

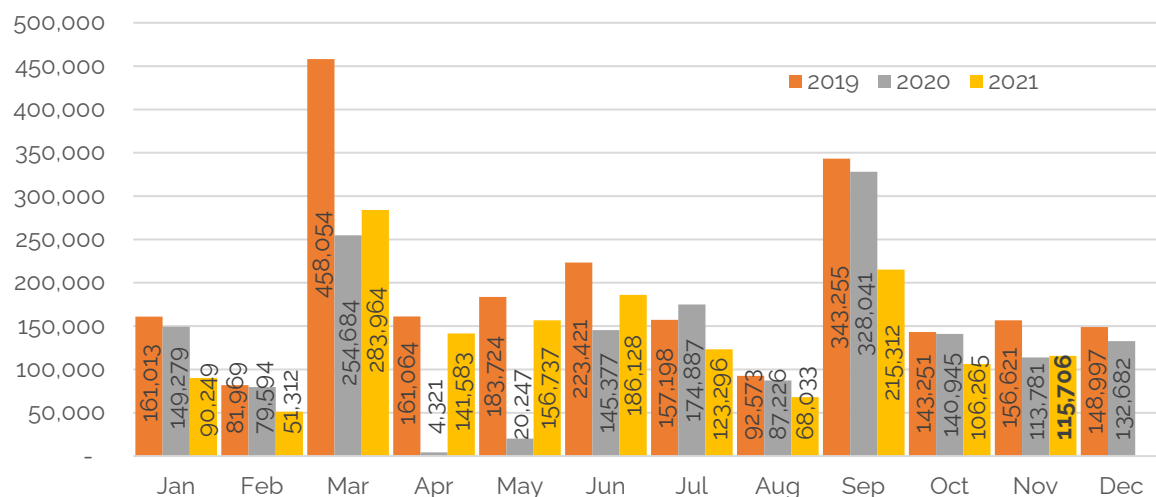
January 2022

Car Market Overview

This monthly overview provides an update on the current new and used car markets in the UK. We will report on new car registrations to the end of November and used car activity at the time of writing. All information is correct as of 23rd December 2021.

New Car Sales

According to the figures produced by the Society of Motor Manufacturers and Traders (SMMT), 115,706 cars were registered in November 2021, an increase of just 1.7% on the lockdown-hit same month last year. Year-to-date, 1,538,585 cars were registered to the end of November, 2.7% ahead of the COVID-affected 2020. Semi-conductor and other component shortages will continue to impact new car build and supply for some time yet.



Source: SMMT

Fleet registrations were the hardest hit in the month, making up just 44.1% share, with Private retail registrations at 54.1% (the Business sector made up the remaining 1.8%). Manufacturers continue to prioritise the more profitable channels. Excluding April and May 2020, when the market was at its' most-heavily restricted due to lockdown 1, Daily Rental registrations were at an all-time low this November, being heavily de-prioritised by manufacturers.

Looking at fuel-type, alternatively fuelled vehicle registrations continued to grow, with Battery Electric Vehicles (BEVs) making up 18.8% of the market in the month, or 21,726 units – more than double the number in the same month last year. Year-to-date they have increased by 88.9% or 76,731 units. Plug-in hybrid vehicles' (PHEVs) share grew to 9.3% with 10,796 registered units in the month and year-to-date they have experienced an 83.1%, or 48,214 units, increase. Petrol registrations, including mild hybrids, remain the dominant fuel-type (54.0% share in the month, 58.8% YTD), with diesels now in the minority (9.6% share in November, 14.7% YTD).

Used Car Retail Activity

A theme from this highly unusual year has been that retailers have regularly been consistent with their view of the market. When demand was strong and prices rising, it was pretty much the same for all used car outlets.

And December has been similarly consistent, but in the opposite direction. Retail activity and enquiry levels have fallen away week-on-week. This downturn started in November and has continued ever since but it is important to note that this happens every year at this time. Clouding the issue slightly this time is that the previous 7-months were just so buoyant, prices high and margins healthy. Some dealers are half-expecting a price crash and a large decline in activity is of concern to some. As we move closer to Christmas, however, consumers generally put all but essential big-ticket purchases on hold. Buying a car, unless a necessity, is generally delayed at least until the Christmas turkey has been demolished. Cheaper cars, anything around the £10,000 and below point have been more in demand than the more expensive offerings, because of this "necessity purchase" reason. With the price rises this year though, the £10,000 car is now older or with higher mileage than it was a few months ago.

So, to summarise the last few weeks in the retail market, the drop off in demand is normal, but because it is coming from such a highpoint, it has caused some concern. With the new Omicron variant thrown into the mix and fears of a potential lockdown, there is a degree of uncertainty. Many of the larger dealers have stocked up though, ready for the hoped for post-Christmas bounce back. The signs are that this will happen, but it is difficult to forecast more than a few days ahead due to the rapid increases in COVID cases and the relative unknown nature of Omicron.

Analysing the retail advertised data that we receive, there has been a clear plateauing of prices, but not a widespread, notable decline. Some retailers are reducing prices on cars that have been in stock for a while, but overall most are holding their nerve, ready for January.

Used Car Remarketing Activity

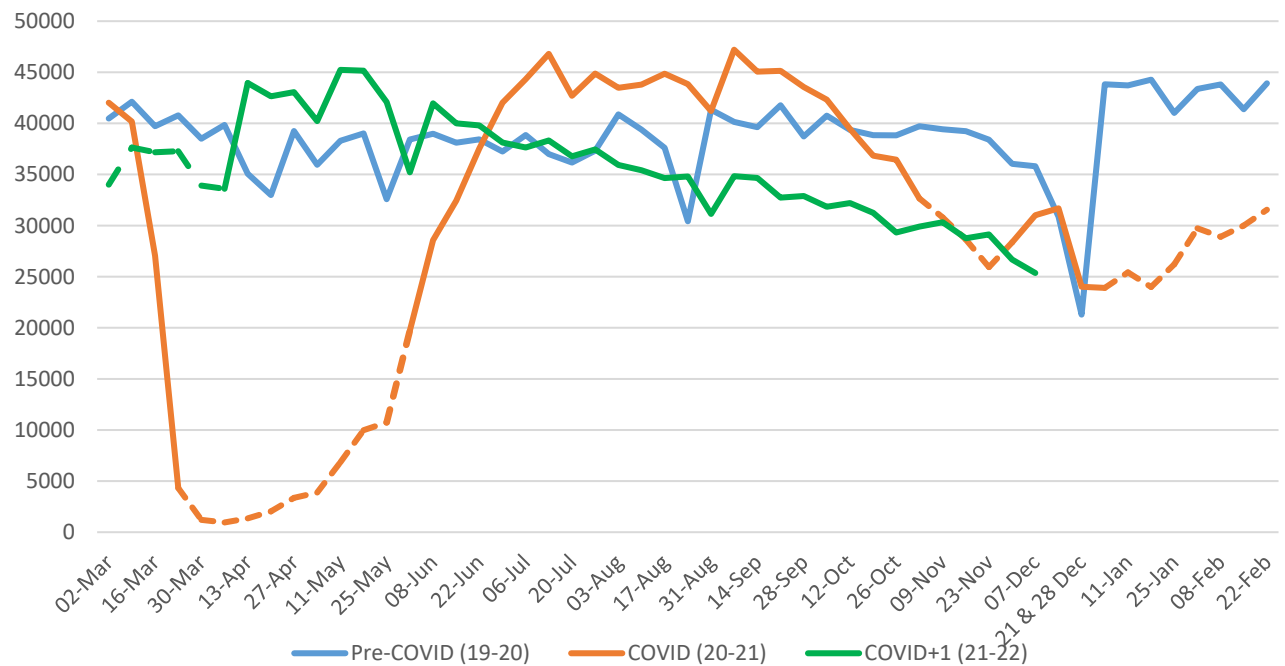
It has been an interesting month in the wholesale market. Some of the larger buyers have still been dipping a toe in occasionally, particularly when they see value, but still not buying in volume, as they are well stocked for the New Year. This, once again, has afforded some of the smaller buyers' opportunities, although a number remain wary about paying high prices. Many are watching auctions online rather than physically buying, gauging the state of the market and the direction and velocity of prices.

A theme, as we reach the end of the year, is that retailers are taking the opportunity to buy from some direct sources rather than auctions, with volume bonus payments in mind, particularly if close enough to reasonably achieve a threshold target.

Overall, conversion rates have remained relatively steady, some even saw a slight increase mid-month, but then a dip back to the level of a few weeks earlier, perhaps fuelled by negative press around the latest COVID-19 situation and the possibility of enhanced restrictions.

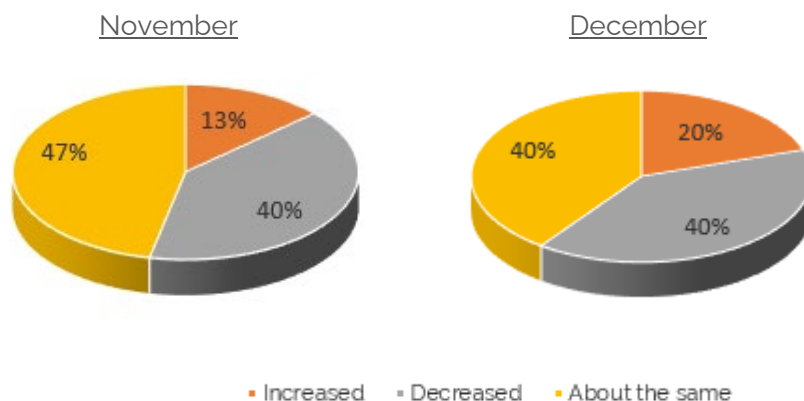
Sold volumes remain lower than in the more normal year of 2019, as the chart below illustrates, by around 25%. In December last year the country had just come out of a lockdown, so activity increased, although that uplift was short-lived as regionally we entered different tiers and ultimately a January lockdown.

Wholesale Volumes since initial lockdown, comparison to previous years



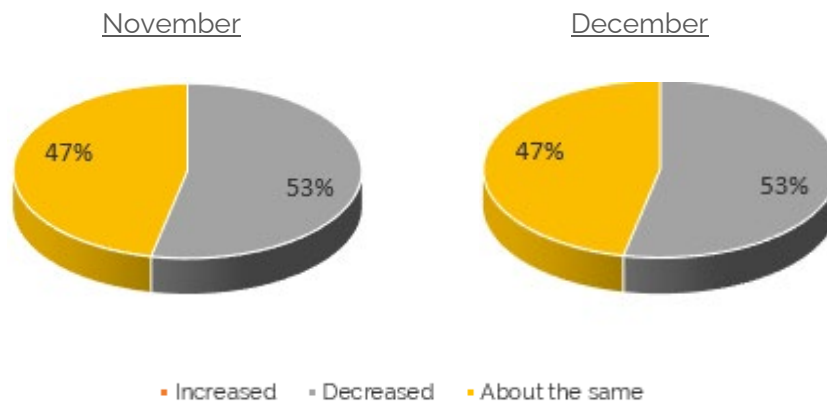
The cap hpi auction survey has continued to receive a fantastic, consistent response rate. This month, we have seen more consistency in responses than normal.

How do your current stock levels compare to last month?



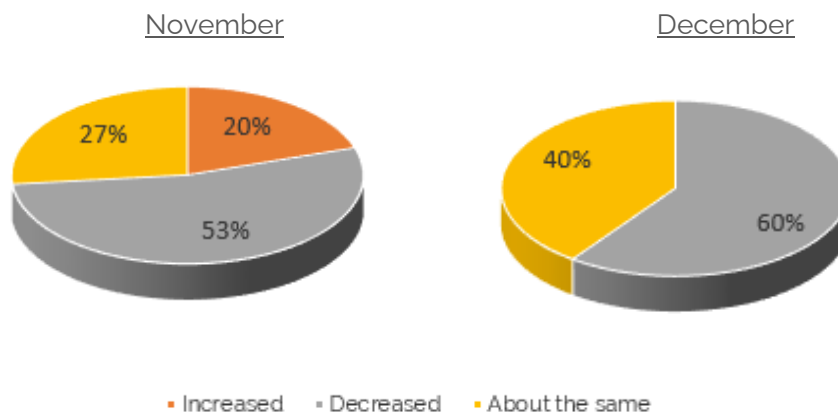
80% of respondents stated that stock levels were either similar to November or slightly down. With new car supply heavily curtailed still, many traditional auction vendors have had to extend cars on their fleets rather than wholesale them. Also, many dealers continue to retail their part-exchanges rather than send them to auction. That said, there was a minority stating that volumes had increased.

How does your current overall demand compare to last month?



Interestingly, the graphs for demand are identical for November and December. Over half of respondents stating that demand had dropped, but reassuringly almost the same number were seeing a picture consistent with the previous month. Unsurprising for the season, no one reported that demand increased.

How do your conversion rates compare to last month?



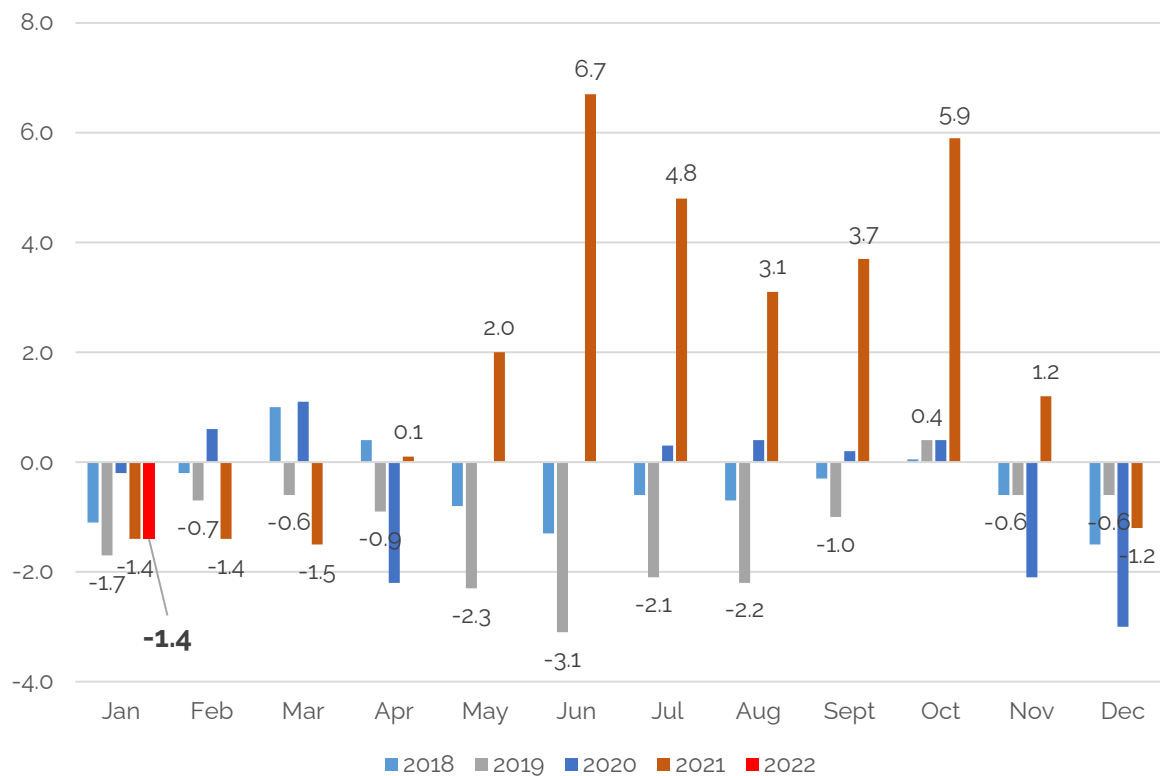
Conversion rate responses paint a similar picture. 60% seeing conversion rates drop and 40% staying level. No auction house saw an increase, again a normal occurrence for the time of year.

Used Cars – Trade Values

It is ironic that given that our country is living through such abnormal times, the used car market has actually returned to a degree of normality over the last 2-months.

The average Live value movement, at 3-years, 60,000 miles, during December, leading to January's monthly figures for those that subscribe to static numbers, is -1.2% over the last five years and -1.4% since cap Live was introduced in 2012. In December 2021, the movement is an average of -1.4%, or -£240. Values have dropped, but not extraordinarily and they remain an average of 27.6% above where they were at the start of the year.

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



Away from the 3-year point, values have actually held firmer, in percentage terms. At 1-year old, cars dropped an average of 0.9% (£230) and at 10-years old, there was a 0.5% (-£40) drop. 1-year old cars are scarcer than ever and older cars cheaper and more attractive to stock, with less risk and an opportunity to provide for those previously mentioned necessity buyers.

More so than over the majority of the year, the picture was quite mixed and a number of models values moved in different directions.

Looking at specific sectors, city cars and MPVs fared the best in December, pointing once again to their relative value for money. They dropped by a negligible 0.1% and 0.7% respectively, equivalent to just -£15 for city cars and £125 for MPVs. As always, within the averages you get values for specific models faring better or worse than others, and that is particularly the case currently. Some notable success stories were the Fiat Panda (up 3% or £c.£165), Kia Picanto (up c.3% or £150) and Skoda Citigo (up 3.2% or £190). With MPVs, there were a number of diesel variants that increased in value, driven by lower volumes, value for money and still being desirable vehicles for some, for now at least. Examples being Fiat Fiorino Combi (+c.2% or £125), Hyundai IX20 (+2% or £125) and Nissan NV200 (+c.2% or £225). Some models from these two sectors that dropped by more than the average were the Peugeot 108, Ford C-Max and Peugeot Partner Tepee, all dropping by 2% or more.

On the other hand, SUVs saw one of the largest decreases, down by an average of 1.7% or c.£325, led by their continued availability in the market. Within the sold data analysed, SUVs make up 40% of the volume of cars under 5-years old. It is the medium-sized models that make up the largest proportion of this data, and it is they that reduced by the highest percentage in December, dropping by an average of 2% or c.£380. Models that dropped by more than this were the Hyundai Tucson, Jeep Renegade Petrol and the Nissan Qashqai. It is worth remembering that these models have increased in value dramatically in 2021 and some of the current prices are simply not sustainable.

Of particular interest during both November and December has been the continued strength in prices of Electric Vehicles. In November they went up by 2.2% at 3-years old (an impressive c.£560) and in December by 0.8% (c.£200) and were the only fuel-type to see an average increase. The overall picture has been a little more mixed with some vehicles like the Tesla Model 3 (-1% or £350) and MG ZS (c.2% or £425 at 1-year old) seeing small reductions while the Nissan Leaf and Jaguar I-Pace both increased by 3%, equivalent to c.£350 and £1,600 respectively. Consumer demand for Electric Vehicles goes from strength-to-strength and retailers are more comfortable than ever to stock used ones. New car supply shortages have contributed to strong used prices as we have seen less disruptive new car offers that have harmed the used market in the past.

One of the most telling aspects of the healthy used arena for EVs has been the increase in sold volumes in conjunction with robust values. Disposal volumes received by cap hpi have increased by 100% when compared to 2020 and by 159% compared to 2019.

What Next?

We are living in highly unusual and volatile times. A month ago, hardly anyone had heard of Omicron and increased restrictions on our way of life were not expected. Who can say where cases, hospitalisations and unfortunately death rates will be in a further month's time? We hope and pray that the new variant is milder than previous ones and that lockdowns can be avoided.

With regards to the used car market, last month we predicted:

In the run up to Christmas, however, we are likely to see more of what we have witnessed in the last few weeks. Consumer demand will continue to drift away in December, but there may be more trade buyers actively looking to stock up for the anticipated post-Christmas improvement in the retail market. It is unlikely that this will be sufficient to push many prices up however, despite the stock shortages that remain.

We are likely to see another small drop in values during December. The average drop since Live was introduced is 1.4%, but this was slightly skewed by a particularly strong December in 2019, when values fell by just 0.2%. It would not be a surprise to see values drop this time around by close to this seasonal average, with a more stable-to-strong January expected.

We still expect January to be a strong month for used car retailers, despite the risk of restrictions. It is unlikely, as things stand, that non-essential retail will be forced to pull down the shutters once again. Whatever happens by legislation, however, car retailers have proved their resilience and adaptability, and their online presence is strong. Consumers are likely to be in the market for big-ticket purchases once again, and many may not be brave enough to book a holiday for 2022 just yet – that money may be better spent on a car.

It will be particularly interesting to see how the early weeks of the year go, but with new car supply to continue to be highly constrained by component shortages, used car volumes will not be to their usual levels for a number of months. Values are likely to stay stable, or even increase slightly during the first quarter of the year. If we do head into a lockdown, when we emerge the market could well be remarkably strong.

2021 has been a highly unusual year – never has the word “unprecedented” been used so much. Who would have predicted that the car sat on your driveway would have increased by thousands of pounds? 2022 is likely to be just as interesting – values cannot continue to increase as they have done, but they are likely to stay strong, at least until new car supply returns to a semblance of normality.

The number of customers subscribing to our Live values has increased since the start of the pandemic and over the next few months they will continue to be a highly important part of any dealer or remarketers toolkit. We will also continue our series of webinars to keep the

industry informed on the wider economy and used car and LCV value dynamics and forecasts. Our next one is on 27th January.

We would like to wish all of our customers and industry contacts a peaceful, prosperous and healthy New Year.

Current Used Valuations January 2022 - Average Value Movements

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
City Car	(0.5%)	(0.1%)	0.1%	14%
Supermini	(1.5%)	(2.0%)	(1.6%)	(0.9%)
Lower Medium	(1.2%)	(1.6%)	(1.3%)	0.6%
Upper Medium	(0.7%)	(0.8%)	(1.3%)	(0.7%)
Executive	(0.7%)	(0.8%)	(1.0%)	0.1%
Large Executive	(0.3%)	(0.4%)	(0.4%)	(1.5%)
MPV	(0.7%)	(0.7%)	(0.4%)	0.1%
SUV	(0.8%)	(1.7%)	(1.8%)	(0.9%)
Convertible	(1.9%)	(2.9%)	(3.1%)	(2.8%)
Coupe Cabriolet	(4.3%)	(3.8%)	(5.0%)	(3.4%)
Sports	(0.9%)	(1.3%)	(1.2%)	(0.8%)
Luxury Executive	0.7%	(1.1%)	(1.0%)	(1.7%)
Supercar	(0.2%)	(0.2%)	(0.1%)	(1.1%)
Overall Avg Book Movement	(0.9%)	(1.4%)	(1.4%)	(0.5%)

() Denotes negative percentages

Used Car Values January 2022 - Average Value Movements by Size

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
MPV Small	10%	0.6%	0.4%	14%
MPV Medium	(0.9%)	(0.8%)	(0.4%)	0.4%
MPV Large	(0.4%)	(0.8%)	(0.7%)	(1.5%)
SUV Small	(1.0%)	(1.2%)	(1.5%)	(0.2%)
SUV Medium	(1.0%)	(2.0%)	(2.1%)	(0.9%)
SUV Large	0.0%	(0.8%)	(1.0%)	(1.1%)

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Notable Movers 1-yr 20k

GENERATION NAME	MIN £	MAX £	AVG £
ALFA ROMEO GIULIETTA (10-)	200	300	250
CITROEN C3 (16-)	200	300	233
DACIA SANDERO (13-21)	(500)	(275)	(398)
FIAT PANDA (12-)	225	400	323
HYUNDAI IX20 (10-20)	100	100	100
KIA SPORTAGE (15-) DIESEL	(800)	(300)	(600)
NISSAN JUKE (10-20) DIESEL	(500)	(450)	(475)
RENAULT CAPTUR (13-20) DIESEL	(750)	(550)	(650)
SEAT LEON (13-20) DIESEL	(400)	(300)	(341)
SKODA OCTAVIA (13-20) DIESEL	(300)	(150)	(200)

() Denotes negative percentages

Notable Movers 3-yr 60k

GENERATION NAME	MIN £	MAX £	AVG £
AUDI A3 (12-19) DIESEL	(650)	(350)	(483)
AUDI A6 (11-19) DIESEL	(600)	(300)	(450)
CITROEN C4 (11-18) DIESEL	300	300	300
FORD FOCUS (11-18) DIESEL	(850)	(325)	(468)
FORD KUGA (12-20) DIESEL	(400)	(250)	(309)
LAND ROVER RANGE ROVER EVOQUE (11-19) DIESEL	(850)	(550)	(700)
MERCEDES-BENZ E CLASS (16-) DIESEL	(650)	(350)	(474)
NISSAN PULSAR (14-18)	125	175	159
NISSAN QASHQAI (13-18)	(550)	(300)	(435)
SEAT MII (12-19)	100	125	108

() Denotes negative percentages