%	(0.0%)

() Denotes negative percentages

Used Car Values May 2021 - Average Value Movements by Size

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
MPV Small	(0.6%)	(0.2%)	(0.3%)	(0.6%)
MPV Medium	1.1%	0.5%	0.2%	(0.7%)
MPV Large	1.0%	1.2%	0.7%	0.2%
SUV Small	1.8%	2.3%	2.3%	(2.6%)
SUV Medium	1.7%	2.6%	2.7%	0.9%
SUV Large	0.4%	1.4%	2.1%	0.8%

() Denotes negative percentages

Notable Movers 1-yr 20k

GENERATION NAME	MIN £	MAX £	AVG £
BMW 3 SERIES (12-19) DIESEL	250	800	392
FORD KUGA (12-20) DIESEL	700	1,100	857
KIA SPORTAGE (15-) DIESEL	350	650	526
MAZDA MX-5 (15-)	950	1,350	1,150
NISSAN QASHQAI (13-18) DIESEL	450	500	483
PEUGEOT 3008 (16-) DIESEL	450	650	558
SKODA OCTAVIA (13-20) DIESEL	300	550	393
VAUXHALL ADAM (12-19)	150	175	162
VOLKSWAGEN CADDY LIFE C20 (10-) DIESEL	400	500	460
VOLKSWAGEN GOLF (13-21) DIESEL	300	450	370

() Denotes negative movement

Notable Movers 3-yr 60k

	MIN £	MAX £	AVG £
AUDI A3 (12-19)	325	750	563
FORD FOCUS (11-18)	175	350	221
FORD KUGA (12-20) DIESEL	475	850	630
HONDA JAZZ (15-20)	150	225	187
HYUNDAI TUCSON (15-19) DIESEL	400	700	567
LAND ROVER RANGE ROVER EVOQUE (11-19) DIESEL	450	1,150	598
NISSAN QASHQAI (13-18)	275	650	447
RENAULT CAPTUR (13-20) DIESEL	250	350	290
VOLKSWAGEN GOLF (13-21)	125	1,450	271
VOLVO XC60 (08-17) DIESEL	550	650	579

() Denotes negative movement