

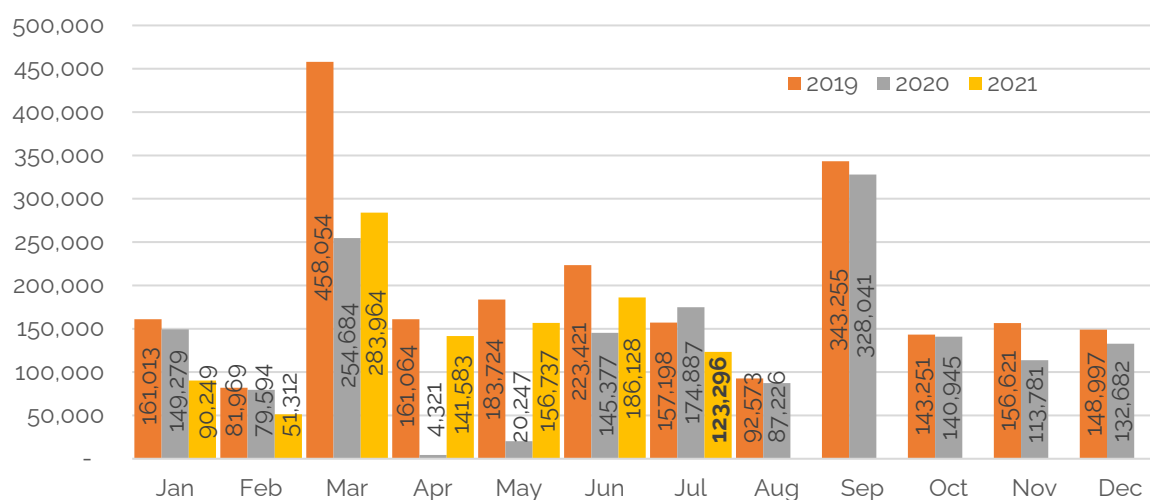
September 2021

Car Market Overview

This monthly overview provides an update on the current situation in the new and used car markets in the UK, with supply issues dramatically affecting both. We will report on new car registrations to the end of July and used car activity at the time of writing. All information is correct as of 25th August 2021.

New Car Sales

According to the latest figures produced by the Society of Motor Manufacturers and Traders (SMMT), 123,296 cars were registered in July, a reduction of 29.5% compared to the same month last year, when 174,887 were registered. This figure is 22.3% down on the average over the past decade and the weakest July this century. Component shortages and the so-called "pingdemic" at factories and within the supply chain have adversely affected availability. Private, Fleet and Business registrations were all heavily impacted, with Fleet being the hardest hit.



Source: SMMT

Year-to-date, 1,033,269 cars were registered to the end of July, an increase of 24.7% over last year's 828,389, when the COVID-19 pandemic had heavily affected the market.

The SMMT full-year registration outlook has been revised due to the supply issues, with a forecast of 1.82 million units, down from the previous outlook of 1.86 million. This would be a 21.8% reduction compared to the average volumes over the past decade.

Petrol registrations made up 58.3% of registrations in July (60.1% year-to-date), diesel 14.6% (16.7% YTD) and alternatively-fuelled vehicles at 28.9% share (23.2% YTD). The latter continue to increase their market share, with Battery Electric Vehicles at 8.2% YTD, Plug-in Hybrid Electric Vehicles at 6.6% and pure Hybrid Electric Vehicles at 8.4%.

Registrations to Daily Rental companies have largely been deprioritised by manufacturers due to the supply issues. They were down 55% compared to July 2019 (up 16% compared to July 2020) and down 58% year-to-date compared to 2019 (up 16% on the COVID affected 2020). This equates to a significant reduction of almost 90,000 units to the end of July compared to 2-years ago, which will no doubt continue the theme of a shortage of late-plate, young used cars in the market going forward.

Used Car Retail Activity

Retail activity can tend to drift away during the school summer holidays, with consumer's attentions on leisure activities and foreign holidays. There is also often a lull, particularly for franchise dealers, in anticipation of the new car registration plate in September and the stocking requirement and increased activity that goes with it.

In 2021, the situation is slightly different to during more normal times, but relatively similar to last year. Foreign holidays are not the norm currently and whilst many UK residents have gone on holiday, it is not for as long as normal and many have opted for a "staycation", which may even involve accessing the internet and seeking out purchases in a way they would not normally have done by "getting away from it all".

What this has meant for the used car retail market in August is that activity has been strong, for the time of year. There appeared to be small dip in demand at the start of the school holidays, but this did not last for a prolonged period of time and as August began, it was clear that most retailers were still selling well. From feedback received, this is across the board, but particularly at the lower and mid-range of the market – consumers seeking to replace unremarkable cars with similar, but newer ones.

There remains the case that many consumers have savings in the bank from this lack of holidays and activity over the last year, but also, some, having delayed the purchase of a replacement car over the last 18-months, have now realised it is time to change. This is particularly true as many are now making a similar amount of journeys to pre-pandemic times.

To summarise, retail demand has been slightly reduced from the heady days of May, June and early July, but better than normal for the month of August.

Within the analysed retail advertised price data it is clear that retail prices have increased considerably over the last few months and is now catching up with the increases witnessed in the trade market. During August, retail prices were increasing on a daily basis.

For many retailers, this meant that whilst enquiry rates and sold volumes were slightly reduced from the previous few months, they were now making more profit-per-unit than previously – some even setting new records for this metric. The majority have been brave and pushed their prices up, even those that had initially been advertising to make a margin from previously paid lower trade prices. It has been clear, that with new car supply so limited, the opportunity has been there to push used car prices northwards, even above new car prices in a number of instances – a highly unusual phenomenon at this scale, and difficult to sustain in the long-term.

There has been an increase in purchases between dealers too. The usual trading between branches and sites has occurred, but there has also been dealers paying full-up retail money for cars, particularly from online vendors when a good deal has been spotted. Whilst this did feel a little risky, by the time cars had actually arrived on their site, they were able to see increased advertised prices of similar cars in the market and therefore afford to place a reasonable margin on these vehicles.

Used Car Remarketing Activity

As the school holiday got into full flow at the back of July, and as can tend to happen during the last days of the month, there was a small drop off in activity in the wholesale arena.

With the auctions publishing monthly cap values in their catalogues, there can be a slight pause during these days as buyers anticipate the new figures. Those with Live values, however, could already see where values were going and continued to buy.

Once we entered August, there was a marked increase in wholesale buying, which is unusual for the time of year. With Live values increasing by 3.1% (3-years, 60,000 miles) through July, on top of the 13.5% increases over the previous 3-months, it has been reasonable to expect a slowdown at some point. It was soon clear, however, that this was not going to be in August.

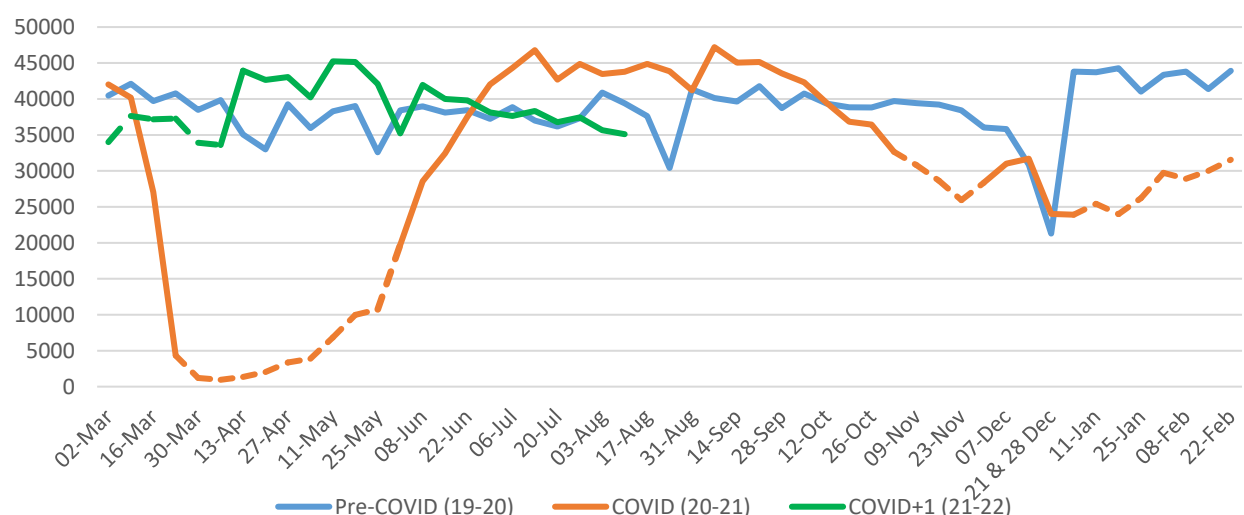
Conversion rates dropped slightly during June and stabilised in July, but during August they were on the increase again, fuelled by relatively strong retail demand and concern over what the next few weeks will bring supply-wise. More auctions have reopened physically now, which has certainly done no harm. Of course, low supply levels will always skew the conversion rate percentage up when demand is healthy.

Independents and car supermarkets have been concerned that the usual plethora of part-exchanges that hit the market in September may not be there due to new car reductions and franchise dealers keeping hold of those that they do generate, planning to retail them rather than send them to auction. Similarly, franchise dealers have focussed on selling used cars, with so much uncertainty over new car supply. All dealers have therefore been looking to stock up.

Sold auction volumes have stayed relatively stable over the last weeks, but reductions have been noticeable from direct remarketing channels - those areas that have been starved of new car supply, so they have fewer cars to swap over. There is a particular shortage of ex-rental and contract hire and leasing direct sales.

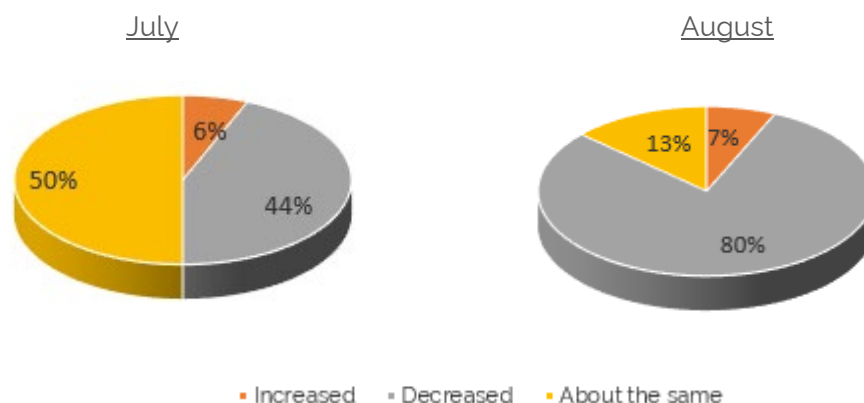
As illustrated on the green line on the chart below, volumes are lagging behind the previous 2-years, due to the aforementioned supply issues. Each point on the line is a weekly sold volume. Numbers have been dropping most weeks since May, driven by the supply shortages and despite of higher conversion rates. Volumes are currently 11% lower than this time in 2019 and 20% lower than in the same week last year.

Wholesale Volumes since initial lockdown, comparison to previous years



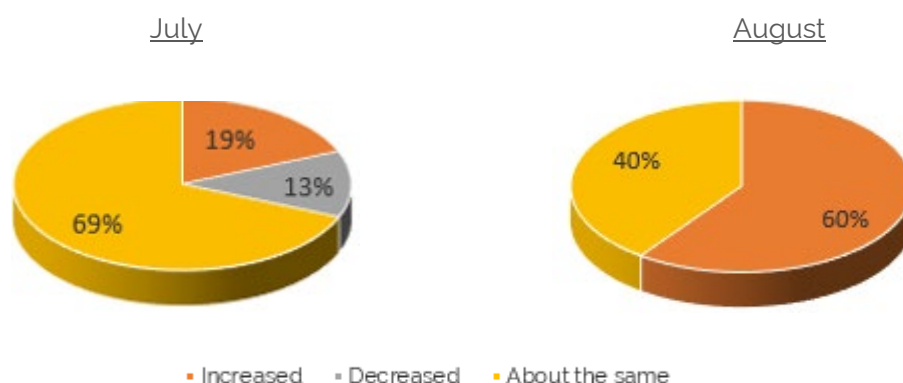
Once again, our auction survey has thrown out interesting results, in-line with anecdotal feedback.

How do your current stock levels compare to last month?



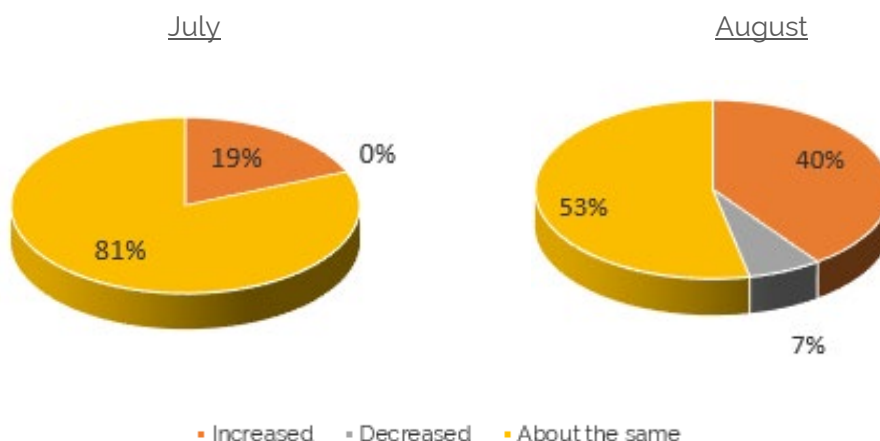
A remarkable 80% of respondents confirmed that stock levels had decreased compared to last month, almost double the number that had stated this last month. Interestingly, a small minority have seen similar volumes or even slight increases to those in July.

How does your current overall demand compare to last month?



60% of auctions replying to the survey advised that demand was on the increase. The remainder were seeing it about the same as in the previous month and gladly, none reported that there were less customers for them than previously.

How do your conversion rates compare to last month?



Unsurprisingly, given that stock was generally reduced and demand increased, conversions rates were up for over half of respondents, with the vast majority of the remainder seeing the picture similar to how it was last month. A small minority had seen them dip, however.

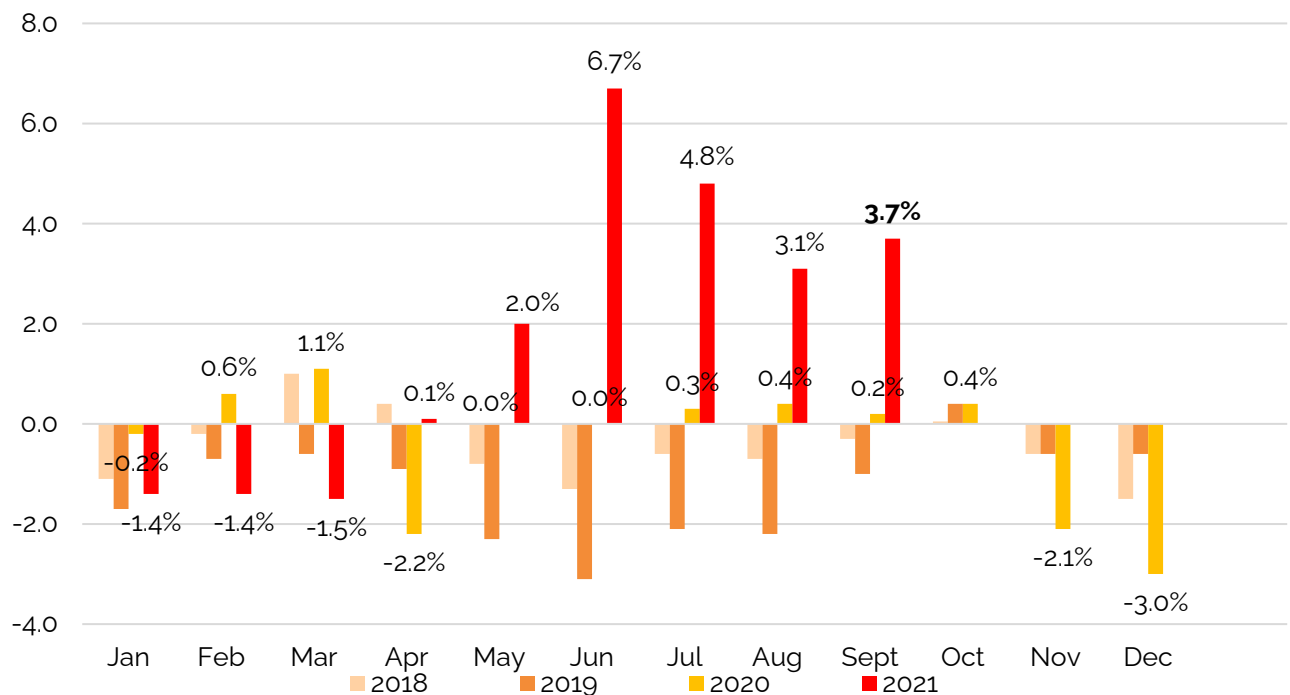
Used Cars – Trade Values

With the positivity highlighted thus far in this overview, it will come as no surprise that Live values have increased exponentially again during August.

From the early days of the calendar month, values started to rise – almost as if they had been kick-started into life following that brief lull at the end of July.

As the chart below illustrates, Live values increased by 3.7% at the 3-year, 60,000 mile benchmark point, equivalent to £475. This is the third largest increase we have experienced in a month, with the previous two highest coming in this May and June (for June and July's monthly figures).

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



Values at 1-year, 10,000 miles have increased by 2.9%, or £680 on average, 5-year, 80,000 mile cars by 3.3% or £285 and 10-year, 100,000-mile cars by a smaller 1.2% or £45, still an increase nevertheless.

For 3-year old cars, this means that values have now risen by an unprecedented 20.3% in 5-months, and we have now experienced six continual monthly increases. Vehicles have increased, on average, by more than one-fifth of their value in less than half a year. In normal times, they would potentially have depreciated by 5% during this period, so a swing of over 25% has occurred.

Measuring at a more reasonable 30,000 miles in total, some of the largest movers in that 6-month period at the 3-year age have been the Toyota Auris Hybrid, up 47.9% on average, or £4,600, Mazda MX-5 up 45.8% (£5,250) and the Vauxhall Zafira up 41.5% or £3,575. It cannot be stated strongly enough, how unusual this period has been – a real black swan event that we are unlikely to witness again. Who would have thought a Zafira would have proved so popular to increase by that much?

Looking at this month in more detail, there is a certain theme that volume, commodity cars have enjoyed a continued renaissance.

The lower medium, or C-sector, has increased by the most in percentage terms, up by 4.6% or £525 on average at the 3-year, 60-mile point. Many of these type of cars have traditionally been plentiful in the market and have not always held their value as well as the now more popular SUVs. As a result, they have looked more reasonably priced so dealers have been more prepared to pay in excess of monthly cap values recently. Some examples are the Ford Focus and Peugeot 308, both up c.7% or £1,300 and £1,000 respectively at 3-years, and the SEAT Leon and Vauxhall Astra, both up c.6% or £1,000 and £775 respectively.

The MPV sector was the next biggest mover, increasing by an average of 4.5% or £560. This sector came from a relative low point with values reducing more heavily than all other sectors in the period from November 2020 to March 2021. Dealers have been seeing MPVs as better value for money than other cars in recent months and therefore paying above monthly cap values, confident that they would find a willing consumer for these generally larger, family-friendly vehicles, particularly with staycations now so popular. Some extraordinary increases in August were for the Citroen Grand C4 Space Tourer Diesel, up over 10% and £1,000, Peugeot Partner Tepee up 8.1% or c.£650, SEAT Alhambra Diesel up 7.4% and again over £1,000 and the Vauxhall Zafira which increased by 10.2% or c.£950. Strange times indeed.

All other mainstream sectors increased in value by around 4%, whilst convertibles may now be nearing the end of their purple patch, with a lower increase (1.3% in the month) than most others and less than in recent months.

Looking at fuel-type, pure hybrids, which dropped relatively heavily prior to March, have increased by the most of any fuel-type, up by 5%. Toyota product has proved particularly popular, with Auris (+11.3%/£1,250), Prius+ (+5.9%/£885) and Yaris (9.4%/£900) all increasing by large amounts in percentage and monetary terms, no doubt aided by an increase in workload for the private hire market and a requirement by many of them to change vehicles.

All other fuel-types increased in value, petrol and diesel by 3.7% and 3.6%, whilst electric vehicles only saw a modest average increase, but an increase nonetheless, of 1.8%.

What Next?

Last month we predicted a continuation of the summer of strength for used car values, although we did not quite see the increase being as large as it has been. We wrote:

Values are likely to remain high for the foreseeable future and the next few weeks may even continue to see them rise, although not to the same extent as recently.

September is likely to be particularly challenging for the new car market, with volume estimates from some manufacturers anywhere between 50-80% of a "normal" September. This will leave less part-exchanges and fleet returns coming into the market, meaning supply will stay constrained, when compared to plate-change months in the past.

Demand is also likely to stay similar to how it is currently – maybe even increasing as more consumers decide to seek out a used car rather than wait for a new one that could be some months away from delivery – potentially well into next year.

Even if demand dipped away, as the furlough scheme finally reaches its conclusion and economic reality bites for some, there will not be the supply levels available to cause any kind of crash from current high values.

It is likely that, as things stand, values will continue to increase through September, although once again we are forecasting this increase not to be as large as in some of the previous months.

Longer-term, until the supply of new and used cars returns to anywhere near normal, we are likely to see values maintaining a relatively high position, with any drops unlikely to eat very far into the large, unprecedented increases we have witnessed over the last 5-months.

Finally, just to reiterate as always, that in the current climate, monthly values quickly become out of date, and for an accurate view of the current market, Live values are an essential tool for any dealer wishing to purchase cars in the wholesale market.

Current Used Valuations September 2021 - Average Value Movements

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
City Car	4.0%	3.7%	3.4%	2.2%
Supermini	3.7%	4.0%	4.0%	1.3%
Lower Medium	4.1%	4.6%	4.2%	1.7%
Upper Medium	2.8%	3.4%	2.5%	1.1%
Executive	2.1%	2.8%	3.1%	1.5%
Large Executive	1.0%	1.1%	1.2%	1.2%
MPV	4.4%	4.5%	4.0%	1.4%
SUV	2.7%	3.8%	3.4%	0.7%
Convertible	1.2%	1.3%	1.1%	(0.2%)
Coupe Cabriolet	(0.2%)	(0.6%)	(1.0%)	(0.9%)
Sports	1.1%	1.1%	0.7%	1.0%
Luxury Executive	1.7%	(0.5%)	0.4%	1.1%
Supercar	0.4%	0.6%	0.1%	0.1%
Overall Avg Book Movement	2.9%	3.7%	3.3%	1.2%

() Denotes negative percentages

Used Car Values September 2021 - Average Value Movements by Size

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
MPV Small	3.0%	3.2%	3.2%	(0.9%)
MPV Medium	4.6%	4.4%	4.1%	1.9%
MPV Large	4.4%	4.9%	4.2%	1.3%
SUV Small	3.7%	4.1%	3.7%	0.8%
SUV Medium	2.7%	4.1%	3.7%	0.9%
SUV Large	1.2%	2.0%	1.5%	0.3%

() Denotes negative percentages

Notable Movers 1-yr 20k

GENERATION NAME	MIN £	MAX £	AVG £
FIAT 500 (15-)	325	650	464
HYUNDAI I10 (14-20)	350	575	442
NISSAN JUKE (10-20)	475	600	545
RENAULT CAPTUR (13-20)	750	950	855
SEAT ALHAMBRA (10-20) DIESEL	1,500	1,800	1,657
SEAT LEON (13-20)	500	1,700	933
SKODA OCTAVIA (13-20)	700	1,050	817
SUZUKI S CROSS (13-)	950	1,050	1,000
VAUXHALL MOKKA (12-20)	900	1,300	1,087
VOLKSWAGEN GOLF (13-21) DIESEL	550	900	680

Notable Movers 3-yr 60k

	MIN £	MAX £	AVG £
AUDI A3 (12-19)	450	900	695
CITROEN C4 GRAND PICASSO (13-18) DIESEL	800	1,000	897
HYUNDAI TUCSON (15-19) DIESEL	600	1,000	847
KIA SPORTAGE (15-) DIESEL	600	1,100	878
LAND ROVER RANGE ROVER SPORT (13-18) DIESEL	600	1,700	1,375
MERCEDES-BENZ A CLASS (12-18)	650	1,000	782
MINI COOPER (13-18)	250	400	327
NISSAN X-TRAIL (14-19) DIESEL	750	1,250	957
RENAULT CAPTUR (13-20) DIESEL	675	1,200	889
TOYOTA AURIS (12-19) HYBRID	750	1,750	1,258