

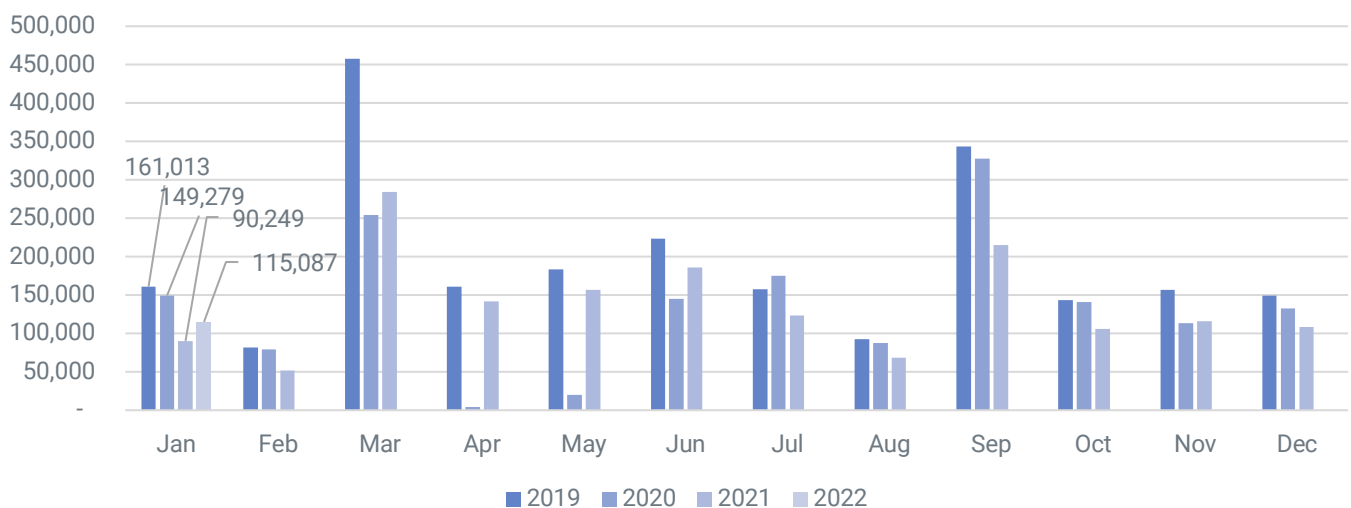
March 2022

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 January 2022 and used car activity at the time of writing. All information is correct as of 23rd February 2022.

New car sales

According to the figures published by the Society of Motor Manufacturers and Traders (SMMT), 115,087 cars were registered in January 2022, a 27.5% increase on the same month last year, when showrooms were shut due to the third COVID-19 lockdown, but 22.9% lower than pre-pandemic January 2020.



Source: SMMT

Private registrations were 64.1% up compared to last January, taking a 54.1% share, with Fleet 0.4% down on last year's low volume. Manufacturers continued to prioritise more profitable retail channels over fleet (particularly daily rental), company cars or demonstrators, with overall supply still restricted by the semiconductor shortage. Some manufacturers fared better than others, illustrated by Kia unusually being the top manufacturer, with a best-ever market share of 9.1%. Ford and Vauxhall languished in 6th and 7th respectively. Supply is slowly improving for most brands, although lead times remain in excess of 6 months for a number of models.

Battery Electric Vehicles continued their rise in popularity, taking up 12.5% share, outperforming diesel (including mild hybrids) by 2,693 units or almost 2%. In total, hybrids, plug-in hybrids and electric cars accounted for 32.7% of the market in January. Petrol registrations were at 57.7% share when including mild hybrids in the figures.

Used car retail activity

February's retail market can best be described as steady. Sales activity has been slightly behind where most dealers were hoping and expecting it to be. Footfall has been reasonable, without breaking any records and, in general, consumer demand has continued at similar levels to how it was towards the end of January, which for some has been a little disappointing, as they were expecting it to improve.

Car editorial

By cap hpi

The retail market has remained price-sensitive, with cars below c.£13,000 relatively easy to sell, but once you get to those £15-20,000 cars, there is more of a reluctance for consumers to part with their money. Cheaper cars can be more of a necessity purchase and with the cost of living rising, it is these more expensive cars that are slower to move off forecourts.

Off the back of this, there has been some selective repricing, particularly if cars have been in stock since September or October, which was a peak buying period for many dealers. There has also been more of a willingness to negotiate with those consumers that needed some encouragement to buy.

Some commentary from retailers over the last 2 weeks has described the retail market as “ticking along”, “just okay” and “about a 7 or 8 out of 10”, so it is by no means all gloom and doom, just not as buoyant as it was for most of last year. Half-term school holidays and the stormy weather across the country have not helped encourage consumers out in large quantities.

New car enquiries amongst franchised dealers have been positive though and order banks are high. Managing the message on delivery times is the difficulty here, although as already stated, supply is improving and retailers are eagerly anticipating March in the hope that it will bring increased new car volumes and with them some part-exchanges to fill their used car forecourts.

Overall, retail activity in February has been reasonable and advertised price realignments selective rather than widespread.

Used car remarketing activity

Demand in the wholesale arena has also remained relatively steady, but the most common theme is that cars with trade prices able to hit that retail price point of below £13,000 being particularly sought after. Once you get down to between £5,000-10,000 demand increases further. Cars in the price bracket above £15,000 look particularly expensive for their age and mileage after the extraordinary inflation of 2021; dealers can make more profit on two £7,000 cars than they can on one £15,000 car.

Conversion rates are at a similar figure to where they were this time last year. The difference is that a year ago they were increasing in anticipation of an end to lockdown (although ultimately this was still 6 weeks away), now they are decreasing gently or staying steady for most auction companies. The picture is by no means consistent or uniform across the country, however.

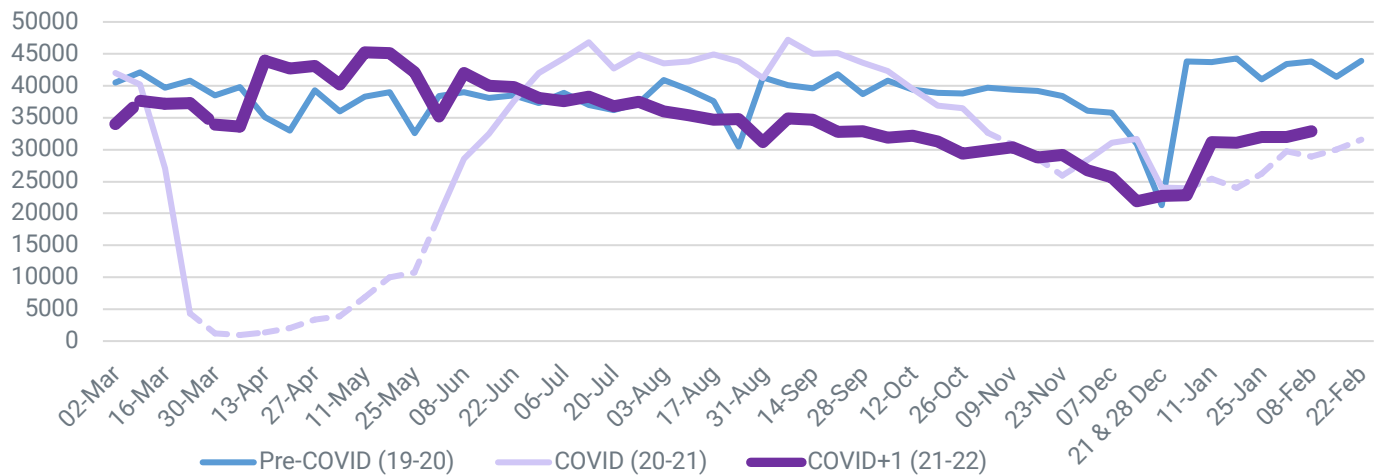
With the retail market not shifting the volumes of cars that dealers were hoping for and the fact that many of the larger, multisite retailers continue to be well stocked from previous purchasing activity, lack of bulk buying has been evident. Many are picking off desirable price-point cars, particularly if in cap clean condition, but only buying to replace sold units. There is an anticipation that March and April will bring in more fresh stock and prices may drop, so why buy now?

This slight reluctance to buy in bulk has continued to allow some of the smaller independents to compete, and overall trade volumes received at cap hpi have increased gently over the course of 2022 so far, as the chart below illustrates. They currently sit around 15% above this time last year, when they were also increasing, but 25% down on pre-COVID February 2020. Trade volumes have been below pre-COVID levels since July of last year, initially due to low supply caused by the depressed new car, particularly fleet, market, but also, since November, due to lower demand.

Car editorial

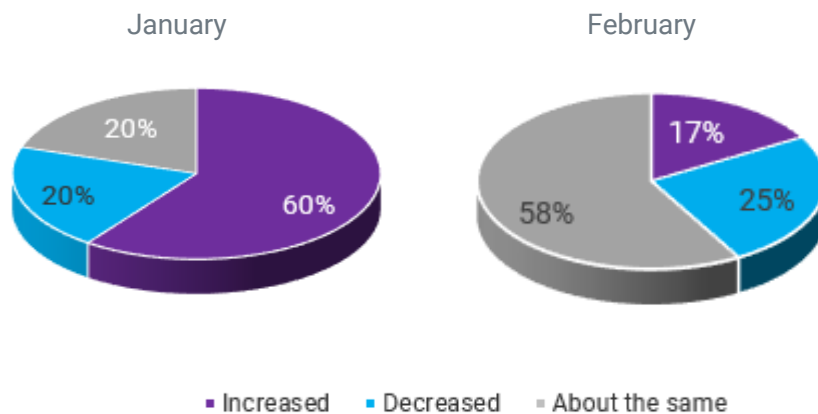
By cap hpi

Wholesale volumes since initial lockdown, comparison to previous years (dotted lines denote lockdowns)



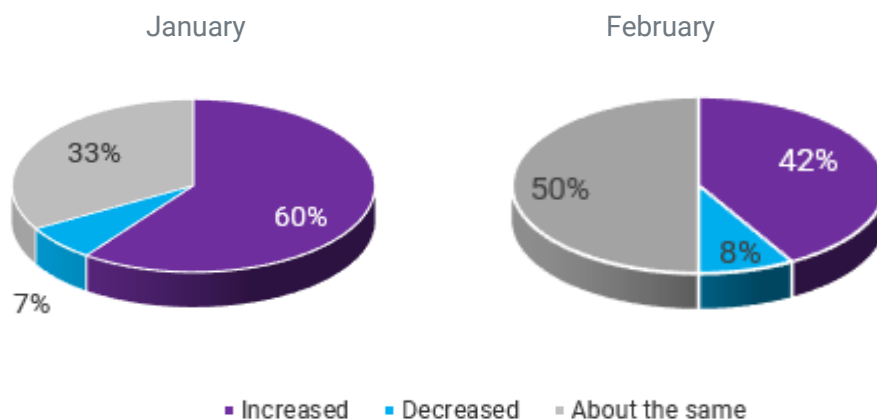
The results of the February auction survey are below.

How do your current stock levels compare to last month?



The majority of auction houses are still relatively low on volume and yet to see increases, with one quarter stating the stocks were declining. March cannot come soon enough for these businesses, awaiting the expected increase in used cars generated by more plentiful new car supply.

How does your current overall demand compare to last month?

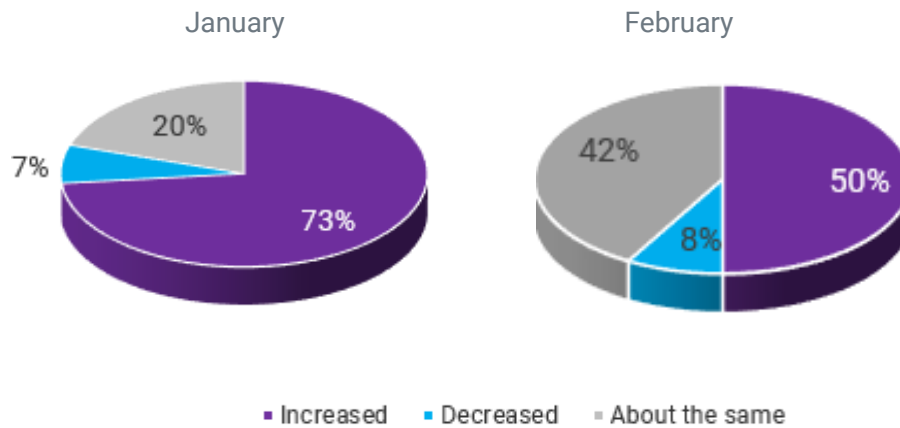


Car editorial

By cap hpi

The situation on demand was similar to last month, although slightly fewer respondents were seeing an increase. Thankfully, only a small minority were seeing a worsening picture, with over 90% of respondents seeing it at least as healthy as in January.

How do your conversion rates compare to last month?



Similarly with conversion rates, although again not quite as positive as last month, over 90% were seeing a position at least as strong as previous and just a small minority seeing a decline. As already stated, this metric is quite mixed between different auctions and different geographical sites.

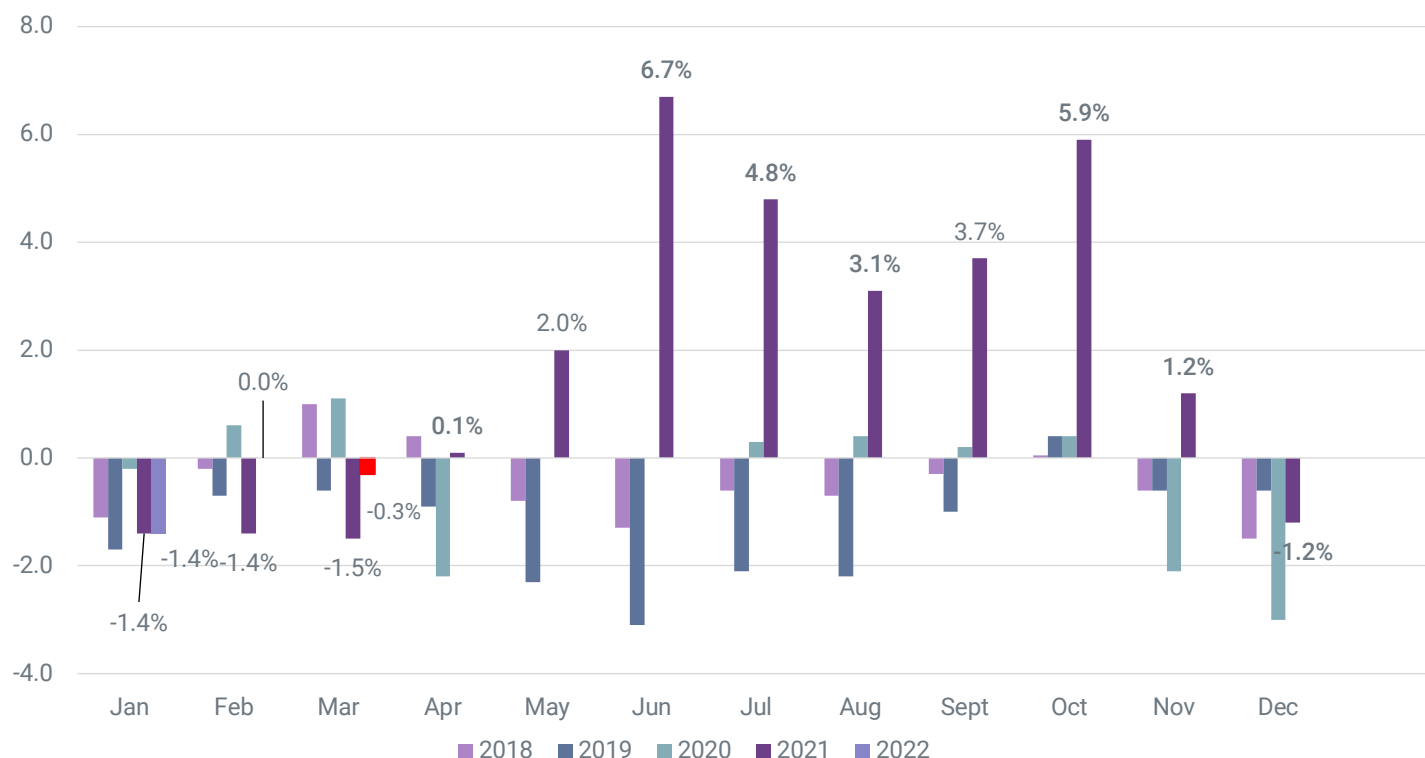
Used cars – trade values

Live values have been a mixed bag in February. In the early days of the month there was a small average increase at 3-years 60,000 miles & younger, continuing a gentle improvement from towards the end of January. However, as the month progressed, the averages turned the other way and ended as a small negative of -0.3%, equivalent to -£90. Whilst a downturn is not unheard of in February, it is not the norm. Since we introduced cap Live in 2012, we have only reported downward moves in 2019, when the market dropped off the back of increases in 2018, and 2021, when the nation was in lockdown. Excluding those two years, the average is a small, 0.5% increase.

Car editorial

By cap hpi

Monthly percentage movements in Live valuations (3-years, 60k miles)



This drop at 3-years old certainly does not paint the whole picture though. Younger cars have fared similarly, but it is at the older end that strength has been witnessed within the data and reflected in this month's values. Unsurprising, given the aforementioned desire for cars under certain price-points. At 5-years old values have increased by 0.2% (c.£15) and at 10-years old by 2.6% (c.£90).

When breaking this down into price bands, cars under £5,000 have increased by 3.3% (c.£100), and between £5,000 and £10,000 by 1.2% (c.£75). Once you get to higher values, there is an average drop of 0.3% (c.£50) between £10,000-£15,000 and then a more pronounced drop the more expensive you get (-0.7% or £130 between £15-20,000 and -0.8% or £200 between £20,000-30,000). However, at the top end, cars over £50,000 have seen a small increase, of 0.4% (c.£200). Cheaper cars are desirable and the buyers of expensive vehicles are less concerned by upcoming cost of living increases.

Delving into specific sectors, SUVs have seen the largest drops in value in February, falling by an average of 1.0% at the 3-year 60,000-mile point, equivalent to almost £200. It is important to highlight that not everything was decreasing however. Small and medium examples, where supply was most plentiful, did see some price pressure – models such as the Honda HR-V, Kia Sportage, Peugeot 3008 and Vauxhall Mokka all dropped by more than the average at the 3-year point. Supply levels and high prices from almost a year of increases placed these models under pressure. Bucking the trend, however, were larger models such as the Audi Q8, BMW X6 and the Mercedes-Benz G Class, niche vehicles with lower volumes and seen as an aspirational purchase – these all increased in value. Older SUVs, with more palatable price points, saw an increase of 1.2% (c.£50) on average.

City cars were the strongest sector, increasing by 1.2% or £80 at 3-years old and 1.5% or £150 at 1-year old. Values have been moving up consistently since the start of the year. This sector has models that are still particularly affordable even with last year's increases. With people thinking about the overall cost of living with the likes of gas and electricity prices going up dramatically, a cheaper car to own and run may be high on peoples list to reduce their outgoings.

MPVs continued to increase in value too. Still reasonable value versus the more plentiful and expensive SUVs.

Car editorial

By cap hpi

Superminis saw some price pressure at younger ages, but cheaper older cars performed well, increasing slightly. Mini sits largely within this sector and saw some pressure on more expensive, younger cars, with values decreasing, whereas more affordable older examples, generally over 5 years old, went up overall this month.

The performance of Battery Electric Vehicles (BEVs) throughout February has been very mixed, with different dynamics at play. Where there has been good supply of used vehicles in the wholesale market, and lead times of new cars are still reasonable, values have softened, this has been noticeable for Tesla product, in particular the Model 3, as well as the Nissan Leaf. On the flipside, for models where new car supply remains limited, with lengthy lead times, and used supply remains low, we have seen values for some models increase again, examples being the VW ID3 and Audi Q4 E-Tron Estate.

Petrol and diesel values, on average, have behaved very similarly. Diesel cars remain a reasonable proportion of the sold data, particularly at older ages.

What next?

Last month, our prediction for February:

"It is unlikely that values will go up dramatically – there is simply not the headroom to do so following last years close to 30% increases and many newer used cars still being over new car prices, but they are likely to remain high or increase slightly."

As we predicted, there has not been the headroom for cars to continue to increase dramatically but they have certainly not started to drop to any great degree overall. The picture in February was more two-tiered than we envisaged, but certainly cars over 5 years old remained high and even increased.

What comes next is going to be particularly interesting and is dependent on new car supply in March, and especially how much gets diverted into the fleet market. Currently that still seems a little unknown, with different brands showing different levels of confidence around supply – some at 70% of "normal", others not quite so bullish. There are also quite different situations regarding availability of models within those brands.

If March retail volumes are high, that will generate part exchanges for retailers to keep hold of or trade for healthy margins. If fleet registrations increase, this could mean more ex-company cars finally hitting the market. This increase in volume could put some pressure on price, particularly if used consumer demand does not increase and because prices are on average some 25-30% ahead of where they were a year ago, with some as much as 70% higher. However, if supply does not come through in volume early in March, increased pressure on price may not materialise until into April.

Bearing this in mind, it is likely that March will continue on a similar vein to February, although drops in value could be slightly more acute than we have seen so far this year. That being said, we are definitely not predicting a price crash – there is simply not going to be enough used supply in the market to cause this. We are likely, however, to continue to see some retail price realignments by dealers as cars are not flying off the shelves.

Every month it is evident that whilst average value moves get the headlines, there are more moving parts than ever to make up those averages. Older, price-point cars continued to thrive in February, and we are likely to see this theme again in the coming weeks. In February we also saw values increase early on, then start to turn in the opposite direction. We have also seen plenty of models move in opposing directions with regards to price. As new car availability improves at different times for different brands, bringing with it part-exchanges and fleet returns from those brands, there could well be pressure on different manufacturers products at different times this year, as we have witnessed already with Mini and Tesla. Keeping a close eye on Live values remains of utmost importance to maximise profitability.

Car editorial

By cap hpi

Current used valuations March 2022 - average value movements

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
City Car	1.5%	1.2%	1.6%	4.7%
Supermini	(1.1%)	0.3%	1.1%	4.3%
Lower Medium	(0.2%)	(0.4%)	0.4%	3.7%
Upper Medium	(0.4%)	(0.0%)	0.5%	2.9%
Executive	(0.6%)	(0.7%)	(0.4%)	1.1%
Large Executive	0.2%	0.4%	0.2%	(0.8%)
MPV	0.0%	0.3%	0.7%	2.3%
SUV	(0.1%)	(1.0%)	(1.2%)	1.2%
Convertible	(0.6%)	(0.1%)	0.4%	1.6%
Coupe Cabriolet	(1.4%)	(1.7%)	(0.2%)	4.2%
Sports	(0.3%)	(0.7%)	(0.3%)	0.6%
Luxury Executive	0.0%	0.0%	0.6%	0.4%
Supercar	0.3%	0.7%	0.6%	(0.0%)
Overall Avg Book Movement	(0.3%)	(0.3%)	0.2%	2.6%

() Denotes negative percentages

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
MPV Small	1.3%	1.7%	2.4%	4.6%
MPV Medium	(0.2%)	0.4%	0.6%	2.6%
MPV Large	0.4%	(0.1%)	(0.1%)	0.5%
SUV Small	(1.1%)	(1.4%)	(1.6%)	(0.7%)
SUV Medium	(0.0%)	(1.0%)	(1.2%)	1.5%
SUV Large	0.5%	(0.5%)	(0.5%)	0.1%

() Denotes negative percentages

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By cap hpi

Notable Movers 1-yr 20k

	MIN £	MAX £	AVG £
BMW 4 SERIES GRAN COUPE (14-21) DIESEL	(600)	(500)	(553)
CITROEN C4 CACTUS (14-21) DIESEL	600	600	600
DACIA SANDERO (13-20) DIESEL	400	500	450
FIAT PANDA (12-)	275	500	416
KIA SPORTAGE (15-)	(900)	(500)	(762)
PEUGEOT 3008 (16-)	(1,050)	(-750)	(895)
SEAT LEON (13-20) DIESEL	(500)	(350)	(439)
SKODA OCTAVIA (13-20) DIESEL	150	300	192
VOLKSWAGEN GOLF (13-21)	200	1,100	755
VOLVO XC90 (14-) DIESEL	(900)	(800)	(850)

() Denotes negative value

Notable Movers 3-yr 60k

	1 YR/10K	3 YR/60K	5 YR/80K
AUDI A1 (10-19) DIESEL	275	400	348
AUDI Q2 (16-)	(500)	(300)	(379)
BMW 3 SERIES (12-19) DIESEL	100	250	172
FORD C-MAX (10-20)	200	400	308
VAUXHALL INSIGNIA GRAND SPORT (17-20) DIESEL	(150)	(100)	(128)
LAND ROVER RANGE ROVER EVOQUE (11-19) DIESEL	(650)	(200)	(414)
NISSAN X-TRAIL (14-19) DIESEL	(800)	(600)	(724)
SKODA OCTAVIA (13-20) DIESEL	100	150	125
VAUXHALL CORSA (14-20)	250	550	395
VAUXHALL MOKKA (12-19) DIESEL	(500)	(450)	(480)

() Denotes negative value