

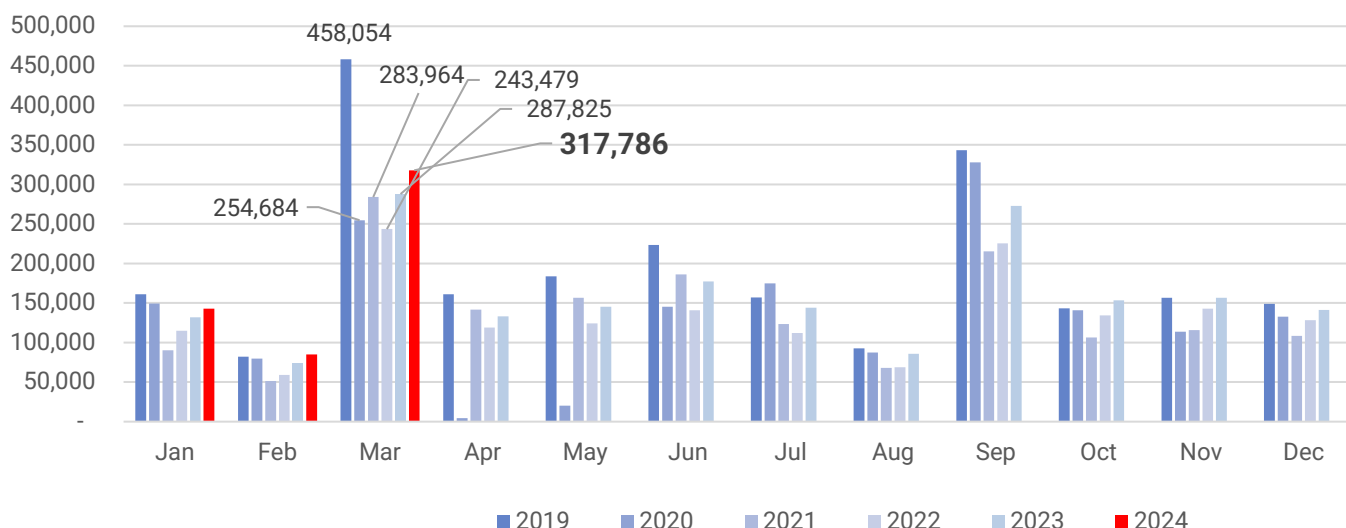
May 2024

# 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 March 2024 and used car activity at the time of writing. All information is correct as of 24<sup>th</sup> April 2024.

## New car sales

The registration figures produced by the Society of Motor Manufacturers and Traders (SMMT) for the pivotal month of March reported an increase of 10.4% over the same month last year. This was the 20<sup>th</sup> consecutive month of year-on-year growth and the strongest March since 2019. 317,786 cars were registered compared to 287,825 in 2023. However, this figures is 30.6% down on March 2019, when 458,054 cars were registered.



Source: SMMT

The growth over last year continues to be driven by the fleet sector, which increased by 29.6%, for a 57.1% share. Private registrations were actually lower than last March, down 7.7% for a 40.4% share. These figures are skewed by the popularity of salary sacrifice, which sits within the fleet sector but figures are not split out by the SMMT; nevertheless the retail sector is struggling. Year-to-date, Fleet registrations are up 28.9%, with Private registrations down 9.2%, with shares respectively at 59.8% and 38.0%. Historically these were far more even. Within these Fleet registrations, Daily Rental volumes increased by 150% for the month, whilst being 53% down on March 2019, with similar percentages year-to-date.

Looking at fuel-type, petrol registrations were up 9.2% in the month, for a 55.7% share of the market. So far in 2024, they are up 9.4% for a 56.3% share. Diesel registrations continue to decline, down 2.7% for March and -5.3% year-to-date, with share at just 6.9% for the year.

Battery Electric Vehicle (BEV) volumes continued to grow (+3.8%), and recorded their largest ever registration volume in a month, but this growth has slowed, it is at 10.6% year-to-date, and is completely driven by the Fleet market. Share was at 15.2% for the month (15.5% YTD). Only a handful of manufacturers are close to achieving the Zero Emission Mandate target of 22% BEV share set by the government for 2024. Plug-in Hybrids grew by 36.7% in March for a 7.7% share, similar to their year-to-date growth, whilst Hybrid Electric Vehicles (HEVs) were up by 19.6% in March, 12.5% for the year, for a share of 14.0% in the month and 13.6% for the year.

## Used car retail activity

# Car editorial

By cap hpi

The last month of Cap Live valuations has encompassed the Easter period, which can be a tricky time for retailers, with the holiday season having an effect on demand. The run up to Easter, so the last week of March, was relatively healthy, however. Once we moved beyond the Bank Holiday weekend, and the school holidays were in full swing, the retail market dipped a little, with consumer demand waning. To caveat this, it only dropped slightly and in-line with what normally happens at this time of year. The market feels healthy still, but a number of retailers have expressed that demand is slightly below where they had hoped and budgeted for, after a strong first quarter. There is much talk about a return to “seasonal norms”.

There has been some movement down on retail pricing, but this continues to be on “overaged” stock or if cars have been bought behind Cap values in the trade rather than on a particularly widescale basis.

Petrol-engine vehicles have continued to be the flavour of the month, with dealers comfortable that they will sell these quicker than other fuel-types. Smaller cars, including small SUVs, form a large part of this desire from retailers and consumers alike. Petrol cars and pure hybrids have been the fastest-selling cars off forecourts in April, based on the metrics of when vehicles are first advertised on a retail website and when they are removed. Interestingly, both BEVs and diesel engine cars have been the slowest to sell, and this has made dealers wary about overstocking. Why fill the space on a forecourt with an EV that they are not 100% comfortable with selling to a consumer, when there are plenty of petrol cars generated by fleet returns and part exchanges from the new registration plate in March?

Used Battery Electric Vehicles remain the most talked about and difficult area of the retail market. With strong new car offers and heavy discounting leading to reasonable deposits and monthly payments, there is no silver bullet to selling used vehicles in the volumes required to mop up those appearing in the second-hand arena. That said, prices do look attractive on many BEV models and there is consumer demand, it is just more that a customer has already done their homework on purchasing, so selling to a convert is not difficult, but switching a potential buyer from a petrol car to an electric car is difficult and also needless when there is no shortage of the former.

From the retail data analysed, we can see that only 17% of independent dealers have advertised a BEV in the last 6-months. Are they missing a profit opportunity – some margins certainly look healthy for those that are stocking them – or are they right to be careful after the volatility of the last 18-months or so? Whilst this figure is particularly low, perhaps more of a concern is that less than half (43%) of franchised dealers have advertised a BEV, and only 49% of car supermarkets. There remains a reticence to stock and with used volumes only going to increase, something needs to change over the coming months and years. Many of the volume models do offer comparable stockturn to internal combustion engines vehicles. Currently for adverts that have been uploaded this year models such as the aspirational and reasonably priced Tesla Model 3 have an average days to sell of 23 days, the Vauxhall Corsa Electric is at 27 days, Peugeot 2008 Electric 25 days and Renault Zoe 28 days. The consumer can certainly find some attractively priced BEVs without looking too far.

Overall, a seasonal feel to the used retail market, solid trading, not as good as before Easter, but healthy enough. But, concerns surrounding the used electric vehicle landscape remain.

## Used car remarketing activity

The wholesale market was also affected by the Easter period, with sales volumes larger before the Bank Holiday weekend than after, with dealers stocking-up, then easing off slightly on their purchasing activity. Sold trade volumes in the 4 day working week prior to Easter were 13% above the same week last year and almost 3% above the same period in 2019 – the year before COVID hit. Certainly a strong week of trading. After the long weekend, volumes did decrease, but over the 2 week period, the numbers sold were 8% above Easter 2023 and 1% above Easter 2019. Once we returned to 5 day working weeks, volumes were only around 4% above the same week in 2023 and dropped to 8% below the equivalent weeks in 2019.

Conversion rates have also declined over the last few weeks, being on a downward trajectory since the middle of March. This has been largely affected by increased volumes appearing in the used market though, from fleet returns in particular, generated by new-plate registration activity. There is more choice than a few weeks ago and with consumer demand dipping slightly and dealers stocking up pre-Easter, inevitably conversion rates were going to dip. They are not through the floor, however, but are lower than this time last year, mainly due to higher available volumes

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By cap hpi

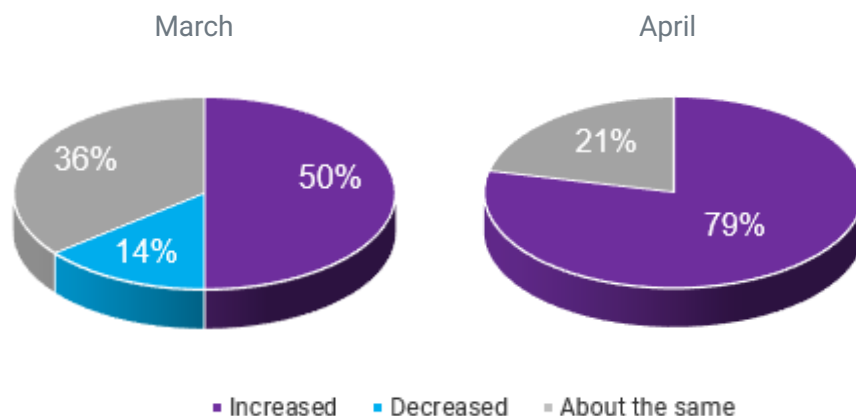
this time around. Good condition, retail-friendly vehicles have continued to sell well and be in demand, but buyers are being selective on what they want to buy, preferring to pay more for desirable, quick selling, stock rather than invest in a depreciating asset that might come back to haunt them financially. Poor condition cars, or those with missing documentation or no service history, are tough at the best of times but have proved to be even more of a challenge. Appraising and pricing vehicles correctly remains key for vendors to move stock quickly.

Battery Electric Vehicles are selling in the wholesale market, indeed so far this year we have received over half of the whole of last year's trade sold volumes in less than four months. This equates to an increase of over 120%. Dealers are buying them, but being careful and not over-stocking, and there are plenty more coming down the line so there is no need to overpay. Indeed, with petrol cars selling relatively quicker off forecourts, buyers are generally only looking to buy BEVs if they can pay behind Cap values, particularly as they are wary around potential upcoming Cap Live drops. Paying behind Cap can obviously become a self-fulfilling prophecy, dragging values down. Hybrids and Plug-in Hybrids remain more in-line with petrol purchases, as they sell quicker off forecourts than pure battery electric vehicles and are an easier "halfway house" sale to a consumer.

Generally, April has met traditional market expectations – buyers have been active but not to the same degree as in earlier months this year. Again, a seasonal feel to the market.

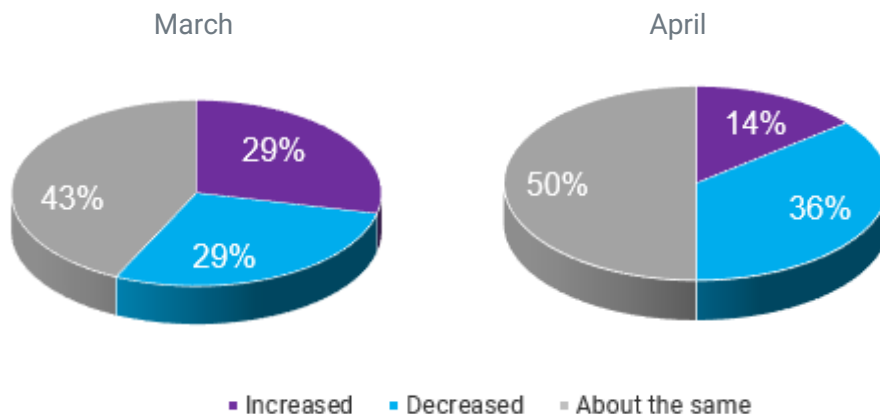
Below are the April auction survey results:

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



As expected following a plate-change month, there has been a welcome generation of stock for the majority of auction companies. No respondents saw a decline and only a minority did not see an improvement, maybe not helped by reliance on retail part-exchanges rather than ex-fleet stock.

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

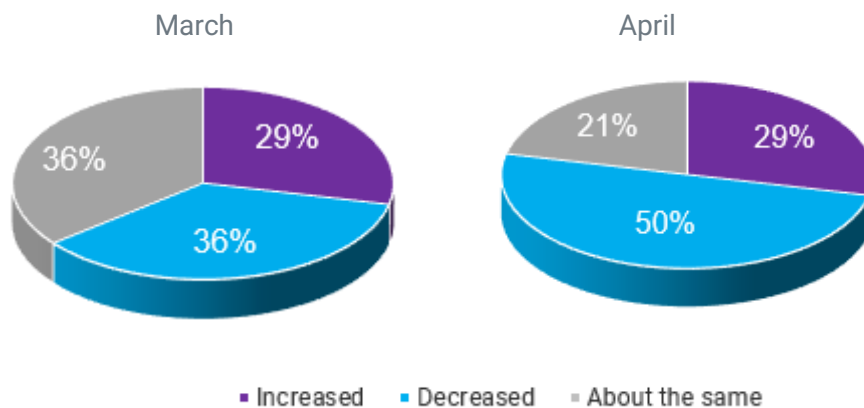


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Demand was a little more mixed, but almost 90% have either witnessed a decline or parity with the position in April. However, if you look at this a different way, over half of auctions have not seen demand diminish and they remain positive within their anecdotal feedback. Again, BEVs are a hot topic, and over one-third of respondents reported a decline in demand for both hybrids and electric vehicles, with the remainder seeing parity with the previous month. Worryingly, with BEV volumes only increasing, but not surprisingly, no one reported increased demand for this fuel-type.

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

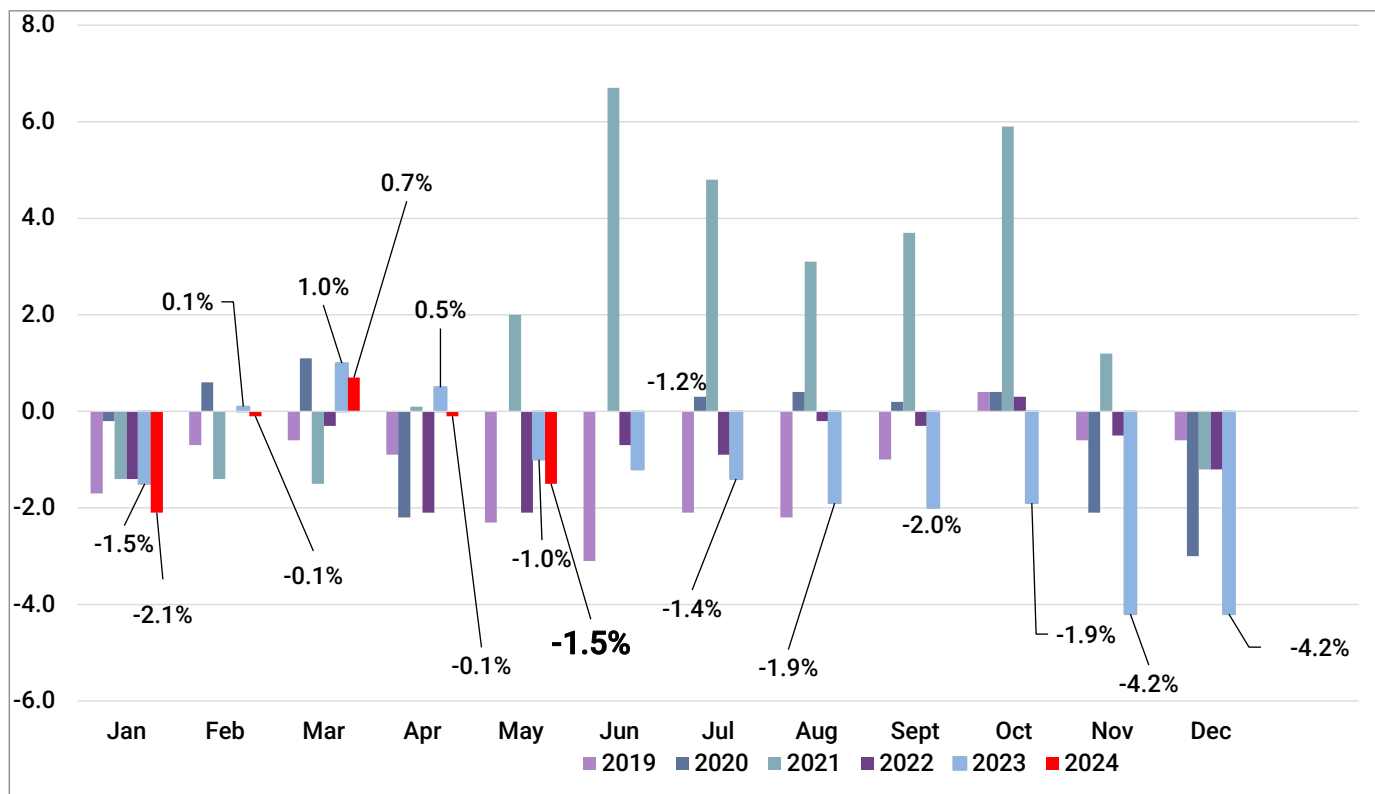


Conversion rates declined for half of respondents, but there was then a fairly even split between those seeing a slight increasing and those seeing a decline. A mixed view for this metric.

## Used cars – trade values.

So what has this return to seasonal norms meant for used values? At the benchmark 3-year, 60,000 mile point, average values have dropped by 1.5%, equivalent to c.£300. This is off the back of values increasing by 0.5% over the first quarter of the year and reflects a small softening in demand and an increase in supply. Comparing this to previous years, the average April Live for May monthly movement in the previous 12 years since Cap Live was introduced was a 1.2% drop. If we exclude the highly unusual years of 2020 (COVID lockdown) and 2021 (when values increased for an 8 month period), the average decline in April is very close to this year, at -1.6%.

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



Values at the 1-year age point declined by a similar 1.3% or c.£470, but it is at the older end that values reduced by more, dropping by 2.0% at 5-years old and 3.0% at the 10-year point, equivalent to c.£240 and c.£145 respectively. Higher mileage, poor condition cars have been particularly weak in the sold data.

Looking at sectors, with the exception of seasonally attractive convertibles and coupe cabriolets, all sectors experienced an average drop in values in April's Cap Live at the 3-year age point. Upper medium, or D-Sector, cars dropped by the most, with BEV and diesel models heavily affected. Volumes continue to reduce in this sector, with the overall share of the used market for these cars halving over the last 10 years, with SUVs taking the lions share of that. Even with that decline in supply, demand is no longer keeping up and there was a 2.3% (c.£400) average decline. There were a number of larger than average drops for traditional fuel-type models, around the 4% mark for the Mercedes-Benz C-Class Coupe Diesel, Vauxhall Insignia Gran Sport Diesel, the Volkswagen Arteon Diesel and the Volvo S60 Petrol.

City Cars were in demand over the first quarter of the year, increasing in value on average by over 3%. Again this is a diminishing sector volume-wise as they are not particularly profitable for manufacturers to produce. Those used value increases have come to an end for now though, with values falling by 1.7% (c.£150) in April. This does not feel anything untoward, however, with no models decreasing by much more than the average.

The largest sector by far with regards to volume is the SUV one, now making up 35% of the sold trade volume, 15% more than the next biggest sector (lower medium or C Sector). Values for SUVs dropped by 1.6% (c.£375), with the large SUVs the worst affected, declining by 2.3% or a significant £875 on average, not helped by some large drops for battery electric SUVs. Of the internal combustion engine models, Land Rover product again struggled, with a large number dropping by between 4 and 6%, which equates to thousands of pounds at 3-years old.

Turning to fuel-type, unsurprisingly given the tone of the retail and wholesale sections of this overview, BEVs saw the largest average declines, dropping by 3.7% (c.£780) on average (compared to petrol at 1.0%/£200 and diesel at 1.9%/£380). This is the largest BEV drop since June of last year. Models that have seen large drops in value include the Toyota BZ4X (-12.5%/£2,800), Nissan Leaf (-8.5%/£800), Polestar 2 (-7.0%/£1,300), Ford Mustang Mach-E (-

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5.5%/£1,225) and Volkswagen ID.3 (-5.0%/£650). Showing how mixed demand is for this fuel-type though, the Honda e, Lexus UX, and Seat MII all remained level, while the Mini Cooper (1.0%/£100) and Cupra Born (2.1%/£300) experienced an increase in value.

Diesel values could be one to watch as they have underperformed versus petrol ones for the last 4 months now.

## What next?

Last month, our prediction was:

*"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."*

Bearing in mind the supply/demand dynamics at the time of writing, with conversion rates and prices continuing to decline at auction in particular, it would not be a surprise to see values continuing to gently dip in Cap Live in May, in what is traditionally one of the more difficult months of the year, with supply still high from swapped cars from March and April new car activity, plus Bank Holidays to contend with. The average movement in values since 2012, again excluding 2020 and 2021 due to the highly unusual used market in those years, was -1.6% and the years from 2012 to 2018 all saw quite similar downward movements. So, if we are returning to seasonal norms, somewhere close to this average would not be a shock.

Battery Electric models will likely continue to see mixed value moves. There have been some incredibly large drops this month, which may help stimulate demand, but there could also be some large movements to come for some cars as they continue to find their place in the market.

Cap Live continues to be an essential tool, never more so than in a market where there can be different models moving by different amounts in different directions. A close eye on daily movements is strongly recommended for vendors and buyers alike.

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## Current used valuations May 2024 - average value movements

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
City Car	(0.5%)	(1.7%)	(2.2%)	(2.1%)
Supermini	(1.3%)	(1.3%)	(1.8%)	(2.3%)
Lower Medium	(1.7%)	(1.6%)	(2.6%)	(2.9%)
Upper Medium	(0.3%)	(2.3%)	(2.9%)	(4.2%)
Executive	(0.7%)	(1.1%)	(1.5%)	(1.9%)
Large Executive	(1.2%)	(1.5%)	(1.3%)	(3.8%)
MPV	(1.3%)	(1.8%)	(2.0%)	(2.8%)
SUV	(1.6%)	(1.6%)	(1.9%)	(3.4%)
Convertible	0.2%	0.2%	(0.0%)	(1.1%)
Coupe Cabriolet	1.0%	2.0%	1.0%	0.1%
Sports	(0.7%)	(0.6%)	(0.8%)	(2.0%)
Luxury Executive	(0.1%)	(0.4%)	(1.1%)	(2.3%)
Supercar	(0.3%)	(0.2%)	(0.0%)	(0.0%)
<b>Overall Avg Book Movement</b>	<b>(1.3%)</b>	<b>(1.5%)</b>	<b>(2.0%)</b>	<b>(3.0%)</b>

( ) Denotes negative percentages

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
MPV Small		0.3%	(1.4%)	(2.5%)
MPV Medium	(0.1%)	(1.2%)	(1.9%)	(3.0%)
MPV Large	(2.4%)	(2.9%)	(2.2%)	(2.5%)
SUV Small	(1.6%)	(1.6%)	(1.9%)	(3.0%)
SUV Medium	(1.4%)	(1.4%)	(1.8%)	(3.5%)
SUV Large	(2.0%)	(2.3%)	(2.1%)	(3.3%)

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## Notable Movers 1-yr 20k

	MIN £	MAX £	AVG £
AUDI Q5 (16- ) DIESEL	(800)	(300)	(557)
BMW I3 (13-22)	(1,150)	(950)	(1,060)
CITROEN C3 (16- )	(500)	(300)	(363)
FIAT TIPO (16- )	(750)	(525)	(637)
JAGUAR XF (15- ) DIESEL	(550)	(400)	(479)
KIA E-NIRO (18-23) Electric	(1,200)	(950)	(1,050)
LAND ROVER DISCOVERY (16- ) DIESEL	(2,200)	(1,400)	(1,814)
MERCEDES-BENZ E CLASS (16- ) DIESEL	(900)	(600)	(711)
TESLA MODEL 3	(1,150)	(800)	(916)
VOLKSWAGEN TIGUAN (16- ) DIESEL	(900)	(700)	(818)

( ) Denotes negative value

## Notable Movers 3-yr 60k

	MIN £	MAX £	AVG £
AUDI A5 SPORTBACK (16-20) DIESEL	(700)	(500)	(590)
BMW I3 (13-22)	(850)	(700)	(781)
DACIA LOGAN (13-20) DIESEL	(550)	(450)	(493)
JAGUAR F-PACE (15-21) DIESEL	(1,250)	(700)	(904)
LAND ROVER RANGE ROVER VELAR (17- ) DIESEL	(1,500)	(350)	(1,074)
TESLA MODEL X (19-21)	(1,300)	(1,100)	(1,211)
TOYOTA YARIS (17-21) HYBRID	(700)	(600)	(675)
VOLKSWAGEN GOLF (13-21) DIESEL	(500)	(275)	(379)
VOLKSWAGEN SHARAN (10-21) DIESEL	(950)	(650)	(766)
VOLVO XC90 (14- ) HYBRID	(1,000)	(1,000)	(1,000)

( ) Denotes negative value