

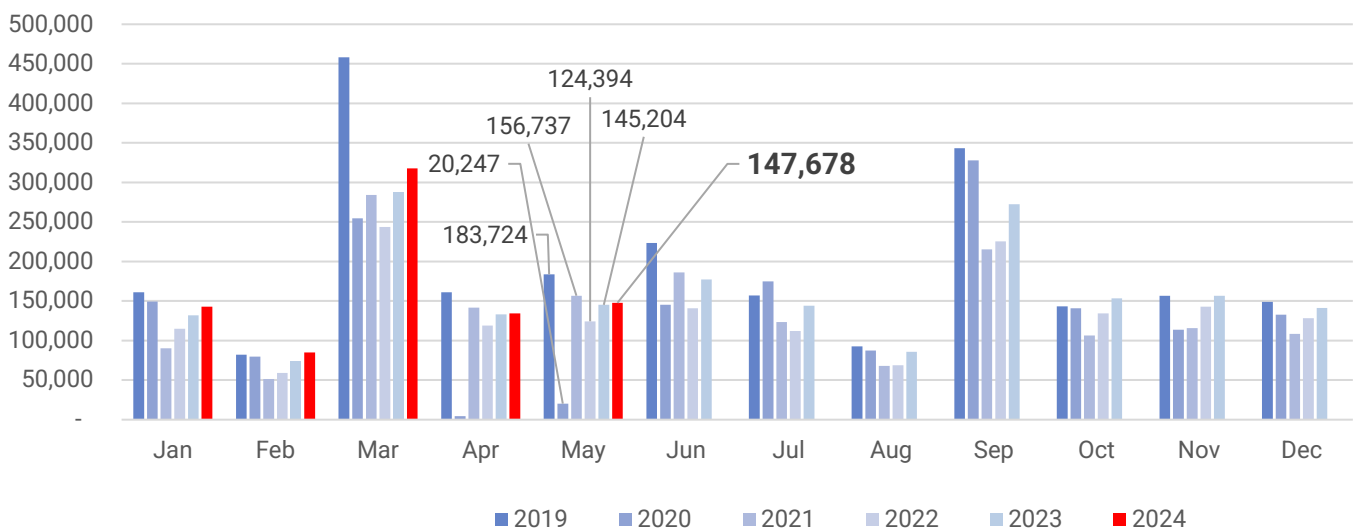
July 2024

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 May 2024 and used car activity at the time of writing. All information is correct as of 24th June 2024.

New car sales

The Society of Motor Manufacturers and Traders (SMMT) reported the 22nd month of growth for new car registrations when posting May 2024's figures. 147,678 cars were registered, a 1.7% increase on last year's 145,204 and the strongest May since 2021, but still 19.6% below May 2019. Year-to-date, 827,500 cars were registered, an increase of 7.1% on the same period in 2023 (772,454 cars).



Source: SMMT

Fleet registrations continue to drive the increases, with a 14.0% uplift in the month and 24.2% for the year so far. Fleet share of the market now sits at 59.8% compared to 51.5% a year ago. Private (retail) registrations reduced by 12.9% in the month, -11.3% year-to-date, for a share of 38.1%, compared to 46.0% a year ago. The balance is taken up by Business registrations, with a small share, of 2.1%. The more profitable retail market continues to prove difficult for manufacturers, despite some hugely attractive offers, particularly for Battery Electric Vehicles (BEVs).

Within the fleet volumes, Daily Rental registrations continued to increase, up 66% for the month and 114% for the year, but they remain 59% behind pre-COVID 2019. Interestingly, Mercedes-Benz registered the most cars to rental companies in May, whilst MG lead the way overall so far in 2024. Discount levels, holding periods and remarketing strategies remain vital to protect residual values for each manufacturer.

Alternatively-fuelled vehicles were solely responsible for the growth in registrations in May, with Plug-in Hybrids (PHEVs) increasing by an impressive 31.5% in both the month and the year so far, as a number of consumers and company car drivers prefer to compromise on going fully electric. Market share for PHEVs is at 7.8%. Pure Hybrid Electric Vehicles (HEVs) increased by 9.6% in May, 12.6% for the year, for a share now of 13.2%. Battery Electric Vehicles did also increase their registrations compared to last year, up by 6.2% for the month and 9.7% year-to-date, with market share at 16.1%. This remains below where the government mandate, now called the Vehicle Emissions Trading Scheme, requires each manufacturer to be with regards to BEV share, above 22%. The SMMT has called on

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By cap hpi

the government to provide incentives to encourage consumers to buy electric vehicles, as manufacturer discounts are seemingly not sustainable for profitability.

Petrol car registrations continue to take up the largest share, sitting at 55.9% year-to-date, but they fell in May compared to the same month in 2023, down by 2.1%. Diesel car registrations now carry the smallest share of all fuel-types, at just 6.7% - they fell by 16.7% in the month, down 11.0% year-to-date.

Used car retail activity

The air of positivity for used car retail that has been present all year has, if anything, increased in June. With interest rates stabilising, inflation falling and many consumers accepting cost-of-living concerns as the new normal, appetite to purchase has been omnipresent.

That is not to say that demand has been through the roof, as it was for prolonged periods in 2020 and 2021, when it was pent-up, but it has been consistently "okay to good" for most retailers; as we predicted, there has been little-to-no impact from distractions such as Euro 24 football or the build up to the General Election on 4th July.

Petrol cars remain the most desired by consumers, although hybrids and plug-in hybrids continue to be popular for consumers not quite ready to take the plunge and buy a BEV.

In the past month, we again examined the time it took for different fuel-types of vehicles, up to 10 years old, to sell. Diesel vehicles took the longest, averaging 42 days, followed closely by BEVs at 41 days, Plug-in Hybrids at 40 days, pure hybrids at 39 days, and petrol vehicles being the fastest at 37 days. The difference in time between them is minimal, although the volume of BEVs is still comparatively low – making up around just 5% of cars advertised.

As always, it is important to delve into the details. Last month, we reported that many dealers found the retail sweet spot for BEVs to be vehicles priced below £18,000, and our data supports this finding. When focusing on BEVs aged between 3 to 5 years, which aligns closely with the £18,000 sweet spot, the average time to sell drops to 33 days, compared to 34 days last month, indicating a small decrease. In fact, when comparing BEVs and petrol vehicles between 3 to 5 years old, BEVs outperform petrol vehicles with an average time to sell of 35 days.

On the other hand, when analysing vehicles up to 2 years old, which generally have higher prices, the average time in stock increases for BEVs to 51 days (compared to 45 days last month), whilst petrol cars currently sit at 37 days. The presence of strong new car offers and a few pockets of pre-registered vehicles in the market may partly explain why used BEVs under 2 years old are not performing as well, but the key take away seems to be that if the price is palatable, BEVs will sell. The fact that, on average, used BEVs have halved in price since September 2022 certainly helps them sell.

Desirable price-points do exist for all fuel-types, of course, and below £15,000 petrol cars remain the hottest property in retail. With used car prices inflating, along with most other products in the UK over the last 4 years, consumers are realising they may have to buy a smaller or older car than they first envisaged, but the desire or necessity to buy is there nonetheless. Small engine petrol city cars and superminis remain particularly desirable, and the volumes of these are only going to decline due to many manufacturers moving away from this area.

Overall, the used retail market is in a healthy condition, with retailers generally more than satisfied with the first half of the year.

Used car remarketing activity

The wholesale market has also remained buoyant and seems to be performing slightly better than the retail one. With demand healthy and not an abundance of desirable cars to buy – remember there were around 3 million fewer new cars registered from 2020 to 2023 than there were from 2016 to 2019, so less used cars now available under 4 years old. This has meant many retailers are retailing a higher proportion of part-exchanges again, similar to how they were in 2020 and 2021, prepared to do a small amount of refurbishment rather than send them to auction, to satisfy retail demand.

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June has been a healthy month in the trade market, particularly for Cap Clean cars, but also many buyers have had to consider damaged vehicles, as Clean cars attract a strong premium. Fewer vehicles are being left on the shelves now, and auction conversion rates have been increasing since April, with June seeing a sharper uptick than May.

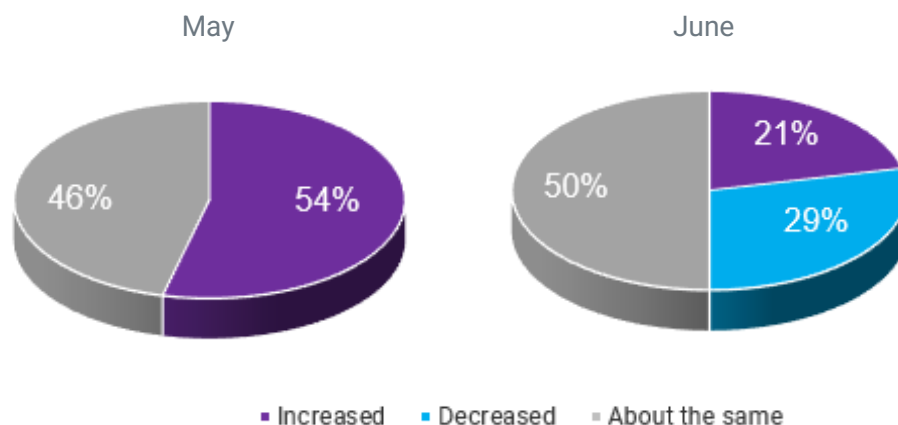
Fleet returns have been the most desirable vehicles, and there has been a notable increase in the percentage of Cap achieved from direct sales by fleet, leasing and rental companies. Auction percentage of Cap figures have also improved, on average. This is not another 2021 situation in the used market, however, and the devil is very much in the detail.

As the first half of 2024 draws to a close, it is fascinating to reflect on the ongoing rise in the supply of used BEVs in the wholesale market. This year alone, we have already received over 80% of the total volume of sold data compared to the whole of last year, surpassing the total data volume for 2022 by an impressive 77%. While this should be viewed as a positive development, indicating a higher number of BEVs being sold in the used wholesale market than ever before, it is important to acknowledge that these are only selling due to previous price realignments and that many retailers are still reluctant to buy anything that is pure EV.

Overall, the wholesale market is in a good place, with the balance very much in favour of the seller, with regards to price, due to strong demand and low supply.

Below are the auction survey results from June, with some interesting changes to previous months.

How do your current stock levels compare to last month?

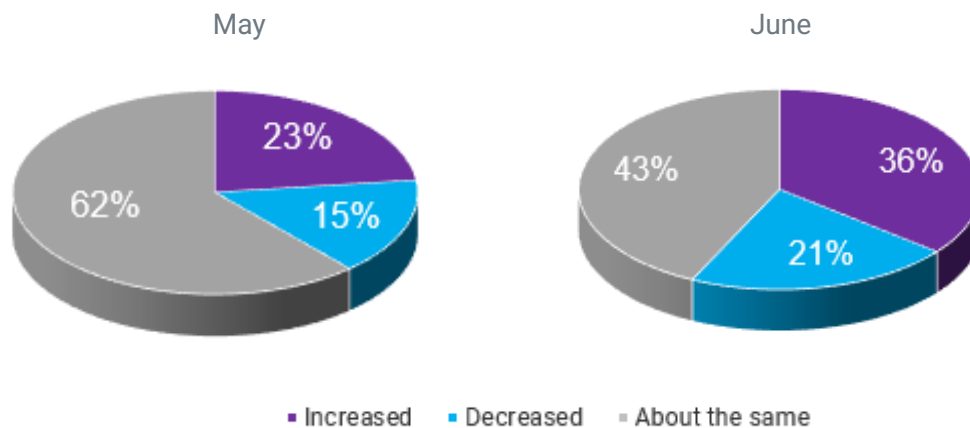


Looking into the detail of the responses regarding stock, whilst those reporting little change has remained fairly consistent, just under a third of respondents have seen a drop off in stock in June, with fewer cars returning into the overall market than in the months immediately following the plate change. More dealers retaining part-exchanges has impacted some auction houses too.

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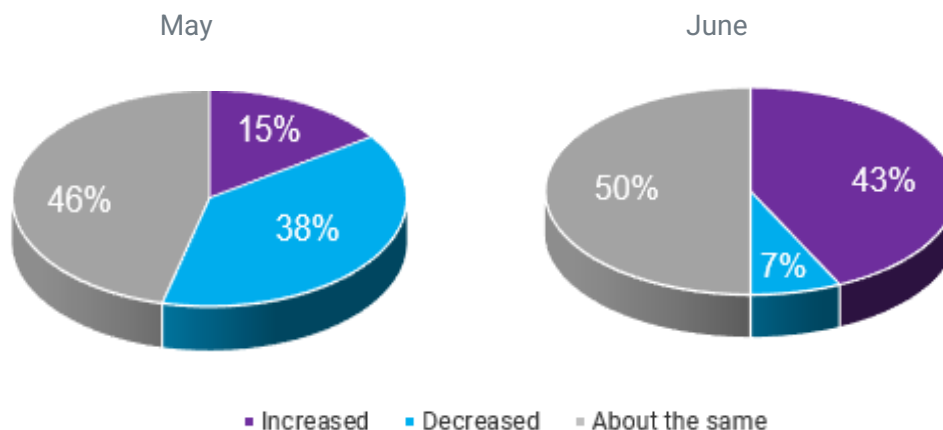
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How does your current overall demand compare to last month?



Highlighting the fact that a look behind the statistics is important, whilst the market is strong, there was still a minority of auctions that saw demand decline, whilst more saw an improvement over May, and less reported parity. A very inconsistent picture, affected by the older age of vehicles that some auctions deal with.

How do your conversion rates compare to last month?



A smaller minority reported a decline in conversion rates, but then a close to even split for those seeing a similar picture to May and those reporting an increase. With almost half seeing an improvement, this can only be seen as a positive.

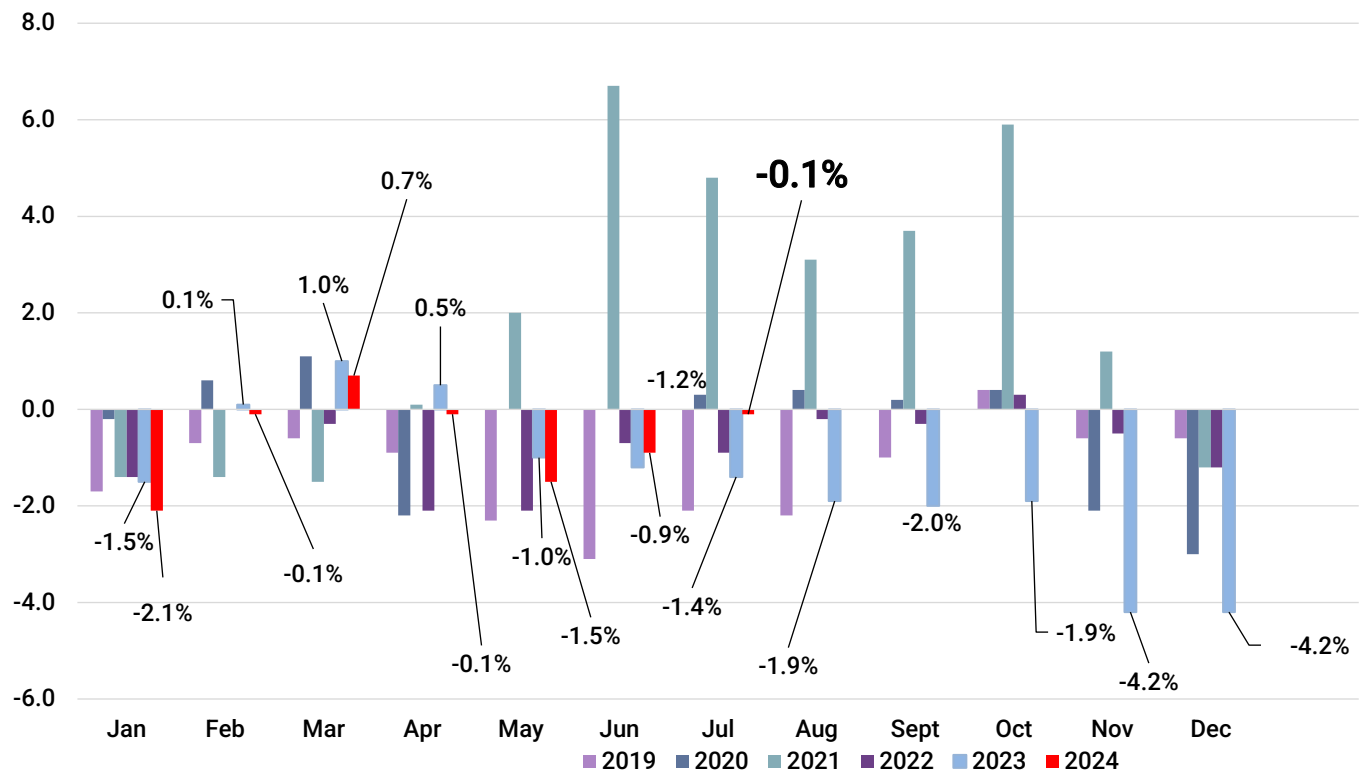
Used cars – trade values.

So, with the strong picture painted so far, one may assume that average values have increased in June. However, when analysing the sold data, there has been quite a mixed picture, with certainly not all car values going up. Put into context, though, the 0.1%, or £25, average decline at 3-years, 60,000 miles in Cap Live during June is a strong month, particularly for the time of year. If you exclude the COVID affected years of 2020 and 2021, when values went up, the average movement since 2012 is a 1.2% decline during June, so this year the moves are over 1% stronger than that average. It is also the most positive movement in June, again ignoring those two highly unusual years, since 2009. 2018 was a particularly strong year for used cars – over the twelve months they increased in value by an average of 1.8%, as opposed to a “norm” of reductions of between 3 and 5%, and even in that year values still declined in June, by 0.6%.

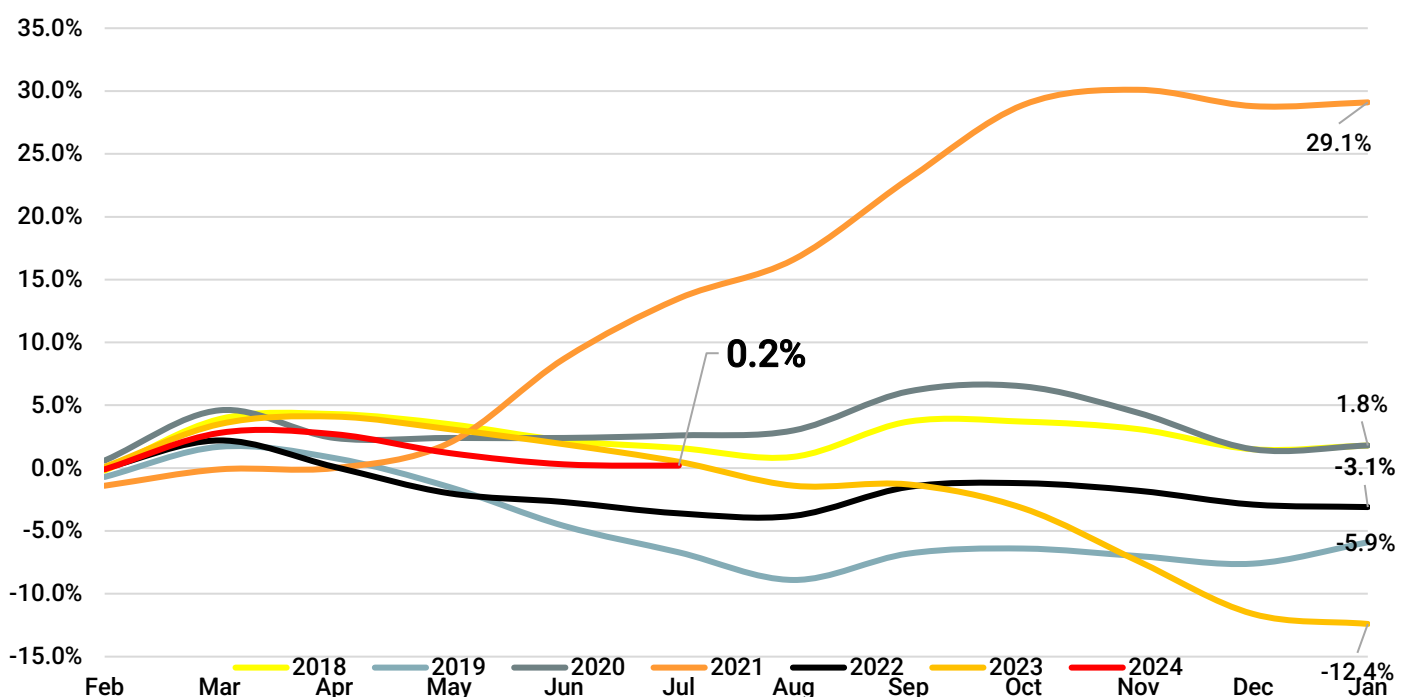
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Monthly percentage movements in Live valuations (3-years, 60k miles) – July 2024 figure depicts June 2024's Cap Live



In total, over the first half of the year, values have increased by 0.2% at the 3-year benchmark point – a really strong 6 months, with only April and May Live movements seeing drops below -0.5%. This 0.2% includes uplifts for a new plate in March and excludes January's drop in the monthly figures, as this drop reflected what happened in December last year. The chart below shows the cumulative movements by year since 2018, each year starting from February as this denotes movements in January's Cap Live. Interestingly, last year was very similar to this point, but dropped away over the following 6 months. We are not expecting that to happen this year.



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Values at the 1-year point in June this year dropped by just 0.2% (c.-£100), so in similar fashion to those at 3-years old. Older cars did struggle in comparison, however, dropping by 2.0%, but this is only an average of £75.

All of the mainstream sectors performed within 0.5% of each other, with SUVs actually increasing, by 0.2%, at the 3-year age point, but seeing a small decline at other ages. The average movements do only show so much, and if you look at a sector such as Lower Medium, or C-Sector, cars such as the Alfa Romeo Giulietta fell by 6% for the petrol version and 10% for the diesel, the Renault Megane diesel and hybrids fell by 5%, whereas the Citroen C4 and Volkswagen Golf petrol version both increased by over 2%. Many nuances continue to exist within the used car pricing world.

Convertibles and coupe cabriolets went up in value by just under 1% as summer sunshine appeared for what felt like the first time. These niche sectors are still enjoying the benefits of seasonality and as time goes on there are less and less cars available, due to manufacturers concentrating on producing more SUVs, particularly EVs. Where there is still some volume, such as BMW and Mercedes product, both have in general performed well price-wise. Even some higher value cars such as the Mercedes AMG C-Class Cabriolet increased in value, by 5% or c.£1,500, helped by low volume. Some of the older cars which have been struggling in general, have performed well in convertible versions, due to seasonality.

Once again fuel-type takes centre stage for interest factor in June. Petrol values actually went up at both the 1 and 3 year age points, with diesel cars and both sets of hybrids dropping negligibly. BEVs, however, dropped by 1.7%, equivalent to c.£350. While they still remain the worst performing fuel type in terms of value retention, it is encouraging to note that June's Live movement down is significantly less compared to the previous three months. In fact, July ties with March as the joint best performing month, with values decreasing by the same percentage.

Analysing all the BEVs valued at this age profile, 68% experienced a decrease in value, 25% remained stable, and 7% actually saw an increase in value. This is an improvement from the previous month, where 89% of BEVs saw a decrease in value and only 1% saw an increase.

Looking at specific models at the 3 years and 60,000 miles profile, notable decreases in value were observed for the Vauxhall Corsa Electric (-7.2%/-£575), Nissan Leaf (-5.0%/-£420), Jaguar I-Pace (-4%/-£745), and Porsche Taycan (-3%/-£1,200). On the other hand, the Kia EV6 and Kia E-Niro saw increases of 1% (£220) and 1.1% (£130) respectively, while the Mini Cooper Electric (1%/£140), Polestar 2 (2%/£350), and Tesla Model S (2%/£635) also experienced value increases. Models that remained stable in value this month include the Tesla Model 3, Cupra Born, Ford Mustang Mach-E, and Audi Q4 E-Tron Sportback.

If you look at average movements by fuel-type for the largest sector in volume terms, SUV, petrol values increased by 0.7% at 3-years old, diesel values also went up, by 0.2%, hybrids and plug-in hybrids dropped by just 0.2% and 0.5% respectively, whereas BEVs fell by 1.3%. This trend was replicated in other sectors, with lower medium BEVs dropping by over 3%.

Overall. June was a strong month for used car values, but there remain some models, particularly some BEVs, that are volatile in the used market.

What next?

Last month, our prediction was:

"At the beginning of 2024, our team of forecasters predicted a relatively strong year, with monthly valuation movements regularly positively outperforming the historical average. There is no reason to move away from this hypothesis, with both retail and wholesale markets remaining robust...."

The average Live movement in June, excluding the COVID affected years of 2020 and 2021, since the introduction of Cap Live in 2012, was a downward movement of 1.2%. It is highly likely that this time around any movement will be a more positive one than that, possibly significantly so. As always, the devil will be in the detail, and some electric vehicles will continue to be volatile".

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As things stand at the time of writing, there is no reason to predict an end to the strong months experienced so far in 2024. Volumes remain on the low side, particularly under 4 years old, and demand from consumers is steady. History shows us that General Elections cause little-to-no disruption, similar to large sporting events. The school holidays will shortly be starting in Scotland and Northern Ireland, followed by the other UK countries in the second half of July. These may cause a slight slowdown in the retail market, but dealers will still be looking to buy stock.

The average movement in Live in July, since the daily product was introduced in 2012, is a 1.1% drop, excluding 2020 and 2021. July can often be similar to June, and this year we are not expecting downward moves anywhere near the averages, and we are expecting a similar pattern to June. There is the possibility that there could be a slight average increase in values, but if not, a small movement down should occur, reflecting a positive market. Some models within particular fuel-types will remain challenging, and a close eye on Cap Live is again recommended.

Current used valuations July 2024 - average value movements

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
City Car	(0.3%)	(0.2%)	(0.6%)	(1.8%)
Supermini	(0.5%)	(0.3%)	(1.0%)	(2.4%)
Lower Medium	(0.3%)	(0.3%)	(1.2%)	(2.8%)
Upper Medium	(0.0%)	(0.3%)	(0.8%)	(2.6%)
Executive	(0.3%)	(0.2%)	(0.6%)	(0.7%)
Large Executive	(1.5%)	(1.2%)	(1.0%)	(0.5%)
MPV	(0.2%)	(0.2%)	(0.6%)	(1.5%)
SUV	(0.1%)	0.2%	(0.4%)	(1.9%)
Convertible	0.9%	0.8%	0.6%	0.5%
Coupe Cabriolet	1.8%	0.9%	1.0%	0.5%
Sports	(0.3%)	(0.2%)	(0.1%)	(1.4%)
Luxury Executive	(1.1%)	(1.7%)	(1.2%)	(0.1%)
Supercar	1.2%	(0.1%)	0.2%	0.2%
Overall Avg Book Movement	(0.2%)	(0.1%)	(0.6%)	(2.0%)

() Denotes negative percentages

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
MPV Small		(0.9%)	(1.6%)	(2.4%)
MPV Medium	0.2%	(0.1%)	(0.5%)	(1.2%)
MPV Large	(0.7%)	(0.5%)	(0.7%)	(1.6%)
SUV Small	0.1%	0.1%	(0.4%)	(2.3%)
SUV Medium	(0.1%)	0.3%	(0.4%)	(2.0%)
SUV Large	(0.4%)	0.1%	(0.3%)	(1.3%)

() Denotes negative percentages

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Notable Movers 1-yr 20k

	MIN £	MAX £	AVG £
AUDI Q5 (16-) DIESEL	300	400	342
BMW 5 SERIES (16-) DIESEL	450	700	600
BMW I3 (13-22)	(1,100)	(850)	(966)
CITROEN C1 (14-22)	200	200	200
FIAT TIPO (16-)	(550)	(350)	(470)
HYUNDAI I30 (17-)	(750)	(600)	(716)
LAND ROVER DISCOVERY (16-) DIESEL	(1,100)	(700)	(940)
MAZDA MX-5 (15-)	300	400	337
MERCEDES-BENZ E CLASS (16-24) DIESEL	(800)	(550)	(686)
SKODA KODIAQ (16-)	500	800	625

() Denotes negative value

Notable Movers 3-yr 60k

	MIN £	MAX £	AVG £
ALFA ROMEO GIULIETTA (10-21) DIESEL	(975)	(725)	(845)
BMW 2 SERIES COUPE (13-21) DIESEL	475	650	575
JAGUAR F-PACE (15-21)	750	1,300	907
LAND ROVER RANGE ROVER VELAR (17-) DIESEL	200	750	313
MERCEDES-BENZ E CLASS (16-24) DIESEL	(600)	(300)	(465)
PORSCHE BOXSTER (16-)	550	800	665
SEAT ATECA (16-24) DIESEL	(350)	(150)	(237)
TESLA MODEL X (19-21)	(700)	(600)	(688)
TOYOTA GT-86 (12-21)	(700)	(600)	(637)
VOLKSWAGEN GOLF (13-21)	300	350	320

() Denotes negative value