Car editorial

By cap hpi

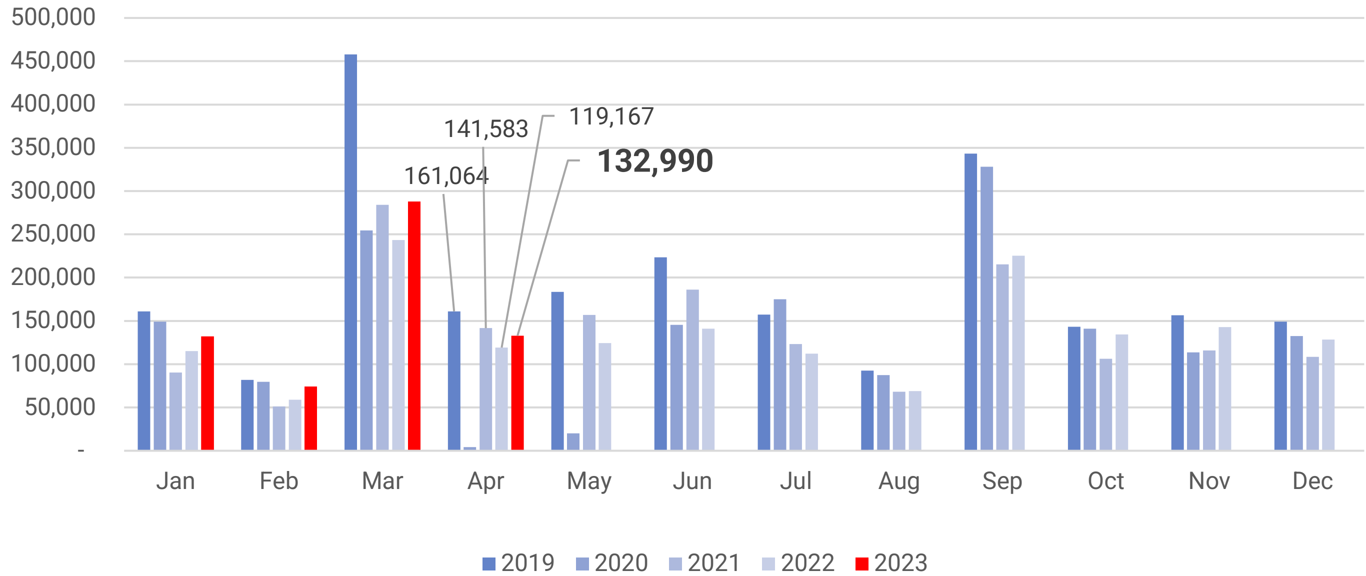
June 2023

# 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 April 2023 and used car activity at the time of writing. All information is correct as of 25th May 2023.

## New car sales

According to the figures produced by the Society of Motor Manufacturers and Traders (SMMT), 132,990 cars were registered in April, an 11.6% increase on the same month last year (119,167), and the ninth consecutive month of growth. Compared to pre-COVID April 2019, this was 17.4% less than the 161,064 cars that were registered in that month.




Source: SMMT

Year-to-date, 627,250 cars have been registered, a 16.9% increase on 2022, when the volume was 536,727. In 2019, to the end of April, 862,100 cars had been registered so the market remains someway, 27.2%, behind pre-COVID times. Supply issues have eased, but volumes have still not recovered to where they were four years ago.

Fleet registrations increased by 33.1% compared to April 2022, with a share of 51.5%, whilst Private registrations declined by 5.5%, for a share of 46.1%. The balance was made up by the Business Sector, which increased by 13.3%, for a 2.3% share. Year-to-date, these sector shares are almost identical to April's at 51.3%, 46.2% and 2.5% respectively. Private retail is not as buoyant as it was throughout last year, so manufacturers are fulfilling long overdue fleet orders to a larger degree now.

Petrol car registrations increased in the month, taking a 58.1% share (57.0% YTD), with Battery Electric Vehicles next with a share of 15.4% for both the month and the year so far, they increased by an impressive 59.1% this April compared to last and have increased by 25.6% year-on-year. Diesel registrations continue to fall, and took a share of just 8.7% in April, 8.2% for the year-to-date. Pure Hybrids and Plug-in Hybrids volumes continue to grow, now taking 12.9% and 6.4% share respectively.

## Used car retail activity

So far this year, retailers generally experienced stronger than expected demand in the first three months and a softening market in April, due in large part to the Easter break. May was always going to be interesting, due to the extra Bank Holiday for the King's coronation, plus it can often be one of the most challenging months of the year, with consumers thoughts, plans and activity turning to vacations or outdoor pursuits as the weather improves.

Over the last three years, however, the market has not experienced a "normal" May. In 2020, the nation was slowly starting to gear up to the end of the first lockdown and no car retail or auction facilities were open, except for key worker purchases. In 2021, demand was through the roof as new car supply was stifled and consumers, many with savings, looked to purchase a used car, and last year, the market had previously softened in March and April, but it soon became apparent that supply was heavily curtailed, and with demand improving, stability returned to the market.

This year, we have certainly seen a much more traditional, seasonal feel to the month. The two Bank Holidays have generally not been as positive with regards to footfall as many dealers had hoped for, and the consistent feedback from the trade has been that demand has just been "okay", and for some at least, a small improvement on April, but certainly not as strong as January to March. There have been a small number of retailers that have reported an improvement as the month has progressed.

With demand not as strong as it could be, and inconsistent, with good days and bad days, there has been more competition for the consumer business. Generally, a return to the basics and having to work hard to win sales has been necessary, but many retailers have been keen to avoid a race to the bottom on pricing, so only adjusting advertised prices on the oldest stock. The feeling has been that large reductions would not necessarily attract large numbers of buyers, although they have been more prepared to negotiate and do a deal than they were earlier in the year.

There have been reports of prospective buyers on a monthly payment now realising that they will have to pay far in excess of current rates to replace a car, due to high interest rates and used car value increases over the last two years. This is putting a number off and resulting in them choosing to remain in their current vehicle for now.

Electric Vehicles continue to be a considerable challenge for many retailers. Two-tier pricing has appeared over recent weeks and months, with dealers that bought around the turn of the year trying to minimise losses by advertising with a margin and keeping prices high, whilst those that have purchased at far lower trade prices more recently, being able to advertise much lower and still make a healthy profit, albeit in low volumes, as they continue to be wary about stocking EVs. Many retailers that had been holding out for previous retail prices are now selling at far lower amounts in a bid to move on the older stock and start again, often making a significant loss in the process. Unfortunately for the majority of EVs, those previous retail prices are no longer likely to attract a buyer. This activity may not be particularly noticeable on retail websites, but it is certainly happening behind the scenes.

A number of EVs now do look far more reasonably priced, however, and the retail data shows that certain models are now selling far quicker than others. For example, the Tesla Model 3 is now selling at an average of below 30 days whereas, other EVs such as the Vauxhall Corsa Electric and Mokka Electric, Mini Cooper Electric, Renault Zoe and Nissan Leaf all see average days to sell at over 65 days. A marked difference.

Overall, the retail market in May could be described as steady, but more challenging, with electric vehicles still far more difficult to sell than internal combustion engine (ICE) cars.

## Used car remarketing activity

The wholesale market started off a little sluggishly in May, not recovering by any great degree from the Easter school holidays in April, as two Bank Holidays early in the month affected the market. There has been a gentle recovery since, and as in the retail market, there has been a seasonal feel to the month, and not as buoyant as in the first quarter of the year. Having said that, well-specified Cap Clean cars are selling and conversion rates for desirable stock have improved and are healthy.

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As tends to happen when the retail market toughens up, desirable cars continue to be just that, whereas low specification, or poor condition cars struggle to sell. There have been more ex-fleet cars returning to the market, due to the increased new car activity in this sector of the market generating used car returns, and these have sold well and quickly, particularly if they have been well looked after. Dealer part-exchanges that have not been kept by the dealers to be resold on their forecourts have tended to struggle going through the auctions, taking more attempts to sell and with prices adversely affected, due generally to their age, mileage and condition making them relatively unattractive to stock.

Many direct remarketers have seen a small uptick in performance compared to the previous month. This has been driven by the attractive age and condition of many of the cars sold.

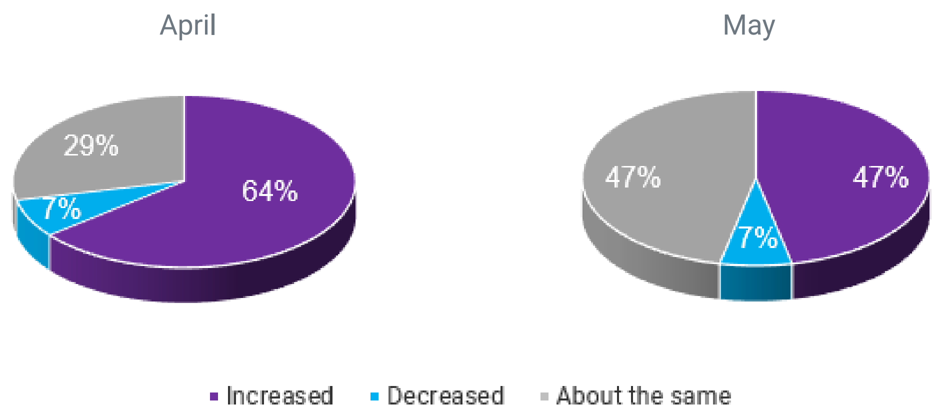
Electric Vehicles continue to be an interesting area in the wholesale market. Some models look reasonable value for money after nine months of price reductions, and dealers are buying, albeit in prudent volumes, whereas other EVs continue to struggle, particularly those with a shorter mileage range. Many small-to-mid-size mainstream EVs remain difficult to sell as they seek to find their true value in the market, now that more aspirational models have reduced in price. Simply put, the price point needs to be far enough away from cars such as the Tesla Model 3, which remains a benchmark car, for cheaper models to sell.

Some hybrids, particularly plug-ins, have struggled as they now look relatively expensive when compared to electric and petrol propulsion cars, particularly when you consider the actual electric range they offer.

Overall, a steady month for the wholesale market, with vehicle condition increasingly important, and many EVs proving to be a challenge.

The cap hpi auction survey has produced some mixed, inconsistent results this month. Thanks again to all respondents:

***How do your current stock levels compare to last month?***




Over 90% of respondents either increased their stock levels or remained at the same level as in April, although there was a far more even split between those increasing and seeing parity this month. Still a positive for the auctions, though, with only a small minority seeing volumes reduced.

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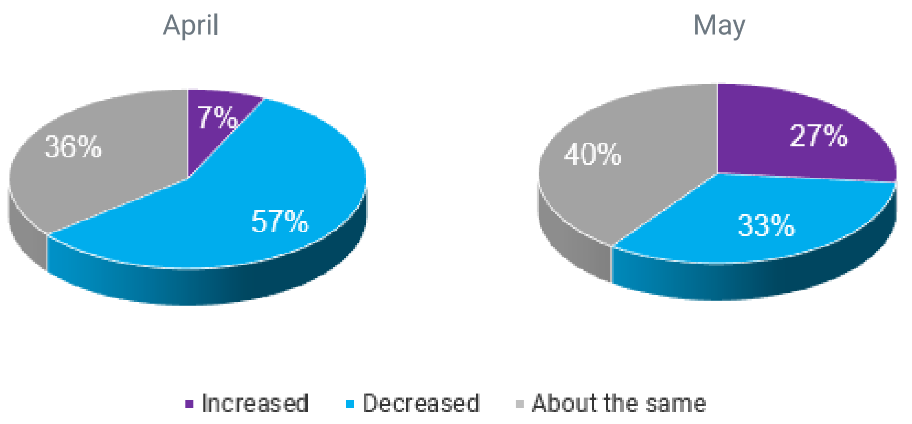
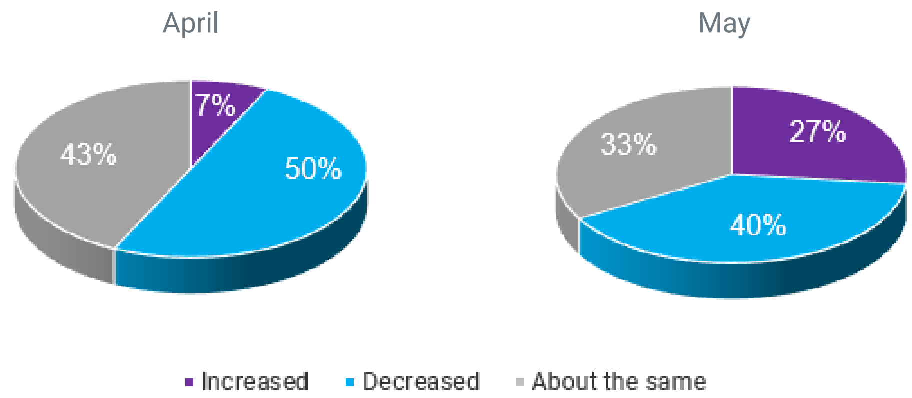
***How does your current overall demand compare to last month?***




Demand decreased for over half of the auctions in April, but in May a slightly more positive picture has been apparent, with 27% as opposed to 7% last month seeing demand improving. There were still one-third of replies stating a continued downturn, however, but 40% seeing a stabilisation. A fairly mixed view, but certainly nothing to suggest a negative trajectory.

***How do your conversion rates compare to last month?***

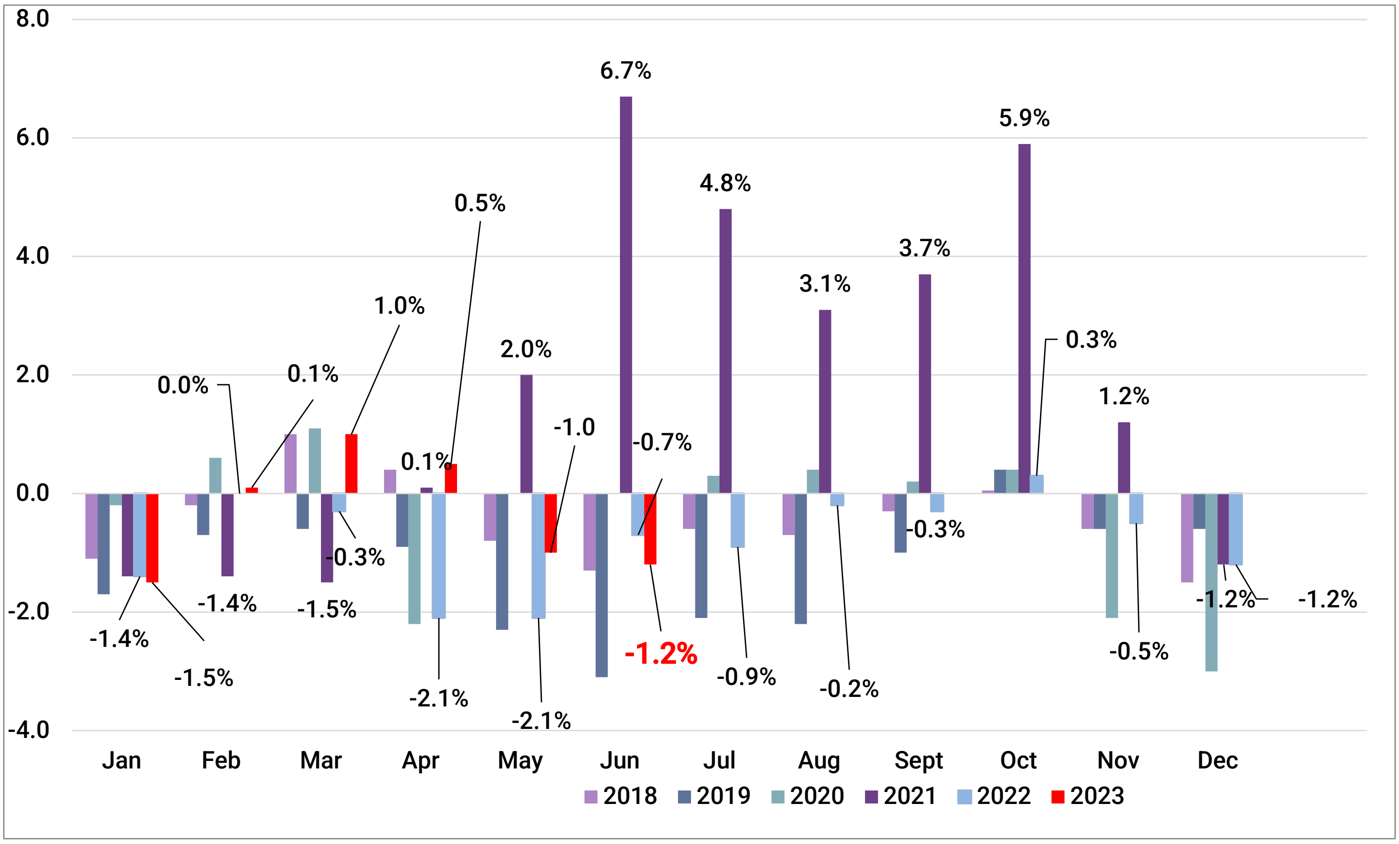



Similarly to the question on demand, conversion rates have improved for more auctions than in April, with over a quarter seeing an upturn and a further one-third seeing parity with April. However, there were still 40% seeing a downturn, pointing towards a lack of consistency amongst the different auctions for this metric, which may well be driven by the age, mileage and condition of stock that they are selling.

## Used cars – trade values

The first three months of the year saw small increases in Cap Live values each month, followed by a small drop, of 1.0%, in April. May has continued along a similar trajectory to that of April, with Cap Live values reducing by an average of 1.2% (or c.£250) at the 3-year, 60,000 mile point. Whilst this is the largest drop in a month so far this year, it is still relatively strong for the month when looking back historically. The last three years have been highly unusual, with lockdown in 2020, unprecedented strength in 2021 and low supply last year, but if you look back at more normal years, the average value drop for May Live values from 2013 to 2019 was -1.8%, with the largest being -3.1% in 2019 and the smallest -1.3% in 2018, so this year's movement remains on the strong side, driven by continued low supply compared to pre-COVID years. Trade volumes currently sit c.15% below 2019 and a similar percentage above last year.

Monthly percentage movements in Live valuations (3-years, 60k miles) – **June figure depicts May's Cap Live**




Values at the 1-year point dropped by a similar percentage – 1.1%, or c.£380, whilst older cars were more heavily affected in percentage terms, dropping by 1.7% (c.£200) at the 5-year point and 2.2% (c.£110) at 10-years old, a pointer to those older cars being less desirable currently. The drops at all age points are similar to those seen in April – very much a continuation of a theme.

There was a consistent picture amongst most mainstream sectors, with lower medium (C-Sector) dropping by the most on average, at 1.6% (c.£225), and others generally between 1.2% and 1.5% down. Upper medium, or D-Sector cars fared the best, reducing by an average of just 0.8% (c.£150), a pointer to their relative scarcity and lower prices when compared to SUVs. The more niche convertible and coupe cabriolet sectors are the only sectors to experience an average uplift in May's Live values – another traditionally seasonal occurrence, although the increases were small.

As has been the case for the last nine months, fuel-type continues to be the most interesting area to look at with regards to values. Electric Vehicles continue to drop in value on average, falling by 4.1% (or c.£850) at the 3-year point in May, compared to petrol and diesel averages at -1.0% (c.£200) and -1.1% (c.£220) respectively. At the 1-year point, the EV value drop averages 3.1% or nearly £1,100. There are now large nuances for different EV models values, however, with the Tesla Model 3 dropping slightly early on in the month, but recovering as May progressed and ending up level compared to where it was in April. The Tesla Model Y also remained level, whilst Models S and X both dropped by 3.0%, despite the confirmation that no more new right-hand drive variants of the latter two would be orderable in the UK – it remains to be seen whether this will drive up demand for used examples. The Polestar 2 Long Range, Nissan Ariya and Mini Cooper Electric all bucked the overall EV trend too, with the former increasing in value by an impressive c.4% on average, equivalent to c.£1,400, and the latter two remaining level.

However, a number of EVs continued to drop heavily in value. After nine months of value drops, some of the more aspirational and premium models are now attainable to more consumers that are interested in an EV. As a result, some models at the lower end of the price spectrum, particularly if the electric range does not compare favourably with others, are dropping in value, as they are simply too close to more aspirational vehicles. Some examples of large drops in May are the Peugeot 208 (down 9% or c.£1,000) Vauxhall Corsa Electric (down 8% or c.£850) and the Volkswagen Up Electric (down 8% or c.£800). As the EV market realigns pricewise, there are also some large drops

for more premium products such as the Audi E-Tron Sportback (-5%) the BMW i3 (-6%) and much of the Mercedes-Benz EQ range, dropping by between 2% and 7%. The devil really is in the detail for EVs.
However, when looking for positives, the average monthly drop for electric vehicles is the smallest this year, so there is a degree of stabilization, for some at least.

Hybrids and Plug-in Hybrids also dropped by more than the average in May, as mentioned previously, some look particularly expensive compared to other fuel-types. Average reductions were 2.4% and 1.7% respectively, both averaging c.£450, with some larger drops experienced by the Audi A6 Hybrid, the Hyundai Ioniq Hybrid and the Mercedes-Benz A-Class Hybrid which all fell by 4.0% in the month.

Overall, May's Live value movements can be classed as being on the strong side for the month in seasonal, historical terms, but many alternatively-fueled vehicles remain under pressure. The average drop at the three year age point, excluding alternatively-fueled vehicles was just 1.0% or £210.

## What next?

Last month, our prediction was:

*"It is likely that [in May] we will see more of what we have seen in April, with relatively gentle drops in value. Prices do remain high from increases over the last three years, and deflation is a normal fact of the used car market, so some small declines from high levels are to be expected.*

*For Battery Electric Vehicles, ……... Demand needs to improve, but prices are now more reasonable, so drops in values will likely not be as severe as they have been. The devil really is in the detail for these vehicles at the moment, however."*

There is little reason to predict anything other than a similar picture in June. Demand remains steady, with volumes well below pre-2020 seasonal norms, even though new car registrations are generating more used cars this year compared to last. The uncertainty of the May Bank Holidays will not be repeated, which could lead to an uptick in activity.

In June of last year, values dropped by 0.9%, with the two previous, highly unusual years experiencing increases of 4.9% in 2021 and 0.3% as the nation emerged from lockdown in 2020. Prior to the pandemic, the average value move during June, going back to 2013, was -1.2%, so it is generally a fairly stable month.

A further small average deflation in values is likely, but we are not predicting anything untoward. As always, attention to detail is important, as illustrated this month by the EV market, where different models and variants within models, have fared differently to each other. This is likely to continue for the foreseeable future for EVs as that area of the market realigns. Cap Live will, as always, report value changes, or otherwise, on a daily basis.

Finally, Option Values are now available within Valuation Anywhere, giving retailers and other subscribers the ability to value both a used vehicle with factory-fitted option content, as well as without.

## Current used valuations June 2023 - average value movements

| | 1 YR/10K | 3 YR/60K | 5 YR/80K | 10 YR/100k |
|---|---|---|---|---|
| City Car | (0.8%) | (1.2%) | (1.5%) | (2.5%) |
| Supermini | (1.5%) | (1.5%) | (2.2%) | (2.5%) |
| Lower Medium | (1.4%) | (1.6%) | (2.2%) | (2.8%) |
| Upper Medium | (0.2%) | (0.8%) | (1.8%) | (2.6%) |
| Executive | (0.9%) | (0.8%) | (1.0%) | (2.0%) |
| Large Executive | (1.3%) | (1.5%) | (1.9%) | (1.8%) |
| MPV | (1.6%) | (1.5%) | (1.6%) | (2.2%) |
| SUV | (1.3%) | (1.3%) | (1.5%) | (2.1%) |
| Convertible | 0.1% | 0.2% | 0.1% | 1.1% |
| Coupe Cabriolet | 3.0% | 1.4% | 0.2% | (0.2%) |
| Sports | (0.6%) | (0.6%) | (0.8%) | (0.9%) |
| Luxury Executive | (1.5%) | (1.7%) | (0.7%) | (0.4%) |
| Supercar | (0.8%) | (0.8%) | (1.1%) | 0.5% |
| **Overall Avg Book Movement** | **(1.1%)** | **(1.2%)** | **(1.7%)** | **(2.2%)** |

( ) Denotes negative percentages

| | 1 YR/10K | 3 YR/60K | 5 YR/80K | 10 YR/100k |
|---|---|---|---|---|
| MPV Small | 0.0% | (1.4%) | (1.8%) | (2.3%) |
| MPV Medium | (1.3%) | (1.3%) | (1.4%) | (2.2%) |
| MPV Large | (2.0%) | (1.9%) | (2.2%) | (2.1%) |
| SUV Small | (1.5%) | (1.2%) | (1.6%) | (0.6%) |
| SUV Medium | (1.4%) | (1.3%) | (1.5%) | (2.4%) |
| SUV Large | (0.7%) | (1.3%) | (1.4%) | (1.6%) |

( ) Denotes negative percentages

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***Notable Movers 1-yr 20k***

| | MIN £ | MAX £ | AVG £ |
|---|---|---|---|
| BMW 2 SERIES ACTIVE TOURER (14-22) DIESEL | (700) | (500 | (604) |
| BMW I3 (13-22) | (1,350) | (1,000) | (1,188) |
| CITROEN C1 (14-22) | (250) | (225) | (241) |
| FIAT 500 (15- ) | (250) | (200) | (235) |
| FORD FIESTA (17-22) | (650) | (250) | (339) |
| HYUNDAI KONA (18- ) Electric | (900) | (650) | (762) |
| JAGUAR XF (15- ) DIESEL | (900) | (700) | (800) |
| PEUGEOT 308 (13-21) | (1,000) | (650) | (823) |
| PORSCHE MACAN (18- ) | 800 | 1,100 | 957 |
| VOLKSWAGEN TIGUAN (16- ) | (800) | (450) | (569) |

**( ) Denotes negative value**

***Notable Movers 3-yr 60k***

| | MIN £ | MAX £ | AVG £ |
|---|---|---|---|
| AUDI A5 CABRIOLET (16-20) DIESEL | 600 | 850 | 671 |
| BMW 3 SERIES (12-19) DIESEL | (1,050) | (550) | (764) |
| DACIA SANDERO (13-20) DIESEL | (450) | (350) | (400) |
| PEUGEOT 2008 (19- ) Electric | (800) | (750) | (775) |
| RENAULT CLIO (13-20) DIESEL | (500) | (275) | (400) |
| RENAULT ZOE (13-20) ELECTRIC | (900) | (775) | (837) |
| SEAT LEON (13-20) DIESEL | (850) | (375) | (624) |
| TOYOTA AURIS (12-19) HYBRID | (1,150) | (800) | (1,020) |
| TOYOTA PRIUS (15-19) HYBRID | (900) | (850) | (883) |
| VAUXHALL CORSA (14-20) | (500) | (225) | (359) |

**( ) Denotes negative value**