

Commercial future editorial

By cap hpi

August 2022

Future market overview - new light commercial

This is the cap guide to future residual values for light commercial vehicles. Individual forecasts are provided in pounds and percentage of list price for periods of twelve months to five years with mileage calculations up to 200,000. Each forecast is shown in a grid format with specific time and mileage bands highlighted for ease of use.

Vehicle condition parameters

All prices in LCV Future Residual Values relate to disposal values for models in cap Average Condition - complying with most of the following requirements:

- In a reasonable condition given its age and mileage.
- Requires some work other than routine cleaning and servicing to bring it up to retail standard.
- Mechanically sound.
- Current MOT test certificate or needing only routine wear and tear item replacements in order to obtain one.
- May require some repainting but not major body repair.
- Vans and pick-ups to be fitted with a full substantial lining from new.
- Interior dirty and untidy, but not damaged.
- Capable of being brought up to 'Clean Condition' with minimal work.
- Including all relevant documentation, especially V5.

Options

There is a facility to add option pricing to the forecasts. These cover a large selection but are by no means exhaustive. Individually, options can both add to and subtract from the value of standard specification models. A number of options applied to the same vehicle will not necessarily be worth the sum of their individual values. Therefore, care must be taken with highly specified models.

Vehicle excise duty (road tax)

The cost of vehicle road tax for light goods vehicles and the differences in taxation between light goods vehicles classed as cars are beyond the scope of this document. You can access detailed information from the DVLA by pasting the following link into your browser. <https://www.gov.uk/government/organisations/driver-and-vehicle-licensing-agency>

VAT

Forecasted values exclude VAT except for models which are defined by HMRC as "VAT Qualifying Commercial Vehicles".

For details of the HMRC definition of a VAT Qualifying commercial vehicle, please visit their website using this link <http://www.hmrc.gov.uk/vat/sectors/motors/what-is-car.htm>

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Company van benefit in kind tax

The rules regarding the differences between cars and vans for tax purposes are complex and best understood by reading the relevant pages on the HM Revenue & Customs website. In summary, different 'benefit in kind' tax rules apply to both company cars and company vans. It is crucial to understand that a van is a vehicle that is primarily suited for the conveyance of 'goods or burden', not people.

Changes to forecasting

Prior to any reforecasts or changes to our economic modelling, future residual values in this edition of CAP forecasting are on average 1% lower compared to the July edition reflecting the predicted plate/seasonal trend. Dependent on the extent of any reforecasts and / or changes in our economic mask, the overall final average month on month movement may sometimes be significantly different to the change caused by this seasonal adjustment.

Additions and amendments

New Additions

Dacia Duster, Mercedes e-Vito Tourer, Renault Master e-Tech, Isuzu Gafter N35

Amendments and reforecasts

Citroen Relay, Vauxhall e-Combo

Reforecast calendar 2022

In addition to any amendments carried out, as a result of the continual evaluation process, each sector will be reviewed in-line with the reforecasting calendar shown below.

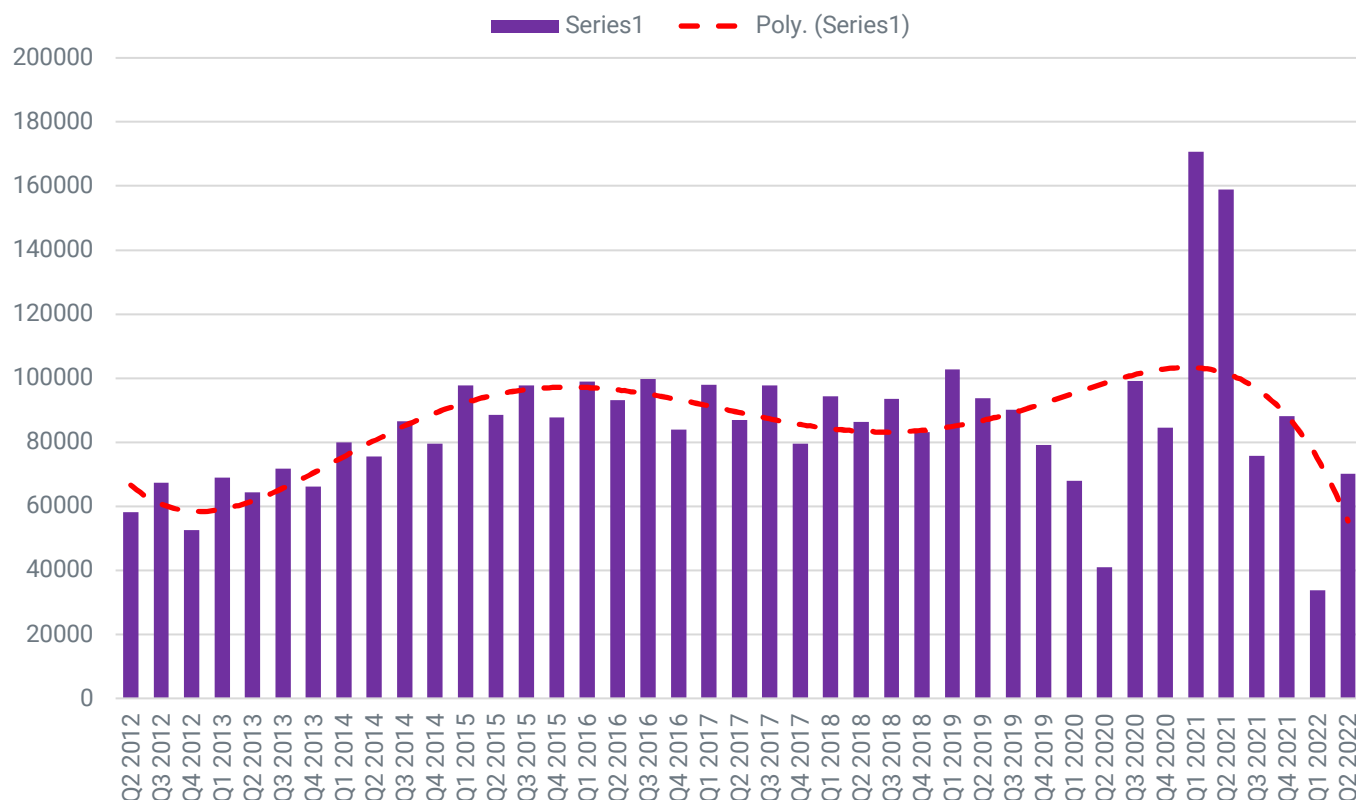
MONTHLY PRODUCT	SECTOR
Aug-22	4x4 Lifestyle and Workhorse
Sep-22	Micro Van and Electrically Powered
Oct-22	VAT Qualifying Vehicle and Minibus
Nov-22	Chassis Derived and Forward Control Vehicles
Dec-22	Large Van
Jan-23	Micro van and Electrically Powered
Feb-23	VAT Qualifying Vehicle and Minibus
Mar-23	Chassis derived and Forward Control Vehicles
Apr-23	Large Van
May-23	City Van & Small Van
Jun-23	Medium Van
Jul-23	Over 3.5t

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New LCV registrations by quarter

Quarterly New LCV Registration Volumes



Future light commercial vehicle pricing model

The cap guide to future light commercial vehicle values is based upon a model of the used light commercial vehicle market and its reaction to changes in economic factors and industry trends. Relationships between factors affecting used light commercial vehicle prices and the sensitivity to the changing economy or model trends were derived and expressed in an econometric form.

One of the most important aspects is the information gathered with respect to the fundamentals that lie behind each purchase. No one buys a commercial vehicle purely as a cosmetic driven purchase. It is bought primarily to bring an economic return from the purpose to which it is designed. This basic premise is the reason why one vehicle will sell for more, or less, than another given the perception of the buyer as to the fitness of a vehicle to undertake a particular task.

In order to develop a responsive model the basic approach to the production of future residual values relies on econometric estimation. To facilitate this approach some assumptions obtained from research have been made on what is cause and what is effect. The accuracy of the data is also of primary importance although care must be taken as to their behaviour and underlying reasons for change. Generally, therefore, the approach is empirical with many lessons learned from historical analysis. Overlaying the model are dynamic elements that give rise to clear and explicit predictions.

Many models and theories that use econometric estimation can often be criticised for not incorporating the behaviour of used light commercial vehicle buyers. It is their attitudes, experience and prejudice that determine the values attained by a vehicle. In order to develop a working, effective model of the used light commercial vehicle market the knowledge provided by used light commercial vehicle professionals on the trends in the market are essential.

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The working model therefore is a logical development of the research carried out on the used light commercial vehicle market and factors affecting values. The economic factors that have been used to forecast forward have been detailed in the earlier sections. The future residual values, in pounds and percentages, are hence dependent upon the views expressed therein on the development of the UK economy and used light commercial vehicle marketplace.