

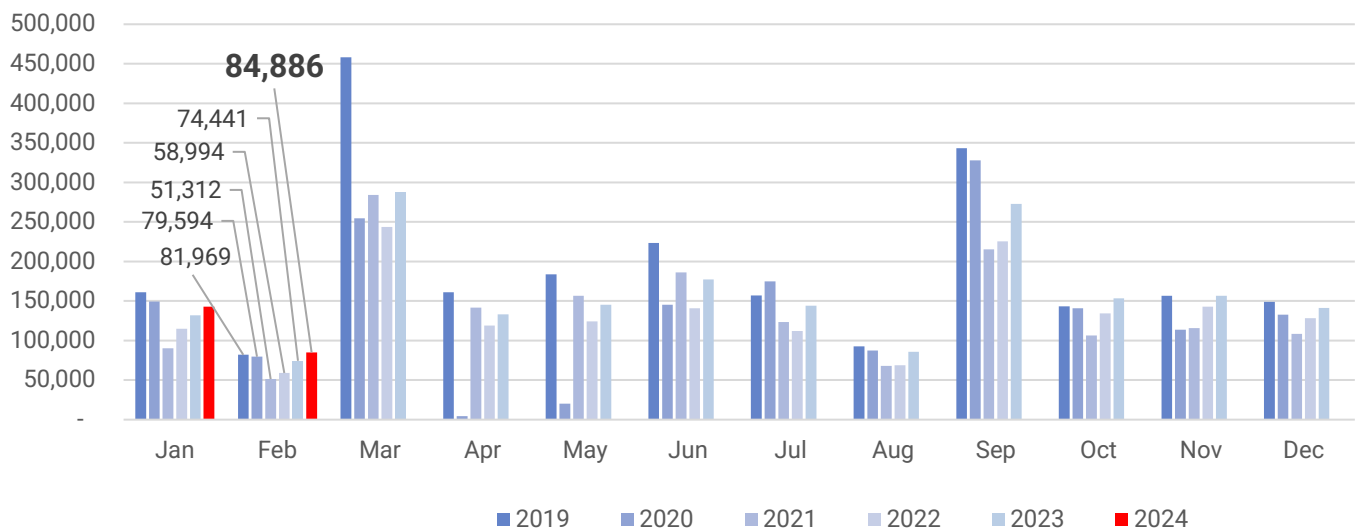
April 2024

# 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 February 2024 and used car activity at the time of writing. All information is correct as of 25<sup>th</sup> March 2024.

## New car sales

The latest registration figures produced by the Society of Motor Manufacturers and Traders (SMMT), reported the highest number for the month of February for 20 years, with 84,886 cars registered. This was an increase of 14% or 10,445 units over the same month last year and 2,917 (3.6%) more than in pre-COVID 2019. It was also the 19<sup>th</sup> consecutive month of year-on-year growth.



Source: SMMT

The Fleet sector continues to drive the growth, posting a 25.2% increase over February 2023, with 54,740 cars registered, for a share of 64.5%. Private registrations were down 2.6%, with 28,630 registrations and a share of 33.7%. The balance is made up of Business registrations, with share at 1.8%, an increase of 15.5%. Some of this switch into fleet is due to the increase in salary sacrifice business, which show as fleet registrations and are not reported separately. Daily Rental registrations saw a healthy increase over last year, up almost 200%, with the largest volume in February for 4 years, but they are still relatively low volumes, down over 60% compared to pre-COVID times.

Battery electric vehicles (BEVs) continue to increase in the fleet sector, with an overall rise of 21.8% for the month and 21.3% for the year so far. Year-to-date market share is 15.8%, an important metric as manufacturers chase the Zero Emission Vehicle (ZEV) mandate figure of 22% to avoid significant government fines. Of course some manufacturers are solely electric and others will look to mitigate fines in other ways, but the share of market for BEVs is still an important metric.

Petrol car volumes increased by 13.3% in February, up 9.5% year-to-date for a 57.0% share. Diesel cars continued their decline, down 7.4% for the month and 9.2% for the year, with share sitting at just 6.3%. Plug-in hybrids (PHEVs) increased by 29.1% in February and are up 30.4% year-to-date (7.9% share), whilst pure hybrid electric vehicles (HEVs) were up 12.1% in the month and 3.3% so far this year, with market share at 13.0%.

All eyes are now on the plate-change month of March, which at the time of writing was tracking double-digit growth ver the equivalent number of days of March last year.

# Car editorial

By cap hpi

## Used car retail activity

March, like February, has again continued on a similar path where used car sales have remained healthy within an overall upbeat and stable retail market place. The general consensus is that consumer enquiries remain at good levels, which in turn has converted into pleasing degrees of success. Profit margins are being maintained at similar levels to the previous two months of the year, and stock churn has been good. This return to what can only be described as 'normal seasonality' has been a much needed period of stability which has been welcomed by retailers, and during this important first quarter of the year.

The only area of the retail market which still remains patchy and inconsistent, is within the battery electric vehicle (BEV) arena. Volumes continue to increase year-on-year and month-on-month, and whilst consumer demand levels remain reasonably good, supply can outstrip demand for some models, especially at the more expensive end of the market. Many retailers continue to be reluctant in buying and stocking BEV's, which can be hard to fathom given that prices have dropped on average by around 51% over the past 19 months at the 3 year age point, and can look far cheaper than their ICE equivalents, sometimes by thousands of pounds. For context, Petrol engined cars have only dropped by c.10% on average at the same age point and during the same 19 month period, highlighting that many dealers still continue to buy what they know. Price point remains absolutely key within this niche area of the used BEV market, and the sub £20-£25k is where the market is moving much more freely. We continue to see that their average days in stock remain comparable to internal combustion engine vehicles. Of the volume models which include Nissan Leaf, Tesla Model 3, Audi E-Tron, Jaguar I-Pace and Kia E-Niro the average days in stock sit between 23 to 28 days.

When analysing 3-year-old (21/21 plate) used BEV adverts within our retail database, we found some enticing options available at attractive prices. For instance, listings for the Tesla Model 3 Long Range start at £20,000, the Vauxhall Corsa SRi Nav Premium at £11,499, MG ZS Excite at £11,399, and the VW I.D.3 Life Pro Performance at £13,999. These prices make used BEVs affordable and accessible to a much wider range of consumers and offer superb value for money, not to mention the overall savings in total cost of ownership and running costs - a real positive that is not always communicated enough to consumers.

Many manufacturers have been seeking further support from the UK government to assist private consumers in their journey towards BEVs. During the recent budget, there were hopes for measures to support the industry, such as a reduction in VAT on public charging, to match that of home charging, or even a cut in VAT for new electric vehicle sales. Unfortunately, no specific measures were announced in the budget, making the challenge of meeting the Zero Emission Vehicle (ZEV) mandate a complex one for the industry. While the availability of discounts and incentives is positive news for consumers, government support would further facilitate the adoption of electric vehicles and help manufacturers meet their targets.

In short, to summarise, quarter one can now be described as a good solid start to the year and with an overall continued air of positivity with consumer demand remaining healthy.

## Used car remarketing activity

With the retail market performing well and remaining in robust health, this has led to an overall positive and stable trading environment, which looks and feels well balanced. Whilst wholesale supply levels have been increasing month-on-month, this has not really led to any downturn in buyer activity or sales conversions. Our sold data supply volumes are now almost back to pre-COVID levels, and also up on last year, so we are now definitely witnessing much more normalised supply cycles and trading conditions.

Cars in good condition with low mileage and holding good provenance are still the most sought after within the market (no surprise there!), and across all mainstream vehicle sectors. These are viewed as being fast churning good retail stock, and this is where competition remains strong and despite the increase in wholesale supply levels throughout this new registration plate month. This injection of increased used supply into the market has certainly not dampened down desire to buy, and current supply and demand levels are still being very well matched.

# Car editorial

By cap hpi

Auctions conversion rates continue to remain healthy for fleet vendors and are performing around 70%-80%'s on average, with some remarketers still achieving well above this. These are vendors who may have opted for damaged stock to be cosmetically enhanced prior to being offered for sale, in order to maintain buyer engagement whilst maximising returns. Vehicles which have collated more than average miles, are of much poorer condition and maybe carry some mechanical or electrical issues, are the ones which can struggle to find homes at unrealistic reserves. This area of the market can be the most challenging and vendors may need to retune their expectations when benchmarking and setting their reserves close to cap clean figures.

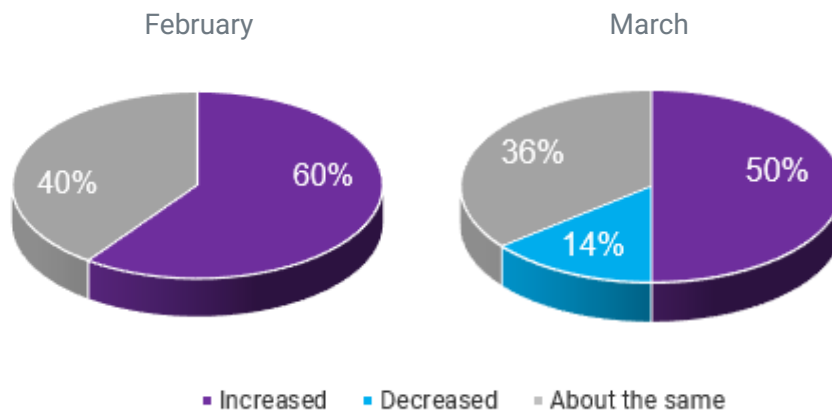
Electric cars continue to vary in terms of trade performance, which is not surprising given the inconsistent and patchy demand within the used retail market. We must also highlight the ever present and growing push of BEV registration activity within the new car market, where high discounts, large deposit contributions and/or 0% finance offers are currently being offered from a significant number of manufacturers. This in turn continues to negatively impact BEV values early in their life cycles and unfortunately creates a ripple effect within the used car market. This is likely to remain a keen area of interest within the market and will continue to be monitored closely.

However, there are positives regarding the auction performance of BEV's. Approximately 12 months ago, conversion rates at auction for BEVs were around 50% but there has been a significant improvement since then, with some auction houses now reporting conversion rates in the range of 80%'s. This indicates a higher percentage of BEVs being successfully sold at auction, reflecting growing confidence and acceptance of these vehicles among buyers and retailers.

Overall, trading activity remains stable with some areas of the market just starting to turn as we head into the Easter break.

The March auction survey results:

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

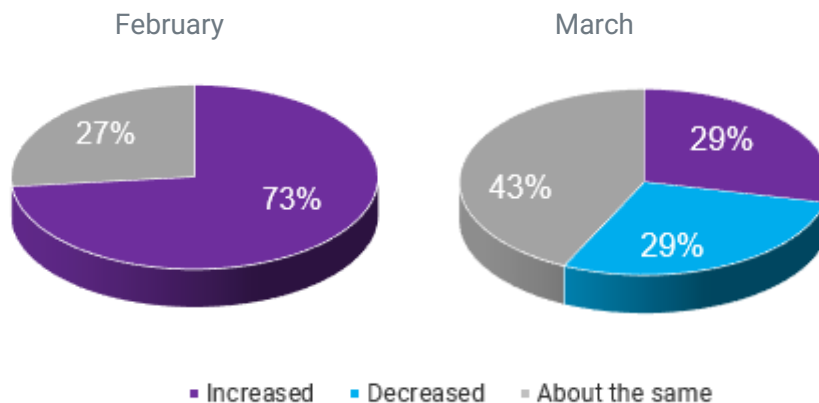


A similar response in March to February with stock levels either increasing or remaining the same for the vast majority of respondents, with only 14% stating a drop. With used car supply increasing throughout this month, and with supply cycles beginning to normalise, how long will this last for given the c.2.5 million shortfall in car registrations since the pandemic. Only time will tell.

# Car editorial

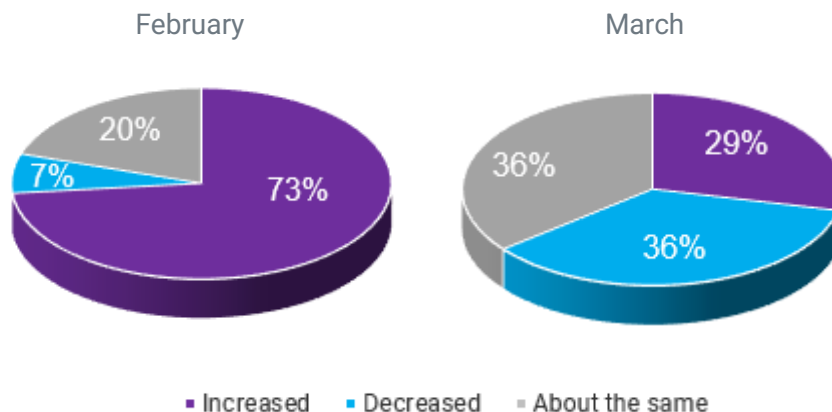
By cap hpi

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



A real split in demand this month when compared to February, when 100% of respondents stated demand had increased or remained unchanged from January. With the Easter break just around the corner now, coupled with more supply and choice available, maybe it's not surprising to see demand starting to cool a little, as almost a third of respondents stating a decrease compared to none last month. With well over two thirds reporting an increase or at least staying the same, this again highlights the underlying stability within the market.

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

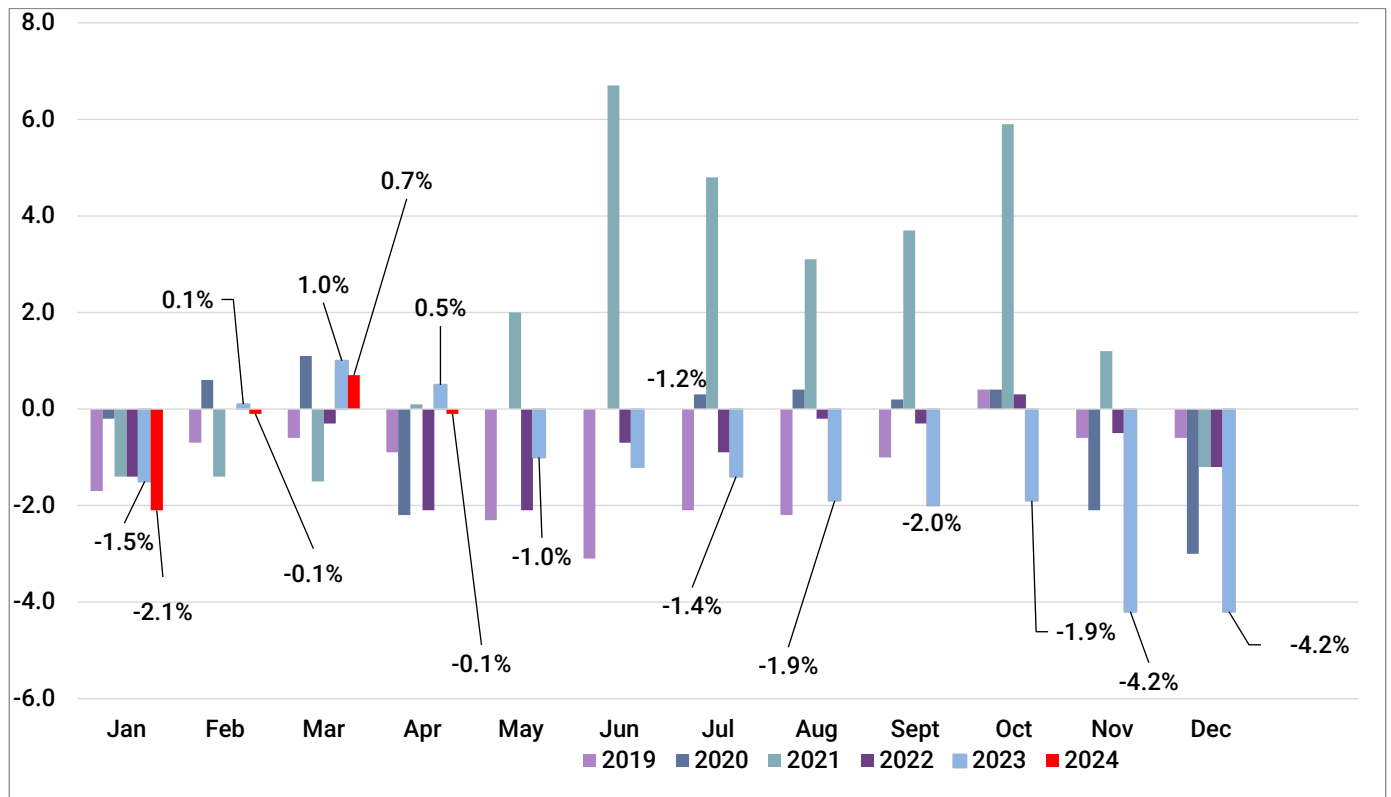


A very similar split to demand when comparing conversion rates to last month. Again, potentially another small indication that the market has started to turn ever so slightly, as a third of respondents stating that conversions have fallen compared to only 7% last month. Two thirds of respondents still reporting increases or being at least the same as February, which again underlines the overall market sentiment.

## Used cars – trade values.

So what has this all led to in terms of Cap Live values throughout March? The headline movement at 3-years, 60,000 miles is a very small decrease of just 0.1%, or equivalent to a c.£70 reduction. This again highlights the stable market conditions mentioned previously within this overview, and is the third strongest March into April monthly movement since 2019.

## Monthly percentage movements in Live valuations (3-years, 60k miles) – April 2024 figure depicts March 2024's Cap Live



Now looking at the other age points, the 1-year position also decreased by a minimal 0.1%, with the 5-year and 10-year age points also decreasing in value by 0.7% and 1.8% respectively. As we reported last month, older high mileage and damaged stock still continues to be the most challenging part of the market, with further deductions being applied throughout the month.

Turning to sectors, City Car was the strongest performing mainstream sector increasing by 1.1% or c. £80 at 3-years. Some of the largest increases within this sector were for Fiat Panda, up 3.4% or c.£225, Peugeot 108, up 1.3% or c. £80 & Citroen C1, up 1.1 or c. £60. City cars continue to remain a popular choice with buyers due to being quick sellers and very affordable for consumers. MPV's dropped marginally by 0.1% or c.£40 and SUV's remained level, although when you break these down by vehicle size (small, medium, large) this does not necessarily reflect the average sector movements, so, as always, the devil is very much in the detail. Supermini also fell by 0.2% or c.£20, Lower Medium is down 0.3% or c.£40 and Upper Medium is also down 0.4% or c.£60. A continuing theme of some very small drops across most sectors, but nothing untoward or out of line when compared to pre-COVID historic March into April monthly movements.

Looking at fuel types in isolation, both Hybrid and Petrol have increased by 0.5% and 0.2% respectively, whereas Diesel has decreased by 0.3%, Plugin Hybrid is down 0.7% with BEVs further declining by 2.3% or equivalent to £525. Notable BEV ranges that have seen values reduce at 3-years this month are the Citroen C4 (-6%/£600), Hyundai Ioniq (-4.9%/£500), Nissan Leaf (-5.9%/£600) and VW ID.3 (-6.1%/£880). Two vehicles that saw values increase at the same age point are: BMW iX (2%/£600) and Mercedes EQA (1%/£200). Of all the BEVs we value at 3-years, 75% saw values reduce, 20% remain level and just 5% saw values increase.

The availability of electric vehicles in the used wholesale market continues to expand, offering buyers a greater selection than ever before. In terms of sold data, we have already received nearly 40% of last year's total sold volume in the first three months of the year. However, BEV's still only make up around 4% of all the sold data we have received this year, across all vehicles of all ages and mileages, although that does increase to c.12% for cars up to 3 years old.

# Car editorial

By cap hpi

At 1 year, values have also reduced by -1.8% or £630 heading into April. Notable movers are: Audi Q8 E-Tron Sportback (-4%/£2,300), BMW i7 (-5%/£4,800), BYD Atto 3 (-7.9%/£2,275) Honda ENY1 (-6.8%/£2,000), ORA CAT (-7.8%/£1,625), Peugeot 308 (-5%/£1,350) and Toyota BZ4X (-6.9%/£2,350). These decreases at 1-year values aligns with the compelling new car offers, as previously highlighted in this overview. Two examples of models that saw values increase at 1-year are: BMW iX1 (2%/£675) and the Kia EV6 (c.1%/£220).

## What next?

Last month, our prediction was:

*"With the new "24" plate entering the market from 1<sup>st</sup> March, there will be increased volumes in the used market, from fleet returns and part-exchanges, as we progress deeper into the month and beyond. There will also be strong new car offers, particularly on BEVs, as manufacturers chase market share whilst attempting to hit stringent ZEV mandate targets. However, these increased volumes are unlikely to adversely affect used values until April at the earliest, and even then any effect is unlikely to be overly harsh."*

*The average movement in March Live values over the last 10-years is a small downward movement of 0.4%. However, when you remove the COVID affected month of March 2020, this increases to a minimal -0.2%. It is generally a month where values do not move by much, ..... there can be variation, but this time around there is no reason to suggest anything untoward or anything other than a continuation of small positive movements."*

As we approach the end of March and the Easter school holiday period, there may be a slight dip in values at the 3-year age point throughout April, as the very latest sentiment is pointing to a very slight softening in the last couple of days. However, any reduction is expected to be in line with more normalised seasonal trends, as seen before the COVID-19 pandemic.

The used car market will no doubt see a further increase in volumes of used cars, primarily from fleet returns and March registration replacements, so retailers will have plenty of choice and may not be willing to purchase vehicles at the same prices they have previously paid.

As the electric vehicle market continues to mature, there could be some further adjustments to come as a number of manufacturers compete on price and try and hit ZEV mandate targets. A continuation of strong new car offers and registration activity is likely to remain and therefore may further impact values.

As illustrated by the electric vehicle market in particular, the averages do not paint anywhere near a full picture and Cap Live values remain vitally important for buying and selling in the used market.

# Car editorial

By cap hpi

## Current used valuations April 2024 - average value movements

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
City Car	1.1%	1.1%	0.1%	(0.2%)
Supermini	0.9%	(0.2%)	(1.1%)	(3.0%)
Lower Medium	0.0%	(0.3%)	(1.0%)	(1.8%)
Upper Medium	(0.2%)	(0.4%)	(1.1%)	(1.8%)
Executive	(0.5%)	(0.6%)	(1.0%)	(3.3%)
Large Executive	(1.5%)	(1.8%)	(1.6%)	(1.9%)
MPV	(0.5%)	(0.1%)	(0.7%)	(0.9%)
SUV	(0.0%)	(0.0%)	(0.5%)	(2.2%)
Convertible	1.3%	1.6%	1.3%	(0.1%)
Coupe Cabriolet	2.1%	1.7%	1.6%	0.8%
Sports	(0.2%)	(0.1%)	0.2%	(0.4%)
Luxury Executive	(1.9%)	(2.2%)	(2.0%)	(2.3%)
Supercar	(0.2%)	(0.4%)	(0.2%)	0.3%
<b>Overall Avg Book Movement</b>	<b>(0.1%)</b>	<b>(0.1%)</b>	<b>(0.7%)</b>	<b>(1.8%)</b>

( ) Denotes negative percentages

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
MPV Medium	0.2%	0.3%	(0.8%)	(1.0%)
MPV Large	(1.2%)	(0.6%)	(0.5%)	(0.9%)
SUV Small	0.4%	(0.3%)	(0.9%)	(2.1%)
SUV Medium	0.3%	0.3%	(0.3%)	(2.2%)
SUV Large	(1.0%)	(0.9%)	(1.0%)	(2.5%)
MPV Medium	0.2%	0.3%	(0.8%)	(1.0%)

( ) Denotes negative percentages

# Car editorial

By cap hpi

## Notable Movers 1-yr 20k

	MIN £	MAX £	AVG £
AUDI Q2 (16- )	300	350	318
BMW 5 SERIES (16- ) DIESEL	(400)	(250)	(318)
BMW I3 (13-22)	(1,250)	(1,000)	(1,127)
FIAT 500 (15- )	175	200	187
FIAT TIPO (16- )	(450)	(300)	(391)
PEUGEOT 108 (14-22)	325	375	350
SEAT ATECA (16- )	350	600	547
SKODA KODIAQ (16- )	400	900	672
TESLA MODEL 3	(800)	(250)	(533)
VOLVO XC90 (14- ) HYBRID	(1,100)	(1,000)	(1,025)

( ) Denotes negative value

## Notable Movers 3-yr 60k

	MIN £	MAX £	AVG £
BMW M4 (14-20)	(600)	(550)	(587)
CITROEN C4 CACTUS (14-21)	(400)	(325)	(362)
KIA SORENTO (15-21) DIESEL	400	800	600
MAZDA MX-5 (15- )	300	400	341
MERCEDES-BENZ E CLASS (16- ) DIESEL	(900)	(200)	(563)
PEUGEOT 5008 (17- )	250	350	305
TESLA MODEL S (19-21)	(1,300)	(1,300)	(1,300)
VAUXHALL INSIGNIA GRAND SPORT (17-20) DIESEL	(600)	(350)	(418)
VOLKSWAGEN GOLF (14-20) HYBRID	(350)	(350)	(350)
VOLKSWAGEN TIGUAN (16- ) DIESEL	250	500	367

( ) Denotes negative value