

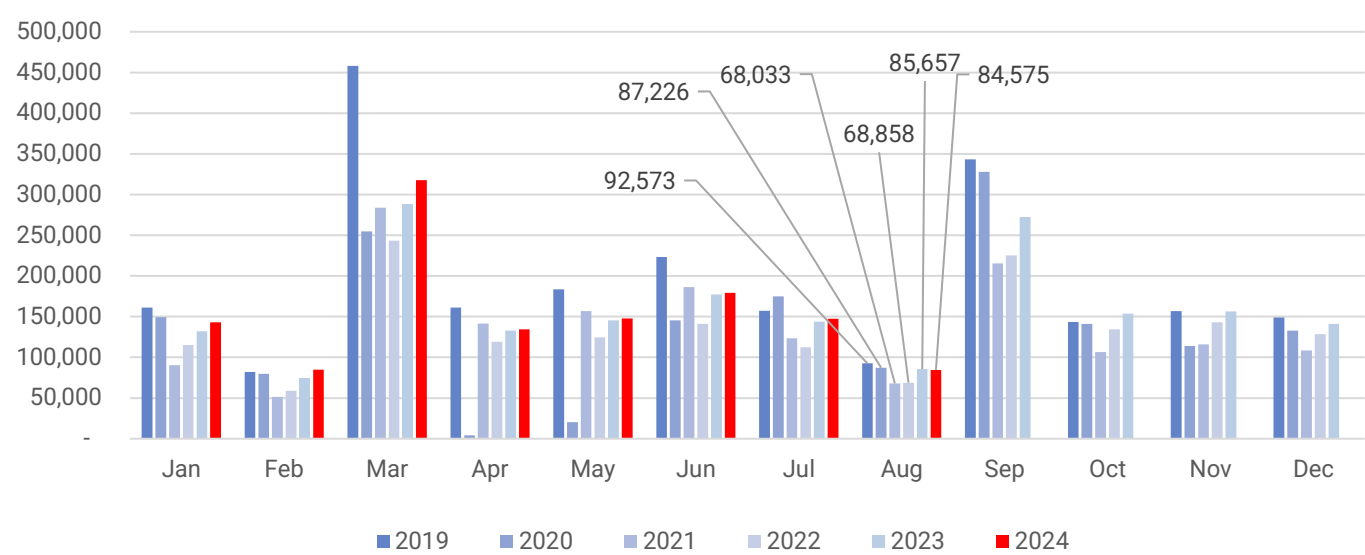
October 2024

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

New car sales

According to the latest data published by the Society of Motor Manufacturers and Traders (SMMT), there were 84,575 passenger cars registered in August 2024. August is typically a slower month for new car sales, but this represents a slight decrease of 1.3% compared to August 2023, when 85,657 cars were sold. When looking at the year-to-date figures, the new car market continues to outperform 2023; so far, 1,238,855 cars have been registered in 2024, compared to 1,179,298 in the same period last year, reflecting an increase of 5.1%.



Source: SMMT

The majority of registrations still come from the fleet market, accounting for 60.7% of the total in August. Although this is a slight decrease of 1.2% compared to last year, it is still up by 19.2% for the year, with the current share standing at 60%. Private registrations, on the other hand, have been sluggish throughout the year, tracking at -11.2% compared to 2023. However, the SMMT did report a slight increase of 0.2% in private registrations compared to August last year. The remaining registration channel, the business sector, experienced a decline in registrations of -30.3% in August and -3.3% for the year so far.

As is typical, daily rental or short cycle registrations tend to be low in the month of August, and this trend continued in 2024. However, there was an increase in volume, with a growth of 19% compared to the same month last year. Looking at the year-to-date figures, registrations in this channel have been steadily growing, tracking at 83% over the same period last year. It's important to note, though, that despite this growth, the current volumes are still 54% lower compared to 2019, providing some context to the overall trend.

In terms of percentage change, Hybrid Electric Vehicles (HEVs) experienced the highest growth in August compared to the same period last year, with an increase of 36.1%. Battery Electric Vehicles (BEVs) saw a growth of 10.8%, whilst diesel vehicles recorded a decline of 7.3% and petrol cars and Plug-in Hybrid Electric Vehicles (PHEVs) experienced decreases of 10.1% and 12.3% respectively. Looking at the year-to-date figures, all alternatively-fuelled vehicles have

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increased their market share compared to 2023. PHEVs exhibited the most notable change with a growth of 24.9%, followed by HEVs at 17.9%, and BEVs at 10.5%. Petrol cars maintained a slight positive growth of 0.8% compared to the previous year. Conversely, Diesel vehicles continued their decline with a reduction of 13%.

With the introduction of the new "74" plate in September, it will undoubtedly be a crucial month for many manufacturers as they look to navigate the complex issue of the ZEV (Zero Emission Vehicle) Mandate, officially called the Vehicle Emissions Trading Scheme, between now and the end of the year.

At the time of writing, early indications suggest that the new car market for September is tracking very slightly up on last year.

Used car retail activity

Typically, retailers would expect an increase in retail demand in September as the school holiday period comes to an end. However, we have had a strong summer of retail activity, and the hopes this year were that the momentum would carry into the autumn. Fortunately, feedback from our retail partners indicates that used retail demand has remained relatively consistent with previous months. Adjectives such as 'alright,' 'satisfactory,' and 'robust' have been used to describe the market. Throughout 2024 there has been less fluctuation in consumer demand compared to previous years, resulting in greater levels of stability. There is optimism that this trend will continue through the end of the year.

When analysing retail data, it is evident that retail margins have remained constant throughout the month, aligning with those achieved in August. The main instances of discounting were observed in relation to overaged stock and some retailers seeking to gain a competitive advantage in the market. Due to the backdrop of strong consumer demand, the need to heavily discount stock is simply not there at the current time.

Starting off a fairly positive theme running throughout this overview when it comes to BEVs, they continued along with PHEVs to offer the highest margins when compared to other fuel types. Hybrids offer the lowest margins followed closely by petrol vehicles.

The attractive profit margins for BEVs are enticing more retailers to stock them. This is supported by the observation that the number of franchise dealers advertising a BEV has increased from 46% to 48% in the last 6 months. Car supermarkets have shown the largest increase, with a rise of 5% from 41% to 46%. Independents, on the other hand, have remained unchanged at just under 15%. This data suggests that retailers, particularly franchise dealers and supermarkets, are slowly recognising the potential profitability of stocking BEVs and are expanding their offerings accordingly. Smaller independents seem far more reluctant to invest in this relatively new technology, with previous heavy drops in value remaining long in the memory. Many of these cars do look fantastic value for money now though.

Based off the retail adverts uploaded in the last 6 months, a number of BEVs, including the Kia E-Niro, Tesla Model 3, VW ID.3, Audi E-tron, Mercedes EQA, and MG ZS have consistently shown quick turnaround, taking less than 25 days on average to sell. However, one area that still presents challenges is the sale of BEVs aged up to 2 years old. On average, these vehicles take 13.5 more days to sell compared to their internal combustion engine (ICE) counterparts at the same age. The nearly new used BEV market is still affected by strong new car offers.

Overall, the retail market remains robust with demand slightly outweighing supply.

Used car remarketing activity

While the retail market has remained steady throughout the summer period, the used wholesale market has been strong, and this trend has continued into September. Retailers have replenished their stocks but have encountered the same challenges as witnessed in previous months, with the main one being sourcing the right cars in the right condition at an attractive price point that fits their stock profile. Last month, we emphasised that it has been three years since the semiconductor crisis of 2021. During that crisis, the new car market witnessed just over 1.6 million cars being registered, a number similar to 2020 but significantly lower than the approximately 2.3 million registered in 2019 and even further behind the peak of almost 2.7 million in 2016. The registration of over 3 million fewer cars from 2020 to 2023 compared to the previous four years has resulted in an older average car parc and a reduced number of cars within the desirable age-range for the remarketing industry to facilitate sales. Steady demand and limited supply are helping to maintain robust prices.

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Throughout September, conversion rates have remained strong, reaching an average of around 80%. Dealer sales have shown improvement, although they primarily consist of less desirable cars such as damaged or higher-mileage vehicles. Due to the limited supply entering the used car market, some retailers have had to consider purchasing vehicles in poorer condition and refurbishing them to meet retail standards.

In contrast, the fleet and contract hire channels have proven to be the most resilient, due to high demand and limited supply in the market. Both online and physical purchases have been actively engaged, and remarketers have noticed an increase in the presence of franchised dealers. This suggests that these dealers may not be generating their usual levels of part exchanges, as typically seen during the new car month of September.

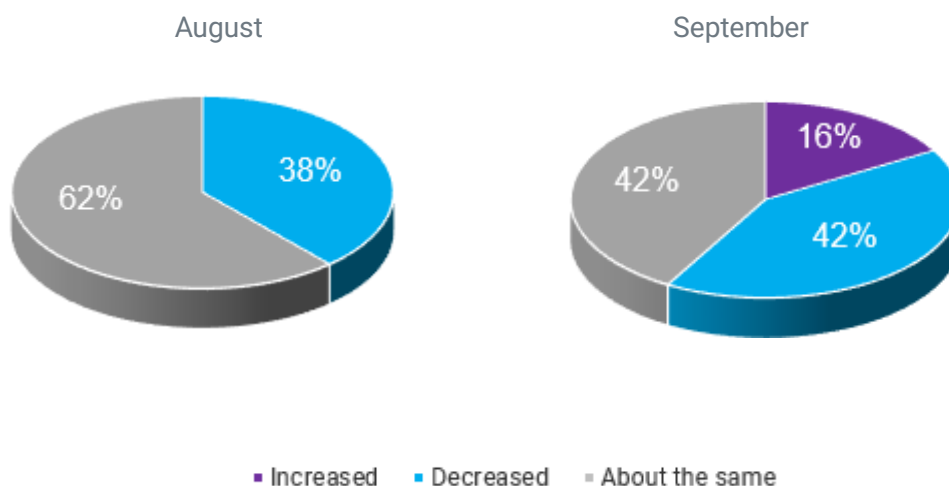
Direct remarketers and online sales platforms have also experienced robust performance, with some reporting an increase in available volume on their websites. Similar to traditional auctions, buyers remain selective when it comes to vehicles in poorer condition. However, anything that fits the true used retail profile of being 3 to 5 years old has performed well.

Despite significant challenges in the wholesale market over the past 2 years, September brought about a more positive outlook for BEVs. Conversions and performance in relation to Cap values saw notable improvements. When analysing the average sales attempts required to sell a vehicle at auction this month, BEVs now share the top spot with petrol hybrids, with an average of 1.2 attempts. For comparison, petrol and diesel vehicles sit at an average of 1.3 attempts. This is against a backdrop of supply continuing to increase for BEVs into the used market.

As we approached the end of the month, some remarketers and buyers reported a slight plateauing in buying activity. However, they remained optimistic and upbeat about the current market.

Below are the results of September's auction survey:

How do your current stock levels compare to last month?

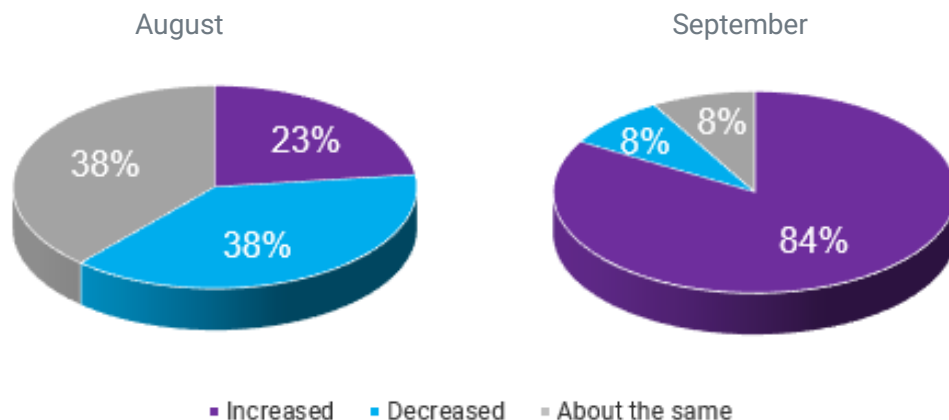


With September being an important month for new car registrations, it may still be a little too early to determine the impact it has had on volumes in the wholesale market. We have observed an even split among respondents, with 42% reporting that stock levels have decreased or remained about the same compared to August, while only 16% are reporting an increase. This should improve in October.

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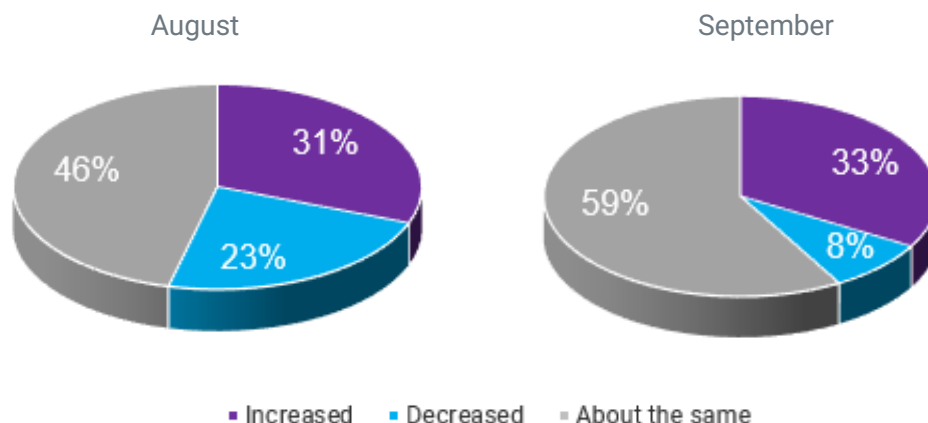
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How does your current overall demand compare to last month?



September has witnessed a notable surge in demand at auctions, with most respondents (approximately 85%) reporting an increase in performance compared to the previous month. Recent market sentiment suggests that it is comparatively easier to sell a vehicle than to buy one, and these results support that notion.

How do your conversion rates compare to last month?



The situation regarding conversion rates remains varied, as 59% of respondents in September reported that they are stable, which is an increase from the 46% reported in August. On top of this, one third of respondents reported an increase, with just a small minority seeing a decline. Overall, a positive picture.

Used cars – trade values

With a favourable scene set in both trade and retail performance it is no surprise that values have increased throughout September in Cap Live. At the benchmark profile of 3 years 60,000 miles, values on average have increased by 0.2%.

How does this compare to previous years? If we exclude the years affected by COVID (2020 and 2021), the average seasonal movement for September into October is -0.2%. It is important to note that this average includes the outlier of last year when values reduced by an unseasonal 1.9%, with the market under increasing pressure at that time. If we remove last year and the COVID-affected years from the analysis, the average is actually flat during September.

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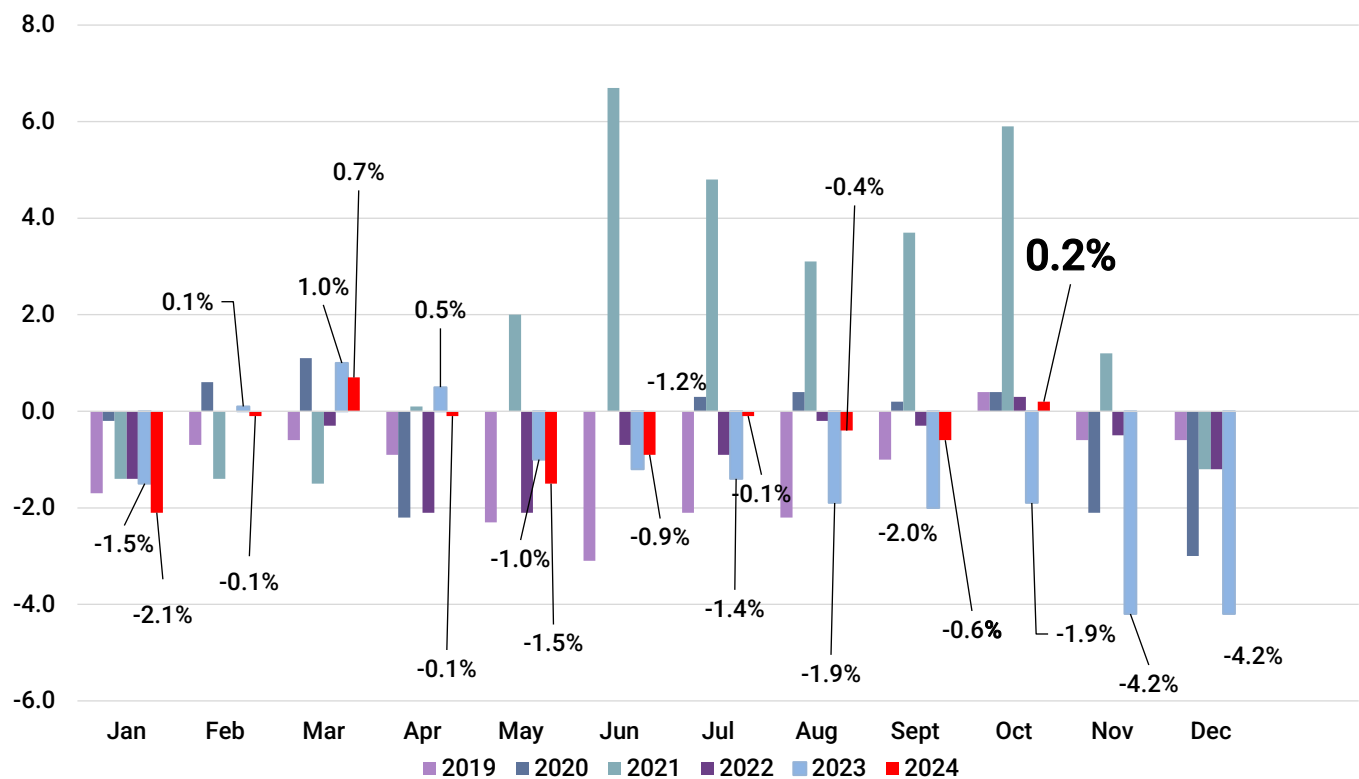
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This small positive adjustment continues the stable trend observed throughout the year. So far, every month in 2024 has shown a more positive monthly movement at 3-year 60,000 miles than the seasonal average. This highlights the stability of the used market in 2024, particularly throughout the summer period.

Since June, the cumulative movement for values has been just -1.8% compared to -8.4% during the same period last year. Many consider 2016 as the last "normal" year within the used market. In comparison, between June and October, values reduced by a total of 5.4% in that year. Another indication to just how stable values have been of late.

As highlighted last month, the decrease in prices during the last quarter of 2023 helped alleviate some of the excessive inflation during the price increases of 2021. However, prices did not completely return to their previous levels, remaining some 15% above where they were at the start of 2021. It appears that used car prices reached a reasonable point for both retailers and consumers at the beginning of 2024, leading to a period of overall stability since then, helped by the aforementioned shortfall of 3-4 year old stock. It is important to note that there are certain nuances within this trend, and in cases where supply exceeds demand for specific models and fuel types, values have certainly declined. Nevertheless, on average, used car prices in 2024 have remained stable.

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



At the 1-year 10,000-mile mark, values increased by 0.1%. Additionally, there was a positive adjustment of 0.2% at the 5-year 80,000-mile mark. The only age profile to report a negative adjustment was at 10 years 100,000 miles, with a negligible movement of 0.4%. However, this is still a marked improvement at this age profile over previous months.

The Supercar sector experienced the largest decrease in September, with a reduction of 2%. This was followed by a decline of 1.8% in the Coupe Cabriolet sector, and a decrease of 1.4% in the Convertible sector. However, it is worth noting that these downward movements are relatively positive when considering the seasonal nature of these sectors during this time of year when one may expect them to reduce by more.

Mainstream sectors have performed strongly, reflecting the current retail demand at 3 years old. Superminis and City Cars saw average increases of 0.2%, Lower Medium of 0.3% and Upper Medium 0.4%. Notable movers include the

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Nissan Micra, which saw a 2% increase, the VW Polo with a 1% increase, the Citroen C1 with a 1.1% increase and the Jaguar XE Diesel with a 2% increase.

Among all the sectors, SUVs performed the strongest, registering an average movement of 0.6% at 3 years old. Medium-sized SUVs experienced the largest increase of 0.8%, followed by small SUVs with 0.6%, and large SUVs with a smaller increase of 0.1%. Notable risers include the Renault Captur up 2%, Seat Arona 1%, Mini Countryman up 2% and the Mazda CX-5 increasing by 2%, on average.

One notable trend this month is the resurgence of strength in some Land Rover product. At 3 years and 60,000 miles, Land Rover models have seen an increase of 1.3% or approximately £290 in September. This comes after a challenging 12-month period for the brand, during which values, on average, decreased by around 17% or approximately £6,600. Franchise dealers and supermarkets are all actively competing for Land Rover products this month. Strong performances have been seen across the Land Rover Discovery Sport 4% and the Land Rover Discovery Sport Hybrid 3%.

Finally, let us now shift our focus to fuel types. After experiencing 24 consecutive months of negative adjustments, resulting in a reduction of values by approximately 60%, Battery Electric Vehicles have emerged as the top-performing fuel-type in September. They have shown a positive average movement of 1% at the 3-year mark. Nearly half of the models valued at this age have seen their values increase this month, compared to just 11% last month - a quite remarkable change. Of the rest, 29% of models have seen no change at all, while 19% have experienced a reduction in value. Despite the average improvement in values, the BEV market remains nuanced.

Some examples of BEV models that have seen value increases include the BMW I3 with a 5% increase, the Peugeot 208 with 4.5%, the Kia E-Niro with 4% and the Nissan Leaf also with 4%. For several months now, we have been highlighting the excellent value for money that used BEVs offer to both consumers and retailers. Interestingly the best performing sector of electric cars in September has been the lower medium or C Sector, which saw values increase by over 2%.

Models that make up the 19% of BEVs that saw reductions in September include the Mini Cooper, Peugeot Traveller and the Mercedes EQS all reducing by 2%.

While it may be a little premature to say that the fortunes of some used BEVs have completely changed, it is encouraging to see that they are heading in the right direction, especially for those models that fall below the optimum retail sweet spot of under £18,000.

Among the other fuel types, hybrids performed the second best with a 0.6% increase, followed by diesels at 0.2%. Petrol and plugin hybrids both saw a modest increase of 0.1% each.

In summary, a strong month for used value movements, with vehicles in the mainstream sectors being in demand the most. BEVs performance in the used market has improved, as they continue to look excellent value for money.

What next?

Last month, our prediction was:

"September is generally a strong month for used values, sometimes the calm before the storm of high volumes hitting the market. Since 2012, September's average Live values have increased on six occasions and stayed level once. Indeed, until last year, values had not dropped during September since a negligible -0.2% in 2016. On the five occasions they have dropped, 2023 stands out at -1.9% but apart from that the largest drop was -0.7% (in both 2014 and 2015)".

"Volumes will start to increase as the month progresses, with part-exchanges and particularly fleet and rental returns being welcomed into the remarketing arena, however it is highly unlikely that this will cause too much of a downturn in prices during September. It is likely that the theme of the last few months will continue, with a negligible average movement in values."

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October is expected to bring an increase in volumes to the wholesale market, driven by fleet returns and part-exchanges following the new car month of September. Whilst there may be a slight impact on used values, it is anticipated to be significantly less severe compared to last year. In 2023, values dropped by 4.2% in October, whereas this year's movement is predicted to be less than a quarter of that. However, the impact on values will depend on the specific models and derivatives, and any potential oversupply may have a temporary negative effect. Remarketers will need to remain responsible to keep prices stable.

As we step into the final quarter of the year, there is a sense of caution due to last year's market realignment, which led to a significant 10.5% drop in values from October to December 2023. However, the outlook for the remainder of 2024 is considerably more optimistic. Unlike last year, we do not expect to see a repeat of the large-scale defleets, and factors such as stable interest rates and reduced cost-of-living concerns indicate more stable demand. The upcoming Autumn budget at the end of October, may have some impact on consumer demand.

One area to watch is the new car market. If manufacturers intentionally reduce sales of internal combustion engine cars to meet ZEV mandate targets it could increase the desirability of used models. However, there may be pressure on late-plate battery electric vehicle values due to heavy discounting. Consumers may find new cars appealing, especially with attractive monthly payment offers.

In the lead up to the end of the year, Cap Live will continue to track the fluctuations in used car pricing. These months are known for their interesting and unpredictable market trends, and we will provide concise updates to reflect the ever-changing landscape.

Current used valuations October 2024 - average value movements

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
City Car	0.3%	0.2%	(0.1%)	(0.8%)
Supermini	0.3%	0.2%	0.3%	(0.6%)
Lower Medium	0.0%	0.3%	0.4%	0.2%
Upper Medium	0.3%	0.4%	0.4%	0.3%
Executive	0.2%	(0.2%)	0.2%	0.1%
Large Executive	0.4%	0.3%	0.0%	(0.0%)
MPV	(0.6%)	(0.4%)	(0.7%)	(1.2%)
SUV	0.4%	0.6%	0.6%	(0.1%)
Convertible	(1.6%)	(1.4%)	(2.0%)	(4.6%)
Coupe Cabriolet	(0.1%)	(1.8%)	(1.8%)	(4.0%)
Sports	(0.6%)	(0.5%)	(0.4%)	(0.8%)
Luxury Executive	(1.0%)	(0.8%)	(0.8%)	(1.7%)
Supercar	(1.8%)	(2.0%)	(1.6%)	(1.4%)
Overall Avg Book Movement	0.1%	0.2%	0.2%	(0.4%)

() Denotes negative percentages

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
MPV Small		(4.0%)	(0.9%)	(1.1%)
MPV Medium	(1.0%)	(0.4%)	(1.1%)	(1.3%)
MPV Large	(0.4%)	(0.2%)	(0.0%)	(1.0%)
SUV Small	0.6%	0.6%	0.5%	(0.3%)
SUV Medium	0.6%	0.8%	0.8%	(0.1%)
SUV Large	(0.3%)	0.1%	0.1%	0.3%

() Denotes negative percentages

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Notable Movers 1-yr 20k

	MIN £	MAX £	AVG £
CITROEN SPACE TOURER (16-) DIESEL	(700)	(450)	(543)
FIAT 500 (15-)	125	175	164
MAZDA MX-5 (15-)	(800)	(600)	(706)
MINI COUNTRYMAN (17-24)	400	600	497
NISSAN MICRA (16-23)	200	300	250
PORSCHE BOXSTER (16-)	(1,100)	(700)	(820)
TESLA MODEL 3	350	750	616
TOYOTA PROACE VERSO (16-23) DIESEL	(800)	(550)	(638)
VOLKSWAGEN TIGUAN (16-24) DIESEL	450	600	563
VOLVO XC90 (14-24) DIESEL	300	400	383

() Denotes negative value

Notable Movers 3-yr 60k

	MIN £	MAX £	AVG £
BMW 2 SERIES CONVERTIBLE (14-21)	(1,050)	(750)	(823)
BMW I3 (13-22)	500	650	562
CITROEN C4 CACTUS (14-21)	(250)	(250)	(250)
FIAT 500L (13-22)	(325)	(250)	(278)
JAGUAR F-PACE (15-21) DIESEL	250	400	345
JAGUAR XF (15-) DIESEL	(1,400)	(350)	(773)
KIA SPORTAGE (15-22) DIESEL	250	350	291
LAND ROVER RANGE ROVER VELAR (17-) DIESEL	350	600	462
TOYOTA GT-86 (12-21)	250	350	312
VAUXHALL INSIGNIA GRAND SPORT (17-20) DIESEL	(400)	(400)	(400)

() Denotes negative value