

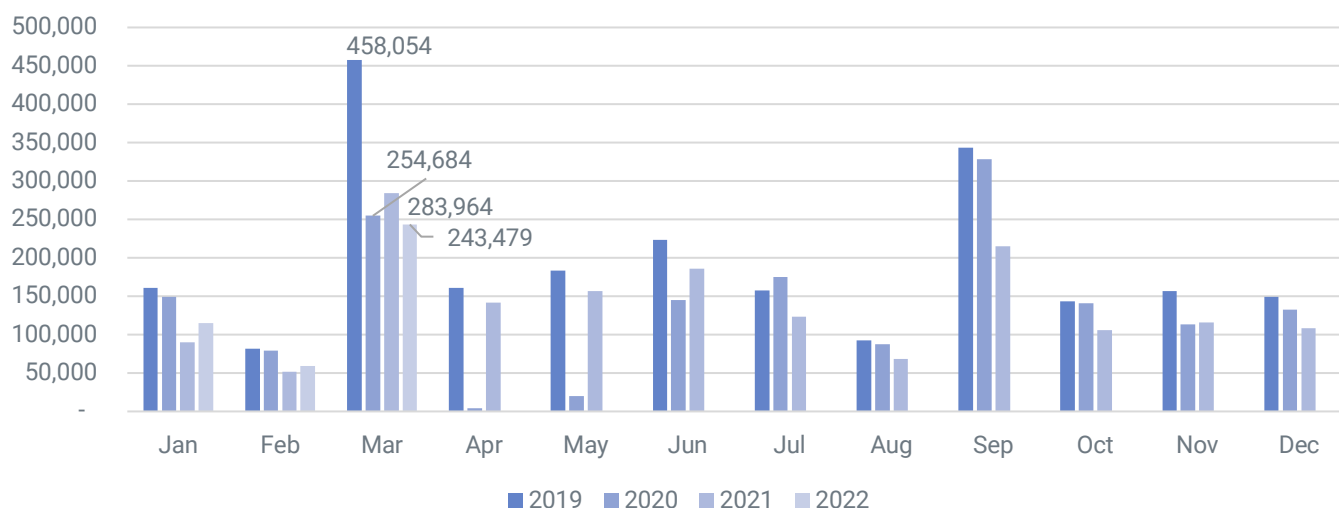
May 2022

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 March 2022 and used car activity at the time of writing. All information is correct as of 26th April 2022.

New car sales

According to the figures published by the Society of Motor Manufacturers and Traders (SMMT), 243,479 cars were registered in the new plate month of March 2022. This figure was a reduction of 14.3% on the same period last year, and the lowest March since 1998, before it became a plate change month. Compared to 2019, the last time March was not impacted by COVID-19, registrations were 46.8% down.



Source: SMMT

Year-to-date, registrations were 1.9% down on 2021 and 40.4% down compared to Quarter 1 in 2019, pre COVID. 2019 to the end of March saw 701,036 cars registered, an incredible 283,476 more than this year's 417,560. Semiconductor and other component shortages, as well as supply chain issues, some linked to the war in Ukraine, continue to hit the new car market hard.

Fleet registrations bear the brunt of the shortfall, being 34.4% down in the month and 22.3% reduced for the year-to-date, compared to last year. Private registrations were up 8.2% in the month and 22.1% for the quarter, again compared to 2021. Daily Rental registrations sit at around just 10% of the total volumes that were registered to the end of March in 2019, and only 25% of the hugely reduced 2021 Quarter 1 volume, as manufacturers continue to focus attention on more profitable retail channels.

Battery Electric Vehicle (BEV) registrations continued to increase, up by 78.7%, with 39,315 sold. Year-to-date, that figure rises to 64,165, an increase of 101.9% over last year's Quarter 1, and showing a share of 15.4%, compared to diesel (including mild hybrids) at just 10.3%. Petrol engines continue to have the highest share, at 55.7%. Hybrid Electric Vehicles take 11.7% of the market, with Plug-in Hybrid Electric Vehicles making up 7.1%.

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Used car retail activity

We reported last month that consumer activity in March waned as the month progressed. It has been of little surprise, but obvious disappointment to retailers, that, for many, April continued on the same trajectory.

At this point it is important to caveat that demand has not completely dropped off a cliff and some retailers are performing better than others. There have also been good days and bad days for individual sites and a theme of this whole editorial is just how inconsistent and mixed the market has been over the last few weeks. Some retailers our editorial team have spoken to have been more downbeat than we can remember, whereas others are getting back to the basics that they have not needed to do in recent months due to such a buoyant period for used cars over almost all of the last 2-years. Some comments from retailers have described things as “tough”, “quiet”, “no good news” but others have said it is “steady” and “busy-ish, particularly at the start of the month”. A mixed bag.

The cost-of-living increases continue to affect consumer confidence, as do the horrendous events in Ukraine. In April, the Easter school holidays added in a period of relative inactivity due to vacations – for some families the first opportunity to get away, maybe abroad, for the last two years. With consumers feeling the squeeze on their wallets, but the world opening up to foreign holidays, some are having to make a choice – a new car or a family holiday now or in the summer. All of these factors have affected the volume and speed of cars selling from websites and forecourts.

As last month, it does appear as though independents and car supermarkets are not performing as well as franchised dealers, due in part to not have the benefit of part-exchanges generated by the albeit relatively subdued new car activity in March. Subdued, but still self-generating volume.

Some retailers are standing firm on prices, in recognition of high amounts paid for the cars, maybe even as long ago as November last year, in their desire to maintain margins. Others are adjusting prices down and working hard to generate interest and convert into sales, particularly on what they deem as overage cars. It feels as though the latter activity has definitely been required, and it is those retailers that have been the most measured and even positive in their view of the current market, despite margins reducing. Yes, it has toughened up but there is still activity and business to be won and there is certainly a normal seasonal feeling to some of the decline in demand.

Retailers are also having to contend with a squeeze in margins from an increased number of consumers wishing to either downsize or downgrade their current vehicles. With national press coverage of just how much cars have increased in value over the last year, many are aware of how much their car is now worth and also realised that they do not necessarily need such a size or quality of transport sat on their drive whilst they work from home. Or maybe they do not need a second car quite of the same standard. As a result, consumers have been trading in maybe a car worth in excess of £20,000 for one around half the cost. Dealers are still making margin from this, but not to the desired degree as when consumers upgrade.

One dynamic that has increased over time is that some daily rental companies are more actively seeking out and purchasing retailers' stock, due to the scarcity of new car registrations. Demand for rental vehicles by consumers is high, so these companies need vehicles. Retailers are using this as a way to sell cars they may have had in stock for some time.

Enquiry levels for Electric Vehicles also continue to increase in demand from consumers, with the cost of fuel certainly paying a part. Consideration is now higher than ever and will continue on that path. Cost to purchase many of these remains a barrier, but taking total cost of ownership into account as well as monthly payments certainly help.

Used car remarketing activity

It is difficult to look back over time and identify a more mixed month for the trade-to-trade market. Similar to retailers, intelligence from auction houses in April, anecdotally or within the sold data, has been inconsistent. We have seen

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good days and bad days, changing by site. Conversion rates have been really mixed, with reports of some as high as 70% in the early days of the month, with others down as low as 20%. Even the dealer sales, at the cheaper end of the market that have been doing so well, have been in decline.

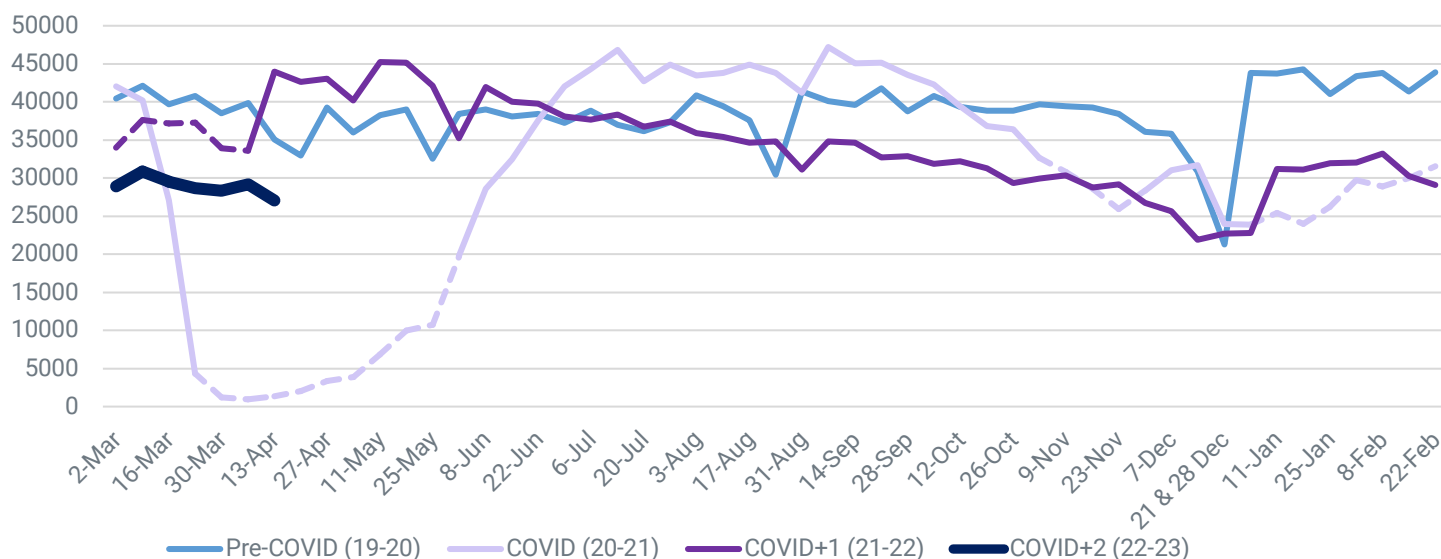
The auction companies are working hard with vendors to maximise conversion rates in the current climate, which certainly means some realism that high performance versus cap values was last year, 2022 is completely different and some reductions are required to get stock moving. With retail demand subdued and declining, there is less appetite for dealers to replenish stock and certainly a reluctance to pay high prices in a falling market. Some auctions are certainly finding things tougher than they have for some time.

As is always the case when demand and prices drop, damaged cars that will require workshop time have not been sought after and it is these that tend to require a number of opportunities to sell, if they do at all. Cars in cap clean condition, with reasonable mileage and good specification have generally sold and at reasonably healthy prices – maybe not where they were a few months ago, but healthy compared to this time last year. This is particularly the case for models present in lower volumes than some mainstream cars.

For direct sellers, outside of the auction environment, it has been slightly more consistent, with vendors reducing prices, but not dramatically – they simply do not have large enough volumes of cars to sell to have to slash what they are asking for cars. It is enough for them to steadily remarket at the current time and this has helped minimise some price reductions.

Volumes of cars sold in the trade continue to decline as the chart below illustrates, tracking well below the Easter period last year, which was just as the nation was about to emerge from lockdown, and below Easter pre-COVID. Reasons for these reduced volumes are supply constrained from new car activity, dealers retailing rather than trading more cars and the aforementioned reduced demand.

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

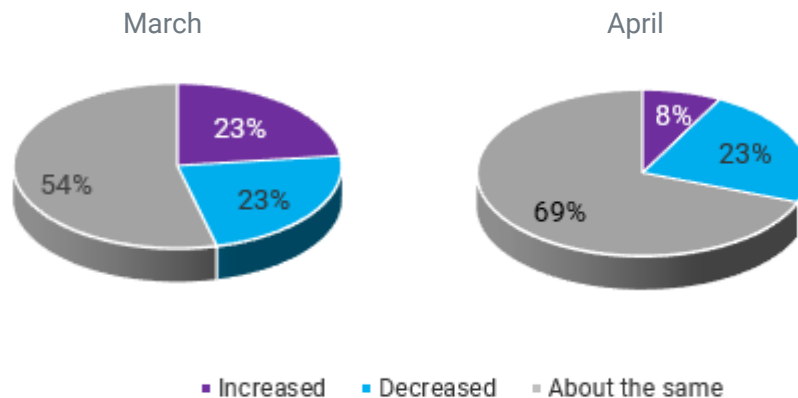


Unsurprisingly, the results of the auction survey this month make particularly interesting reading.

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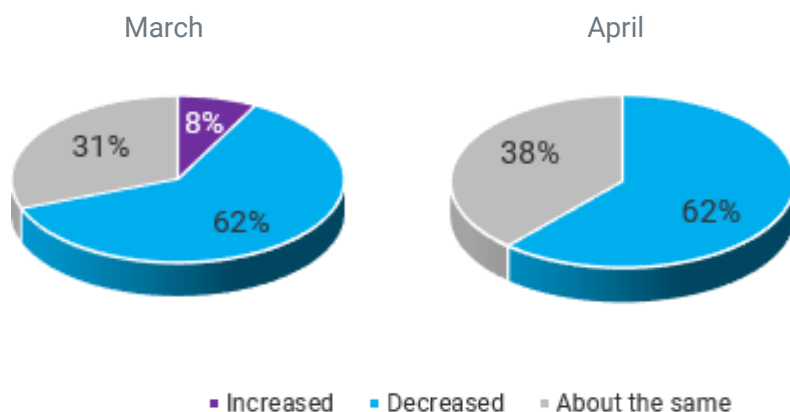
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How do your current stock levels compare to last month?



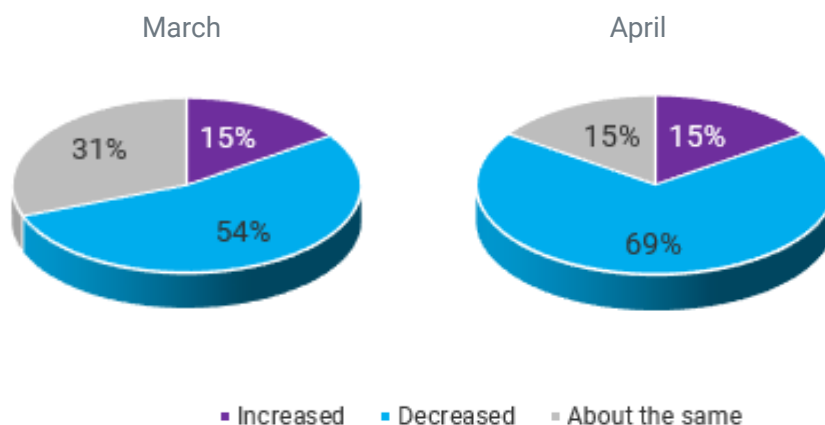
As we moved through April, it would normally be expected for stock levels to increase, as part-exchanges and fleet returns from new car activity generated by the new plate hit the market. As mentioned, that is subdued this year and is shown in these results, as 69% of respondents confirmed volumes were at a similar level as in the previous month, with a further 23% actually stating they had declined and just a minority advising increases.

How does your current overall demand compare to last month?



With the market in somewhat of a malaise, no auction house reported an increase in activity. 62% reported that demand had decreased with the remainder citing parity with March. Whilst this is of concern to many, it is not unusual for the Easter period, but the question is will demand improve as we enter May?

How do your conversion rates compare to last month?



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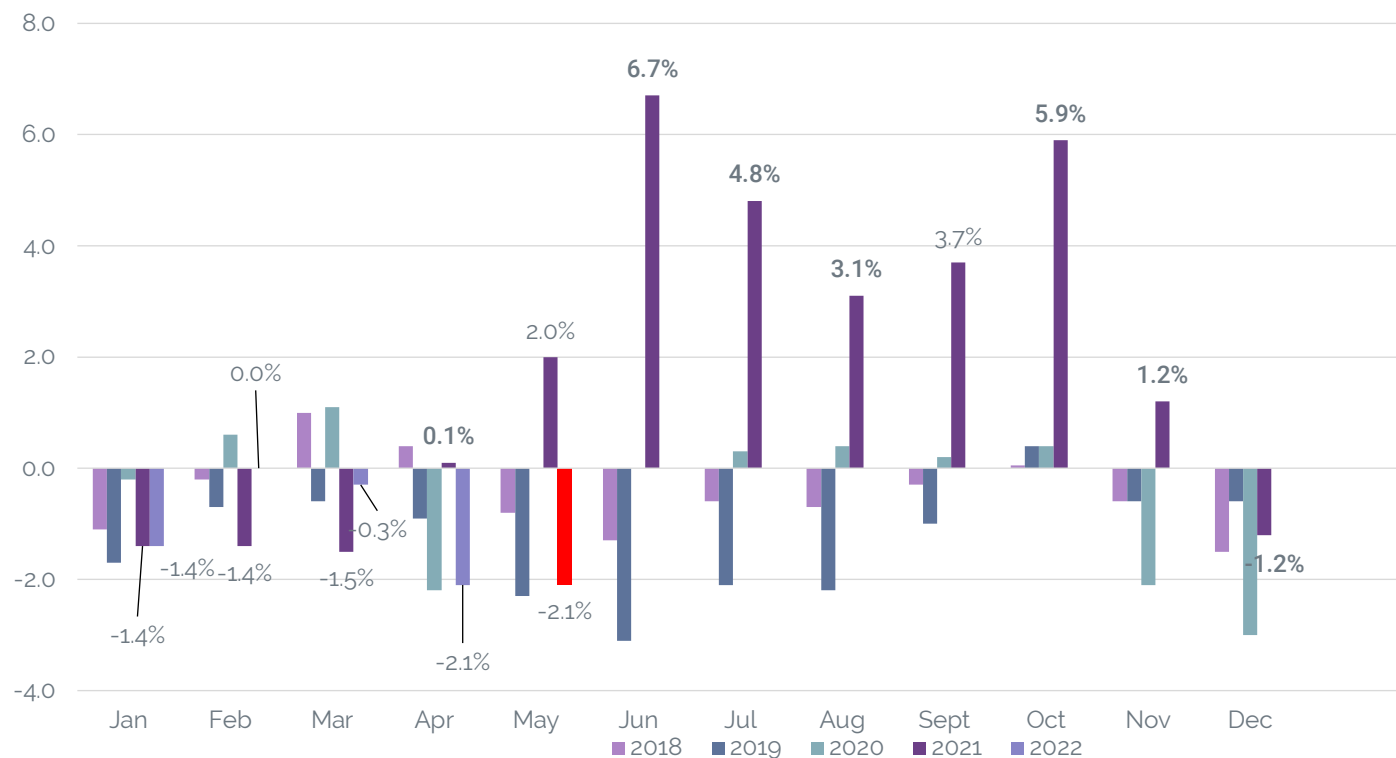
The majority of auctions saw conversion rates decline in April. The 15% that saw increases are due to lower available volume rather than strong demand. The general sentiment is one of falling conversion rates, although as stated previously, this is very mixed depending on the site and day.

Used cars – trade values

Following a familiar theme of this overview of April, Live values have been really mixed.

The overall headline figure is a downward movement of 2.1%, equivalent to £370 on average and the same percentage as last month, at the 3-years, 60,000-mile benchmark point. But, this really does not tell anywhere near the whole story.

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



After the first few days of the month, it was looking as though values may move down by more than 3% and maybe even by as much as 4%. Things did stabilise though, and we saw some conversion rates go up. Some of the downward value movements made in those early days were enough for the whole month, whereas the feeling at the times was that they would continue to decline. Of course, others did fall throughout the month, but again it was really mixed. We have even seen some cars go up in value in Live over the last weeks, with these mainly being Electric Vehicles.

At the 1-year age point, values moved down by 1.5%, or c.£450 and at older ages, values also dropped – by 2.4% at 5-years old and 2.1% at 10-years (£270 and £110 respectively).

Looking at price-points, values under £20,000 dropped by between 2% and 2.4% for each £5,000 bracket, equivalent to c.£70 below £5,000 and c.£400 above £15,000 on average. More expensive cars were under less pressure, dropping by between 1.4% and 1.7% between £20,000 and £50,000 (£400-550) and above £50,000 by a small 0.7% or c.£440,

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suggesting once again that the more affluent buyer is less affected by cost of living concerns, although there have been some reductions on some larger engine cars, not helped by their heavy fuel consumption and high fuel costs.

Looking at mainstream sectors, SUVs saw the heaviest downward movement at -2.7%, with medium SUVs feeling the brunt of the pressure, dropping by 3% or c.£550, with small SUVs not far behind at -2.8% or c.£400. Larger, more expensive examples only dropped by 1.5% (£535). This sector has seen more stock than others this month and model ranges that have been well represented have been the worst affected with regard to performance to CAP clean. Some of the largest movers have been the Citroen C3 Aircross, down between 3-5% depending on the fuel type, which is between £300 and £550 at the 3-year point, the Ford EcoSport down 3% (c.£375) for the diesel and 6% (c.£675) for the petrol version and the Jaguar F-Pace, down c.4.5% for the petrol and c.6% for the diesel, both equivalent to around £1,500. Interestingly, the newer petrol version of the F-Pace actually increased in value, with less stock available in the market – maybe the two models had got too close in price.

City cars saw the smallest reduction in Live values in April, down by just 0.4%, which is less than £50 and a smaller drop than in March. This sector is at the more affordable end of the market, even with those large increases in 2021. With the cost-of-living squeeze and fuel prices increasing, a cheaper car to own and run is high on many people's agendas to help reduce their outgoings.

All other mainstream sectors dropped by similar amounts, between 1.8 and 2.4%, with MPVs dropping by 2.0% on average, but values generally remaining well above where they were a year ago. Some models such as the Vauxhall Zafira, have reduced by around 10%, over £1,000, in the last 2-months, but that off the back of extraordinary increases last year.

Diesel vehicles have fallen by the highest percentage in April, down by 2.4% (-£425) compared to petrol models averaging a 2.1% (-£325) reduction. It will be interesting to see if this trend continues, with diesel fuel the more expensive and under the spotlight environmentally.

As mentioned, some Electric Vehicles have performed relatively well in April, with some younger used vehicle prices continuing to be held up by an increase in consumer desire and long lead times for new vehicles. There has been an average increase of 0.2% at the 1-year point and just a small 0.5% drop (c.£200) at 3-years. The Renault Zoe has also seen a remarkable increase this month, with strong prices within the sold data particularly at 3-years and older.

What next?

Last month, our prediction was:

"With volumes increasing, prices high and consumer demand potentially drifting away over Easter, there is likely to be a similar situation as we have witnessed in March, with values continuing their downward trajectory."

Whilst volumes have not increased as we expected them to, off the back of low registrations in March, the downward value movement has continued as we forecasted.

It is clear that over the last 2-months, values have dropped due to declining consumer and retailer demand rather than increasing supply and much of what happens over the coming months will be down to whether consumer confidence recovers or remains at its current low levels.

Supply is unlikely to increase dramatically, with the war in Ukraine impacting new car supply for some brands more than others, plus COVID outbreaks across Asia (including the ongoing lockdowns in China) combining with natural disasters and affecting a wide range of essential components and raw materials. Semiconductors also remain in short supply. This could be seen as a reason for a strong used car market, but this may well be dampened by the high cost of living and the same as this month, consumers prioritising what they spend their money on.

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We are forecasting a continuation of the last 2-months, with values continuing to decline, but not drop off a cliff. There is the potential that now the Easter holiday period is over, demand may ramp up, but even if it does, used car prices remain high and retailers are unlikely to be bullish with what they are prepared to pay for stock. Longer-term, there are still many unknowns with regards to new car supply, although lead-times for some, but certainly not all, brands are much improved.

What is abundantly clear is that inconsistency will remain a factor in the used car market. Where supply is plentiful, prices are likely to drop and be reflected in cap Live values. Cars in good condition with less volume are likely to be more stable. It will also be interesting to see whether the current trends in prices of different fuel-types continue. Whatever happens, Live values remain vitally important in the decision-making for buying or selling cars.

Current used valuations May 2022 - average value movements

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
City Car	0.0%	(0.4%)	(0.7%)	(0.4%)
Supermini	(1.4%)	(1.8%)	(2.2%)	(1.9%)
Lower Medium	(1.2%)	(1.9%)	(2.3%)	(2.2%)
Upper Medium	(2.1%)	(2.4%)	(2.6%)	(2.9%)
Executive	(2.5%)	(2.8%)	(3.2%)	(2.0%)
Large Executive	(1.2%)	(0.9%)	(0.5%)	(1.1%)
MPV	(1.5%)	(2.0%)	(2.1%)	(1.7%)
SUV	(1.6%)	(2.7%)	(3.4%)	(3.5%)
Convertible	(0.2%)	(0.6%)	(0.1%)	0.2%
Coupe Cabriolet	(3.3%)	(2.3%)	(1.1%)	(0.1%)
Sports	(1.1%)	(1.7%)	(2.0%)	(2.4%)
Luxury Executive	0.0%	(0.7%)	(0.6%)	(1.3%)
Supercar	0.5%	0.5%	(0.1%)	1.9%
Overall Avg Book Movement	(1.5%)	(2.1%)	(2.4%)	(2.1%)

() Denotes negative percentages

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
MPV Small	(2.3%)	(3.0%)	(2.6%)	(1.8%)
MPV Medium	(2.1%)	(2.1%)	(2.3%)	(1.8%)
MPV Large	(0.7%)	(1.5%)	(1.5%)	(1.4%)
SUV Small	(1.6%)	(2.8%)	(3.2%)	(3.0%)
SUV Medium	(1.7%)	(3.0%)	(3.8%)	(3.5%)
SUV Large	(1.3%)	(1.5%)	(2.0%)	(3.4%)

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Notable Movers 1-yr 20k

	MIN £	MAX £	AVG £
BMW 5 SERIES (16-) DIESEL	-900	-250	-469
FORD FIESTA (17-22)	-550	-200	-385
KIA SPORTAGE (15-) DIESEL	-750	-450	-658
MERCEDES-BENZ E CLASS (16-) DIESEL	-1,000	-500	-713
PEUGEOT 308 (13-21)	-700	-600	-638
SEAT ALHAMBRA (10-20) DIESEL	-900	-700	-807
SKODA OCTAVIA (13-20) DIESEL	-850	-550	-621
VOLKSWAGEN GOLF (13-21)	-750	-450	-624
VOLKSWAGEN TIGUAN (16-) DIESEL	-600	-400	-522
VOLVO XC90 (14-) DIESEL	-1,400	-1,100	-1,233

() Denotes negative value

Notable Movers 3-yr 60k

	1 YR/10K	3 YR/60K	5 YR/80K
AUDI A1 (10-19)	-600	-300	-404
BMW 1 SERIES (11-19)	-400	-350	-375
FORD ECOSPORT (17-)	-800	-575	-667
KIA SPORTAGE (15-)	-700	-400	-571
LAND ROVER RANGE ROVER EVOQUE (11-19) DIESEL	-1,400	-650	-1,000
NISSAN JUKE (10-20)	-500	-150	-325
NISSAN QASHQAI (18-21)	-600	-450	-508
PEUGEOT 3008 (16-) DIESEL	-850	-600	-712
VAUXHALL ASTRA (15-20) DIESEL	-450	-300	-381
VAUXHALL MOKKA (12-20)	-550	-450	-492

() Denotes negative value