

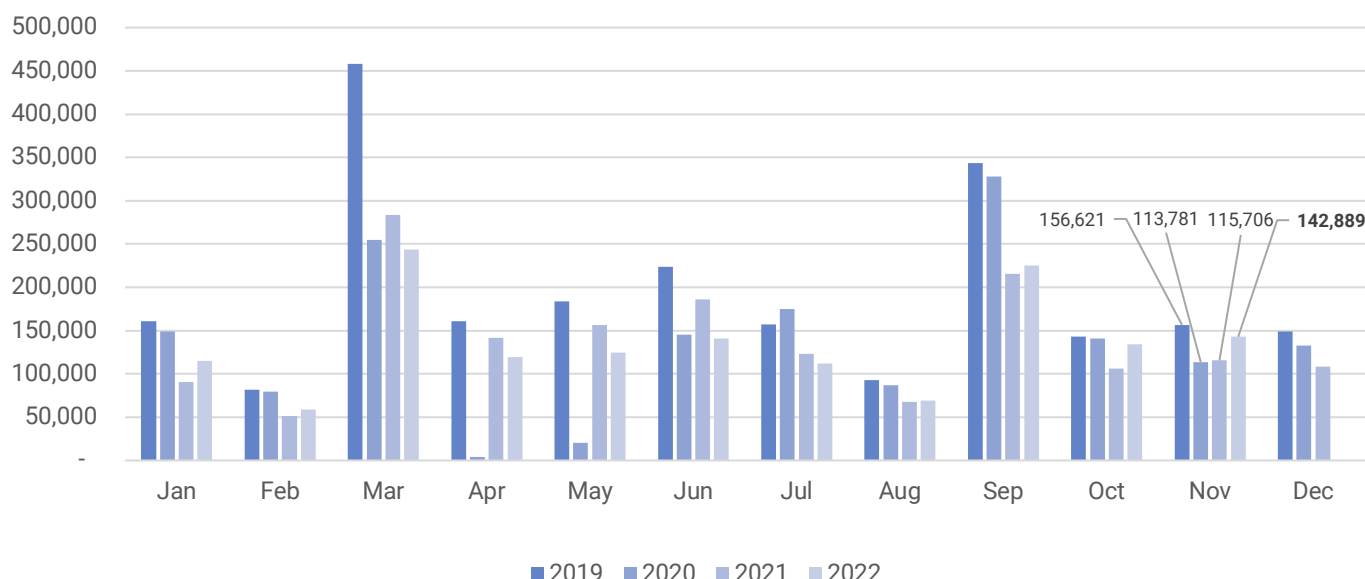
January 2023

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 2022 and used car activity at the time of writing. All information is correct as of 22nd December 2022.

New car sales

According to the figures produced by the Society of Motor Manufacturers and Traders (SMMT), 142,889 cars were registered in November 2022, an increase of 23.5% on the same month last year. Year-to-date, 1,485,601 cars were registered to the end of November, this represents a -3.4% reduction over the same period in 2021, as semi-conductor and other component shortages along with logistics challenges impacted new car registrations, especially for the first half of 2022.



Source: SMMT

Fleet registrations have shown signs that supply levels into this channel continue to improve as registrations in November 2022 versus November 2021 were up by 45.4%. Business registrations are also up by 112.2%, while Private retail registrations saw a modest increase of 2.7%. Year to date, Private Retail registrations make up a market share of 51.6% with Fleet registrations trailing at 45.8%, while Business registrations sit at 2.6%. Daily Rental registrations for November were up when compared to November 2021 however, Daily Rental volumes year-to-date remain down on last year, as manufacturers continue to prioritise more profitable channels.

Focusing on fuel-type, alternatively fuelled vehicle registrations continued to go from strength to strength, with Battery Electric Vehicles (BEVs) making up 20.6% of the market or 29,372 units, with Tesla Model Y appearing in the SMMT best sellers and coming in at second place for November 2022 with 4,229 units. Year-to-date, BEV registrations have increased by 38.0% or 61,897 units and Plug-in hybrid vehicles' (PHEVs) represented a decrease in market share from 9.3% in November 2021 to 7.1%. PHEVs year-to-date have seen a reduction in cars registered over last year with a change of -12.4%, or down 13,171 units. Petrol registrations (including mild hybrids) remain as the dominant fuel-type at 52.8% share for the month and 57% year-to-date, with diesels now in the minority with just a 8.2% share in November and only 9.9% YTD. How times have changed.

Car editorial

By cap hpi

Used car retail activity

The used car retail market for December could again only be described as typically “seasonal”, with a continuing slowing theme from November and which will probably come as no surprise to the majority reading this. Retailer feedback received continues to be quite mixed across the board, with the general consensus being it has been quieter than in November, but there is still some business out there for the taking, you just have to work much harder for it.

Sold volumes have declined month-on-month for most businesses the closer we have edged towards the festive period, but this was being widely accepted as simply “normal” “for the time of year with no real signs for any concern. The only question on everyone’s lips is, “what’s in store for January?”. There is definitely a sense of hope and optimism out there on what the New Year will bring, although with the economic outlook being rather subdued, it’s more than clear that retailers will need to continue with the “back to basics” mindset in order to achieve acceptable or improved levels of business.

Profit margins continue to come under pressure across the market with consumer demand falling away, but few retailers have seen the need to drastically reduce retail prices in order to generate enquiries and sales. Yes, there have been some reductions applied to ageing stock, (nothing new there) but there seems to be a general feeling that there is no point in doing so to any great degree, just to try and stimulate a typical December retail market for the sake of it. This pricing strategy may well change as we head through January and beyond though, depending on consumer interest/appetite and sales volumes achieved. Only time will tell.

The cheaper end of the market, or sub £10,000 - £12,000 price points, is still being reported as easier than the rest of the market, with higher levels of consumer engagement and interest. This could be consumers trying to downsize or just obtain a cheaper car in order to balance their monthly outgoings. The rise in the cost-of-living will undoubtedly be at the forefront of most people’s minds, and especially post-Christmas, so maybe the budget or cheaper end of the market will remain slightly more buoyant, when compared to the higher price points which have been a little more challenging.

Interest in Electric Vehicles continues to prove to be the most challenging part of the market overall, with consumer appetite just not being there in any great numbers. New and used volumes of this fuel-type are now on a sharp rise and dealers who have stocked used EVs are reporting an unpalatable increase in days in stock, which is now leading to some sizeable price reductions, and in some cases, prices being slashed in order to move them on. With some very attractive new car discounts available across a number of models now, you have to ask, where or what is the benefit on a used EV for a used car buyer? With circa five figure premiums over the equivalent ICE versions, equating to much higher monthly payments, it is not surprising that the used car retail consumer possibly doesn’t seem quite ready to make that jump into an EV just yet.

To summarise, retail activity has seasonally softened further over the past few weeks but the market remains in a remarkably strong position and has a relatively positive feel about it, especially when you consider the wider economic headwinds it has faced this year. Retailers are having to work extremely hard to achieve similar or acceptable levels of business compared to just a few months ago, but do remain focused on achieving targets.

Used car remarketing activity

December wholesale activity has remained relatively buoyant for the time of year with healthy conversions still being reported across the board. There is no doubt that this is still being aided by the continuation of low supply levels into the trade arena, which is not likely to get back to normal anytime soon.

Some buyers do remain active within the market although they are being extremely picky and only hunting out the best examples being offered by vendors. Condition is still absolutely key, along with specification, provenance, colour, mileage and of course, price.

Dealer part-exchange auction sales are again proving to be the most popular with buyers, as price-point vehicles, sub £8,000, still being the real sweet spot for a lot of retailers, but finding these in the desired cap clean condition can be challenging. Bidding activity also remains strong within this sector, with some cars making over cap clean as a result. It’s probably safe to say that this area of the market looks set to remain healthy well into the New Year as retailers look to stock price-range cars which they are comfortable with and can sell quickly.

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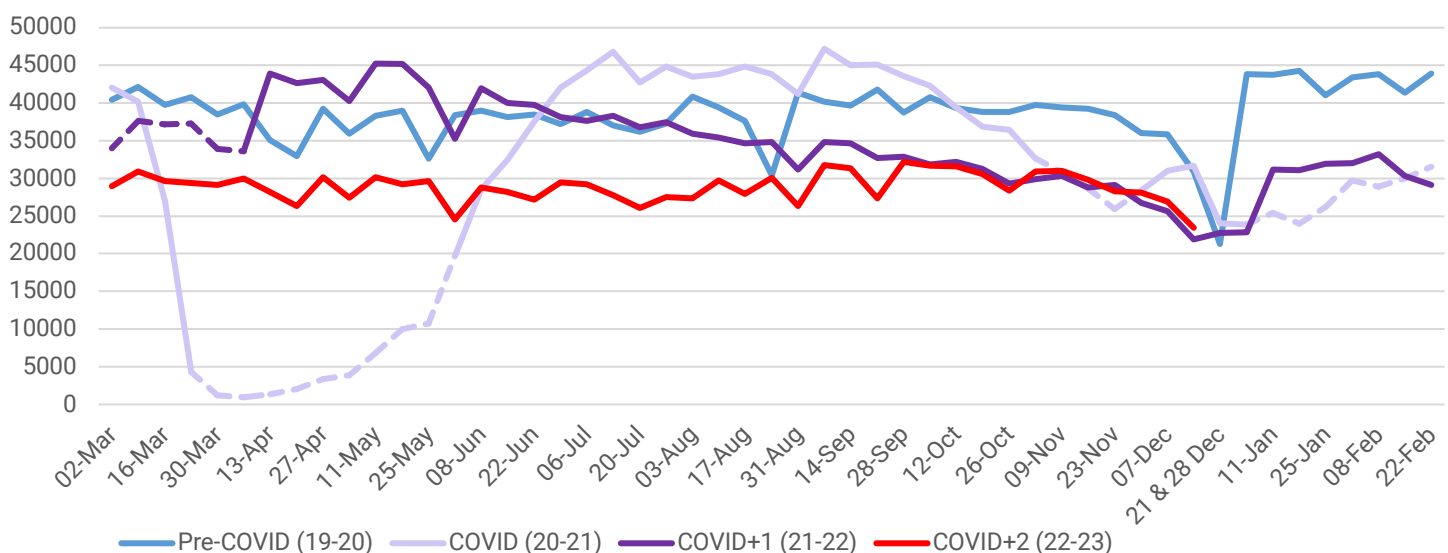
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Another continuing theme from November is that retailers have still not been stocking up for January and are only replacing sold units as and when they need them. It will be very interesting to see if this mindset changes moving into the New Year and if there will be a bounce of activity in January.

The fleet market has continued to be much more challenging throughout December, with conversions declining week-on-week in the run up to the festive period. This is not unusual for this time of year but when you are disposing vehicles with much higher average prices and hold larger volumes of AFVs, this has clearly not been an easy couple of months for the sector. Electric vehicles are clearly the most challenging to shift with much reduced trade interest compared to earlier in the second half of the year, but on the flip side, price range petrol and diesel stock at around and above £20,000 are still finding homes, but at reduced returns.

On the whole, the wholesale market has remained pretty strong throughout the year but this has mainly been based on one defining factor, low supply rather than strong demand. This has been well balanced throughout the year leading to strong trading conditions but this could well start to tip the other way in the New Year as new car supply levels start to increase for some OEMs. The chart below shows yearly wholesale volume comparisons, with the year starting from March on the left to show the impact from the start of COVID affecting the country. Volumes have been relatively consistent this year, with a “new normal” of over 20% down on pre-COVID times, but recently marginally up on this time last year.

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

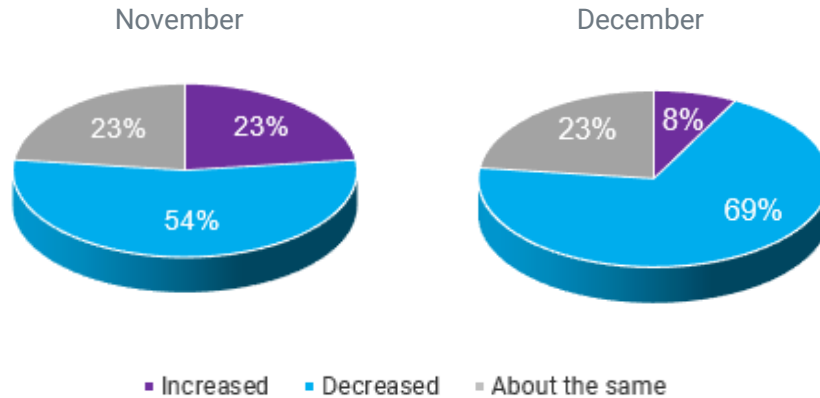


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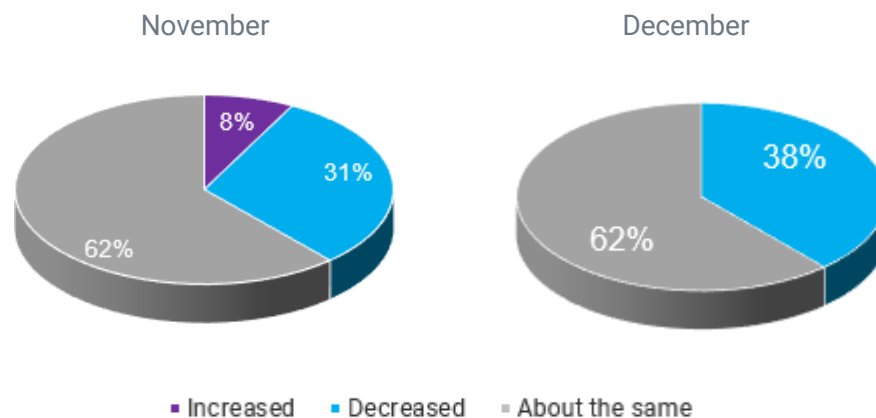
The cap hpi auction survey again posts some insightful results. Thanks to all those that participate each month and throughout the year

How do your current stock levels compare to last month?



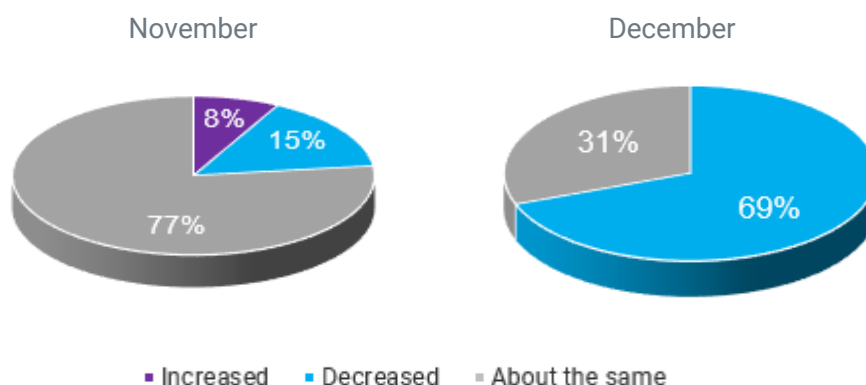
Over two thirds of respondents stated that stock levels were down month-on-month, compared to just over half in November, which is quite normal for the time of year. It's inevitable that stock levels will increase as we move through January, so it will be interesting to see just how far.

How does your current overall demand compare to last month?



An almost identical response this month compared to November with demand remaining the same or slightly worse. Again, normal for the time of year with no real concern about general market health.

How do your conversion rates compare to last month?



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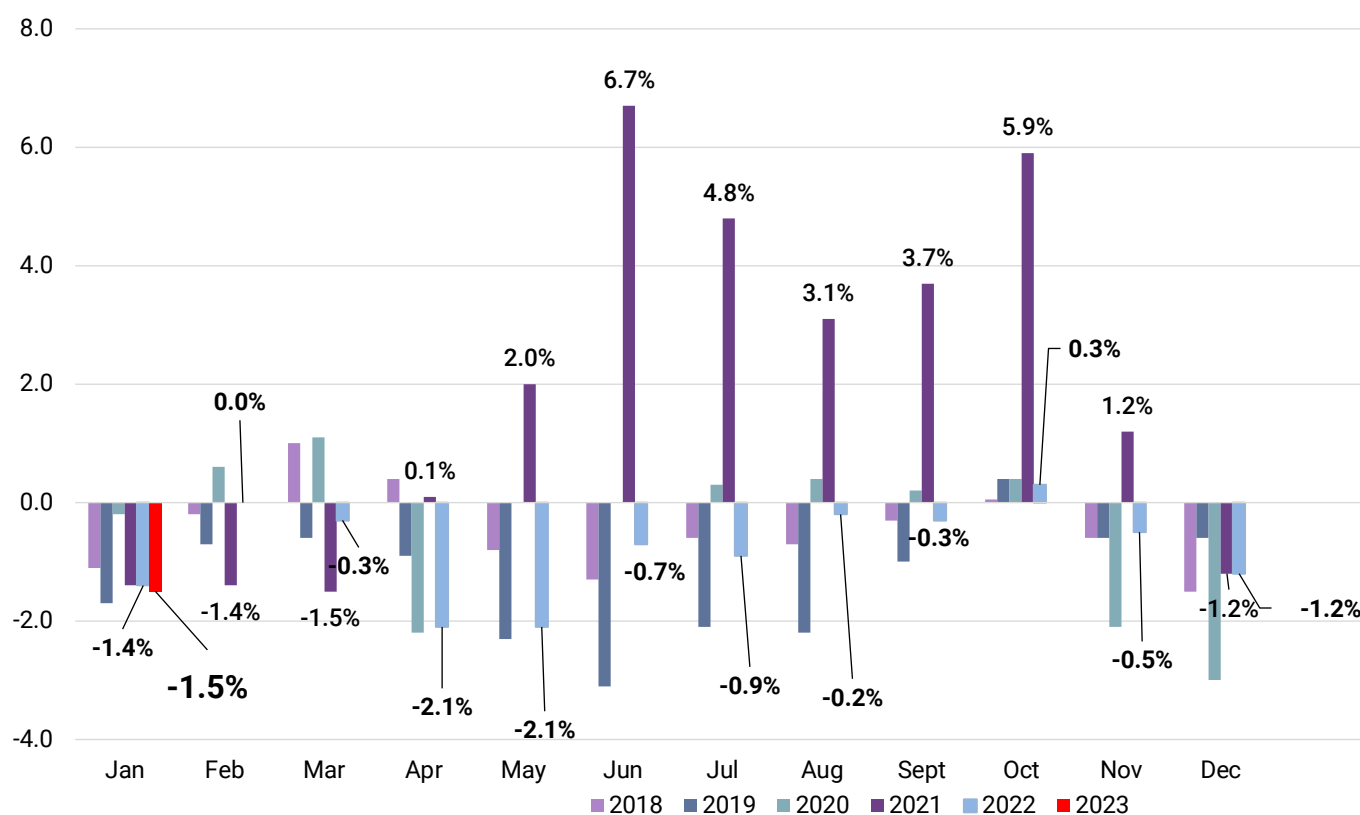
Conversion rates have fallen heavily throughout December with over two thirds reporting a decrease, compared to just 15% in November. As mentioned previously, with buyers not stocking up for January, this only backs up the general sentiment.

Used cars – trade values

It has yet again been another fascinating month for used car values and, as always, the devil really is in the detail.

The average drop in Live values, at the 3-year point, this December was 1.5%, equivalent to c.£300. This is now the third heaviest downward movement this year, after March and April (shown by April and May's monthly values on the chart below) both saw Live drop by 2.1% (c.£370). This December into January movement is in line with the 5 year average (plate uplift excluded) and again highlights the overall strength in the market despite all the economic turmoil the country has faced this year.

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



At the 1-year point, average values dropped slightly more than the 3 year movement at 1.7% or c£590. This is the largest downward movement in a month for the entire year at this age point. As you move to older vehicles, the downward move is slightly less pronounced, with 5-year old cars dropping by 1.4% or c.£170, and at 10-years old values dropping by 0.8% or £50, and highlights the strength in the price range budget sections mentioned previously.

Turning to sectors, convertibles dropped by 2.5% or c.£620 at the 3 year point and have continued on their seasonal decline. Some cars which have dropped by more than the average are Mercedes E Class Diesel at 4.9% or c.£1,275 and Audi A5 cabriolet down 4% or c.£950.

MPVs were once again the strongest mainstream sector, dropping by just 0.7% or c.£120 at 3 years. There is a slight variation in performance at the same age point when broken down into sizes – small is 0.0%, medium is down 0.8% or c.£130 and large is down 0.6% or c.£125.

Upper Medium dropped by 1.3% or c.£225, a gradual reduction across the board for this sector with only a few models dropping by more than the average. Some examples of these are: BMW 4 series Diesel 3% or c.£725, and

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Mercedes C Class Coupe Diesel 3% or c£660. Lower Medium also dropped and slightly more than the average at 1.7% or c.£250. These cars are still great value for money compared to most SUVs and continue the price-point theme of this editorial. SUVs again dropped by an average of 1.7% or c.£400.

City car has seen a similar performance when compared to November. This sector dropped by 1.3% or c.£100 but is still very much in demand and clearly hits the right price point for dealers. So much so, that it has actually increased 29.2% from May 2021 to date.

Undoubtedly the headline story again this month will be focused around fuel-type, and in particular battery electric vehicles.

Battery electric vehicles have remained the most challenging area of the used car market throughout December, as values have now reduced for the fourth consecutive month. In fact, over the past 12 months there have only been 4 months where values for EVs increased - February, July, August and September. This month's movement at the 3 year point is down by -5.2% or c£1,625 and is actually greater than last month's previous record movement for EVs, or any other fuel type in over 5 years. The cumulative EV movement for the past four months is -10.4% or c.£3,500, which again is far greater than any other fuel type over the same period of time.

Disposal volumes for electric vehicles continue to increase rapidly. Year-to-date, for vehicles up to 12 months old, our wholesale data is now into double figures at 11.8% (an increase of c.280% over 2021). That figure increases further when looking at sub-6-month-old cars, which is now close to a 15% market share. With new car registrations for EVs, according to the SMMT, increasing by 38% over 2021 and up by 513% over 2019, the industry must prepare itself for even greater increase in supply levels from here on in.

Small volumes of pre-registered EVs continue to appear in the market, in addition to attractive new car discounts on a number of models, and as we reported last month, there are some very competitive 2-to-3-year leasing and broker deals on vehicles that are available for immediate delivery. The last month of each quarter has traditionally seen some manufactures push hard to meet registration/delivery targets; December 2022 is following a very similar trend.

Many remarketers have reported throughout December that EV conversion rates have reduced as the month progressed and we have also seen this trend within our data feeds. The average number of sales attempts for EVs has increased from an average of 1.7 in October, 2.4 in November rising to 3.0 attempts in December. Petrol and diesel both currently sit at 1.4 attempts. Also, analysing the number of auction days in stock by fuel type, EVs have continued to increase. The average number of days in stock for an EV in December is 20.6 days, compared to petrol and diesel at just 9.2 days. For comparison, in October, the average days in stock for EVs was 13.6.

December's Live product has witnessed values dropping for the majority of electric vehicles. Tesla models again have been subject to some of the largest downward movements. Model 3 values have reduced by -9.6% or c.£3,000 at 3 years and Model Y is down -5.9% or c.£3,100 at 12 months old. However, Tesla product is by no means alone in seeing large adjustments as other manufactures vehicles have been impacted too. Of the premium manufacturers, Audi Q4 E-Tron has seen values move back -5.9% or c.£3,100 at 1 year, while values for the Mercedes-Benz EQC have reduced by 10.6% or c.£4,500 at 3 years, BMW i3 is down 6.9% or c.£1,300 at 3 years, Jaguar I-Pace down 8.7% or c.£3,050 at 3 years and the Polestar 2 is also down 7.8% or c£3,400 at 3years. Mainstream EV's have also followed a similar trend, examples of these are the Renault Zoe down 6.9% or c.£900 at 3 years, VW ID.3 down 5.8% or c.£2,000 at 1 year, Nissan Leaf down 9.0% or c.£1,500 at 3 years and finally Mini Cooper electric down 8.8% or c.£1,650 at 3 years. Most of these are models where recently used retail values were greater than cost new, and in some cases by a considerable margin, so reductions were expected, although they are now happening quicker than anticipated, partly due to the fact that they stayed higher for longer than expected, and also because we are now seeing a number of new car offers as previously mentioned.

Some EV models have been subject to large reductions over the past two to three months, this may result in some cars starting to appear on consideration lists again in the New Year. However, with increasing EV used car supply and the continued rise in the cost-of-living dampening consumer demand, it will be interesting to monitor how this impacts the used electric vehicle market throughout 2023.

In contrast to electric vehicles, petrol has only moved down 1.5% or c.£300 and diesel has fallen 1.3% or c.£240. Both of these fuel types have dropped in line with the overall five year average.

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Overall, a relatively stable but seasonal month for used car values, with again the notable exception of electric vehicles.

What next?

Last month, our prediction was:

"Demand will continue to ease, but the lack of stock will counter some of the pressure on prices and the need for wholesalers to slash prices. Dealers will continue to pick off the cars they are comfortable with, so conversion rates are likely to look favourable in comparison with previous Decembers, based off that low supply. Values are likely to continue on their gentle downward trajectory in the run up to Christmas, but there is certainly no sign off a large fall. Relative stability for the season remains."

The outlook for January and beyond still remains an unknown, what with consumer demand potentially still remaining subdued post the festive period, so we could just see a continuation of a stabilised market and very similar to what we have witnessed prior to December, just based on lower supply rather than increased demand. Yes, there will be more new car availability within the market but we do not think it will be enough to upset the current market dynamics, with the exception of the new volume models that could be over supplied and potentially forced into the market. General consensus is that we are likely to see different areas of the market perform in very different ways.

The big question is, will dealers go out and heavily buy stock in January or will they continue with the little and often approach? The latter seems the more likely at this given point in time, based on current retail demand.

As we have illustrated in this overview, the averages have only painted half the picture for what has happened in the used car market and to values in December. Keeping a close eye on Live values remains vitally important when making buying or selling decisions. Those that used Live in December were ahead of the game when it came to pricing and buying decisions related to those aforementioned electric vehicles in particular.

From everyone at cap hpi, we would like to wish all our customers a very merry Christmas and a happy and successful 2023.

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Current used valuations January 2023 - average value movements

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
City Car	(1.3%)	(1.3%)	(1.0%)	(0.2%)
Supermini	(2.1%)	(1.9%)	(1.2%)	(0.2%)
Lower Medium	(1.9%)	(1.7%)	(1.7%)	(0.9%)
Upper Medium	(1.6%)	(1.3%)	(1.5%)	(0.8%)
Executive	(1.8%)	(1.4%)	(1.2%)	(1.3%)
Large Executive	(0.3%)	(0.2%)	(0.4%)	(0.5%)
MPV	(0.7%)	(0.7%)	(0.5%)	(0.2%)
SUV	(1.8%)	(1.7%)	(1.5%)	(0.3%)
Convertible	(3.0%)	(2.5%)	(2.1%)	(3.0%)
Coupe Cabriolet	(1.2%)	(1.7%)	(1.7%)	(2.5%)
Sports	(1.8%)	(1.5%)	(1.3%)	(1.8%)
Luxury Executive	(1.2%)	(1.3%)	(1.1%)	(1.1%)
Supercar	(0.8%)	(0.7%)	(0.7%)	(0.3%)
Overall Avg Book Movement	(1.7%)	(1.5%)	(1.4%)	(0.8%)

() Denotes negative percentages

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
MPV Small	(1.1%)	0.0%	(0.1%)	0.7%
MPV Medium	(0.9%)	(0.9%)	(0.6%)	0.1%
MPV Large	(0.5%)	(0.6%)	(0.6%)	(1.3%)
SUV Small	(2.1%)	(2.1%)	(1.8%)	(0.4%)
SUV Medium	(1.7%)	(1.6%)	(1.4%)	(0.2%)
SUV Large	(1.5%)	(1.8%)	(1.3%)	(0.5%)

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Notable Movers 1-yr 20k

	MIN £	MAX £	AVG £
AUDI A7 (18-) DIESEL	600	900	717
BMW I3 (13-22)	(2,050)	(1,700)	(1,887)
CITROEN SPACE TOURER (16-22) DIESEL	250	400	300
DACIA SANDERO (13-21)	(325)	(200)	(268)
FIAT TIPO (16-21) Diesel	200	200	200
JAGUAR XF (15-) DIESEL	(900)	(650)	(775)
KIA SPORTAGE (15-22) DIESEL	(700)	(550)	(633)
MERCEDES-BENZ S CLASS COUPE (14-21)	1,700	1,700	1,700
NISSAN LEAF (17-)	(2,350)	(1,900)	(2,100)
VOLVO XC90 (14-) DIESEL	(1,100)	(300)	(520)

() Denotes negative value

Notable Movers 3-yr 60k

	MIN £	MAX £	AVG £
FIAT 500X (14-19) DIESEL	150	175	162
JAGUAR F-PACE (15-21) DIESEL	(850)	(350)	(529)
MERCEDES-BENZ E CLASS (16-) DIESEL	(600)	(400)	(461)
MERCEDES-BENZ V CLASS (14-19) DIESEL	500	800	641
MITSUBISHI OUTLANDER (13-19) DIESEL	(750)	(650)	(700)
NISSAN LEAF (17-)	(1,750)	(1,250)	(1,485)
VAUXHALL ASTRA (15-20) DIESEL	(400)	(275)	(344)
VAUXHALL MOKKA (12-20)	(450)	(325)	(377)
VOLKSWAGEN GOLF (14-20) ELECTRIC	(800)	(800)	(800)
VOLKSWAGEN PASSAT (14-19) DIESEL	100	200	134

() Denotes negative value