Glass's Monthly Car Market Report

July 2018

Glass's
Part of Autovista Group

Contents

Glass’s... Part of Autovista Group

Foreword

Welcome to the July edition of Glass's Monthly Market Report. It would be fair to say that the summer has arrived and brought with it some exceptional weather, and some decent trading conditions too.

The new car market did not manage three consecutive months of growth, which will have come as a surprise to many, being down in June by 3.5%, according to figures released by the SMMT. It appears that almost all of the deficit occurred in the fleet sector. Recent feedback from leasing companies indicates that WLTP is having an effect. The number of contract extensions has spiked in recent weeks as a result of uncertainty that delayed publication of new NEDC correlated figures is causing. It appears that drivers are reluctant to order new cars until they fully understand the impact that potential increases in CO2 will have on their benefit-in-kind liability.

It is plausible therefore, that this will continue throughout July and August too. Once all figures are published we are likely to see a flurry of new car activity, which may cause delays in manufacturer lead times, resulting in more contract extensions and subdued fleet registrations.

There is likely to be a knock on effect in the used market too, with potentially less cars being de-fleeted at contract end in Q3 and Q4, and the possibility of increased de-fleets in Q1 2019. Demand in auction channels appeared slightly better throughout June, with first time conversion rates in the region of 77%, which is in line with June 2017.

As ever, we closely monitor our valuation accuracy. When the June edition of our data is compared to observations gathered from the market in June, we are within 2.4%.

Jayson Whittington, Chief Car Editor, Glass's

New car market – overview

According to the latest figures released by the Society of Motor Manufacturers and Traders (SMMT), the UK new car market saw a small decline in June.

- Year-on-year demand down -3.5%
- 234,945 new registrations
- Large fleet demand down -6.4% year-on-year
- Small fleet demand increased 11.3% year-on-year
- Private demand largely unchanged at -0.6% year-on-year

Segments vs June 2017

- Smaller cars remained most popular
- Combined market share for Supermini and Lower Medium vehicles 57.4%
- Dual Purpose was the fastest growing segment
- Demand increased by 16.4%
- 6,710 registrations more than June 2017

Fuel types vs June 2017

- 45.0% increase in plug-in and hybrid registrations s
- 12.3% increase in petrol registrations
- -28.2% decrease in diesel registrations

Demand for alternatively fuelled vehicles continue to rise, however, these cars still only represent one in every 20 registrations. Although it is positive to witness the increase in these vehicles on the road, together with the increase in petrol fuelled vehicles, these increase do not make up for the decrease in diesel registrations.

June	Total	Diesel	Petrol	AFV	Private	Fleet	Business
2018	234945	74361	145035	15549	94694	129977	10274
2017	243454	103564	129169	10721	95297	138925	9232
% change	-3.5%	-28.2%	12.3%	45.0%	-0.6%	-6.4%	11.3%
Mkt share 2018		31.7%	61.7%	6.6%	40.3%	55.3%	4.4%
Mkt share 2017		42.5%	53.1%	4.4%	39.1%	57.1%	3.8%
Year-to-date	**Total**	Diesel	Petrol	AFV	**Private**	**Fleet**	**Business**
2018	1313994	428612	812535	72847	587256	677614	49124
2017	1401811	613985	729168	58658	617641	728607	55563
% change	-6.3%	-30.2%	11.4%	24.2%	-4.9%	-7.0%	-11.6%
Mkt share 2018		32.6%	61.8%	5.5%	44.7%	51.6%	3.7%
Mkt share 2017		43.8%	52.0%	4.2%	44.1%	52.0%	4.0%

Source: Society of Motor Manufacturers and Traders (SMMT)

Glass's Part of Autovista Group

News analysis – London's Ultra Low Emission Zone

In an attempt to improve air quality in the Capital, an Ultra Low Emission Zone (ULEZ) will be created in central London from 8 April 2019. To avoid paying an additional daily charge for travel within the current Congestion Charging Zone (CCZ), most vehicles including cars and vans have to meet tighter exhaust emission standards.

Operating 24 hours a day, 7 days a week, the ULEZ will replace the current T-Charge where older vehicles need to meet as a minimum Euro 4/IV for both petrol and diesel vehicles and Euro 3 for motorised tricycles and quadricycles or pay an extra daily charge in addition to the Congestion Charge. The T-Charge, officially known as the Emissions Surcharge, operates in the CCZ.

From 25 October 2021 the ULEZ will expand to the inner London area bounded by the North and South Circular roads.

Managed via Automated Number Plate Recognition (ANPR), in the same way as the CCZ, the ULEZ will target non-compliant cars, vans and motorbikes at a cost of £12.50 per day and non-compliant buses, coaches and HGVs at £100 per day. Minimum requirements for vehicles include:

- Euro 3 for motorcycles, mopeds, motorised tricycles and quadricycles (L category)
- Euro 4 for petrol cars, vans, minibuses and other specialist vehicles
- Euro 6 for diesel cars, vans and minibuses and other specialist vehicles
- Euro VI for lorries, buses and coaches and other specialist heavy vehicles

The business challenge

Covering an area 18 times larger than the CCZ, an estimated 100,000 cars, 35,000 vans and 3,000 trucks will be affected by the expanded ULEZ. Here we look at some of the likely implications for businesses operating in the Capital.

For a business operating within the CCZ there is just eight months to become ULEZ compliant and for the expanded area, just three years. To avoid a daily combined ULEZ / CCZ charge of £24 for cars and vans, many businesses need to invest in compliant vehicles.

The real losers look likely to be small businesses operating used diesel vans and who may have invested in Euro 5 diesel vehicles recently. In order to comply with the ULEZ scheme, Euro 5 vehicles require de-fleeting in preference for Euro 6 technology at a time when the complexities and uncertainty of Brexit are putting great strain on the UK economy.

An estimated 1 million vans operating on UK roads are Euro 3 or older. These vans would benefit greatly from a government sponsored diesel scrappage scheme. However, currently there is no help or dispensation being offered to the commercial vehicle industry.

Dispensations and Transport for London (TfL)

To avoid paying the ULEZ charge, dispensations are available for owners of the following vehicles.

- October 2023: charities to replace existing minibuses
- October 2025: disabled tax class vehicles
- October 2025: specially adapted private hire vehicles

Glass's
Part of Autovista Group

News analysis – London's Ultra Low Emission Zone

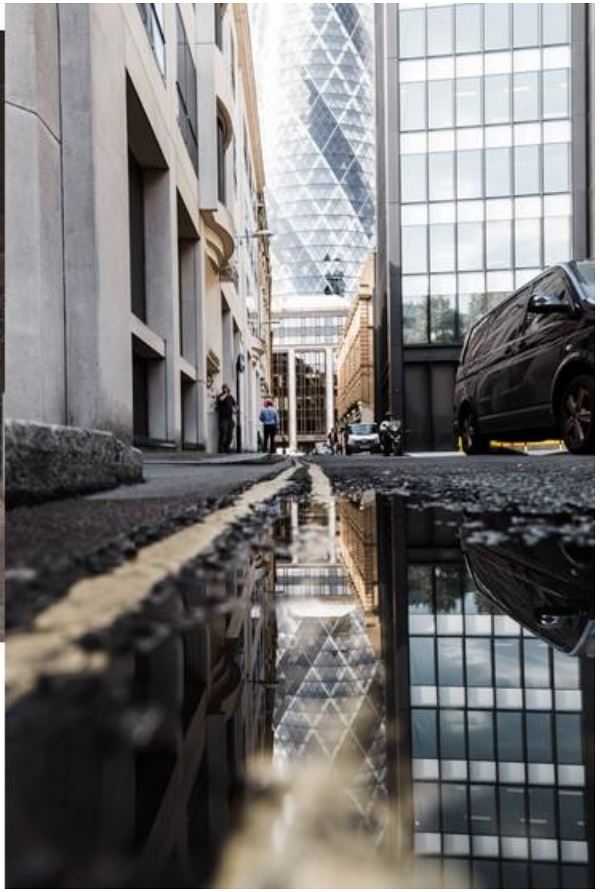
TfL is no longer procuring pure-diesel powered buses, instead purchasing hybrid, electric or hydrogen powered buses to meet the new London standards by 2020. Likewise, from 2020, only zero-emission capable taxis and newly manufactured private hire vehicles are allowed to operate in London.

Clean Air Zones (CAZ)

In addition to London, the Phase 1 roll out of additional CAZ due in 2020 includes 8 further cities and regional transport authorities. Phase two includes an additional 23 towns, cities and local authorities, with another 31 authorities around the UK required to take action in the future.

It is an interesting time to be involved in the automotive market. New technology such as Petrol Particulate Filters (PPF), NOx Traps and Selective Catalytic Reduction (SCR) continue to reduce emissions from vehicles, whilst batteries continue to improve the ranges of Electric Vehicles (EV). Today, it is not just about understanding the new technology, it is also about understanding where there is a home for the old technology. This is where Glass's Information Services can help. Glass's granular data can help identify and specify vehicles, price or trade used vehicles and estimate and manage repairs and process claims.

Andy Picton, Chief Commercial Vehicle Editor at Glass's Information Services said, "To ensure Glass's data remains accurate we are closely monitoring the ULEZ and CAZ situation in terms of residual values and monthly valuations. As more CAZ are created, we know that there will be fewer areas where significant demand for non-Euro 6 compliant diesel vehicles remains. Therefore, an impact on values is possible." There are two choices for businesses, some will swallow the charge, whilst others will choose to buy a compliant vehicle. Either way, it is likely the increased costs will be passed on to customers in higher bills for the services they receive.



Glass's
Part of Autovista Group

Used car market overview

With the UK's new car market showing some signs of recovery, it is likely that the used car market will follow in the same vein.

During the first quarter of 2018, demand in the market dipped 4.8% against the first three months of 2017, compared to a new-car market drop of 12.4% in the same period. This highlights the fact that three used cars are sold for every new car in the UK. Following this logic, as the new car market has picked up, it is likely that the used car market in Q2 will have improved slightly.

Within the auction market, looking back across the first six months of 2018, sales volumes were up in January and February compared to 2017. This, however, is due to a large amount of stock being held back during the first two months of last year.

For 2018, the stock has been spread out in a timelier manner, allowing the market to return to levels last seen in 2016. This led to a strong month in April, alongside a return to positive sales in the new car market, and continued strength since.

Unlike new registrations, in the used market, diesel is still a dominant fuel type. One main reason for this is the number of diesels coming to the end of their fleet life. With some companies now looking to move into petrol or alternatively fuelled vehicles in order to ensure their green credentials, diesel supply is increasing. SMMT figures reveal that diesel used car sales grew by 2% in Q1 2018.

From Glass's research, the used market has become a two-tier system with nearly new vehicles over £8,000 finding it harder to find buyers while quality higher mileage small cars are making good money. The main reason nearly new cars over £8,000 are struggling to sell at auction is due to dealers knowing they will face direct competition from discounts on similar new cars.

Glass's
Part of Autovista Group

Live retail market – UK's fastest selling used cars in June

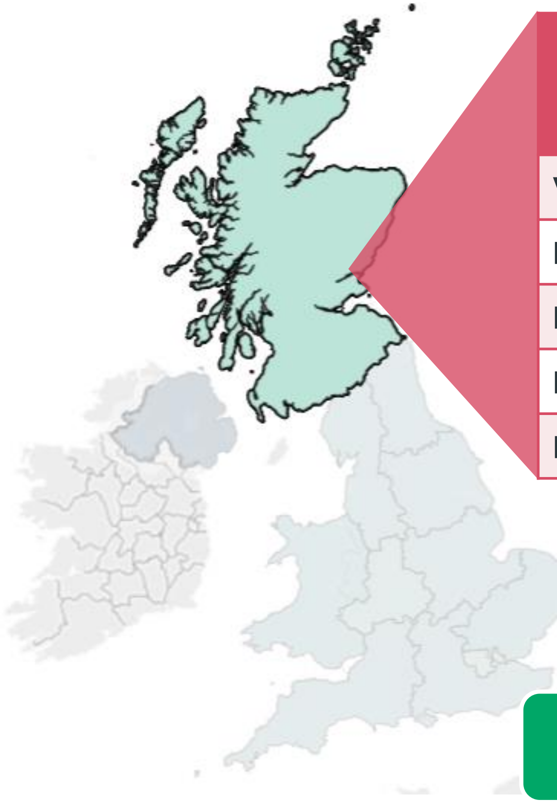
Every month we analyse our Live Retail Pricing data, powered by Radar, to tell you what the UK's fastest selling used cars were the previous month.

Based on over 8.4 million annual real trade car adverts on the UK's leading advertising portals, **with a minimum of 50 observations**, this data gives you an indication of what's selling well across the UK's used car forecourts. Our interactive online map allows you to filter the data by region or vehicle segment so you can see exactly what models are popular in your area or stock profile.

NATIONWIDE

These were the UK's fastest sellers at a national level in June (with 50 or more sales).

MAKE AND MODEL	AVERAGE DAYS TO SELL
Dacia Logan MCV	26
Dacia Sandero Stepway	26
Chevrolet Spark	27
Hyundai Tucson	28
Honda Accord	29



FOCUS ON… Scotland

These were the UK's fastest sellers in Scotland in June (with 50 or more sales).

MAKE AND MODEL	AVERAGE DAYS TO SELL
Vauxhall Mokka X	19
Hyundai i20	22
Mercedes-Benz A-Class	24
Ford Mondeo	25
Nissan Juke	25

Access the full interactive map

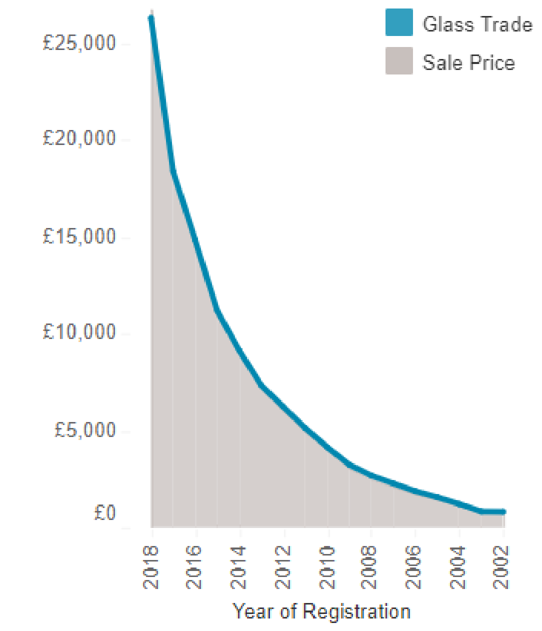
Glass's Part of Autovista Group

Residual values – measuring our accuracy

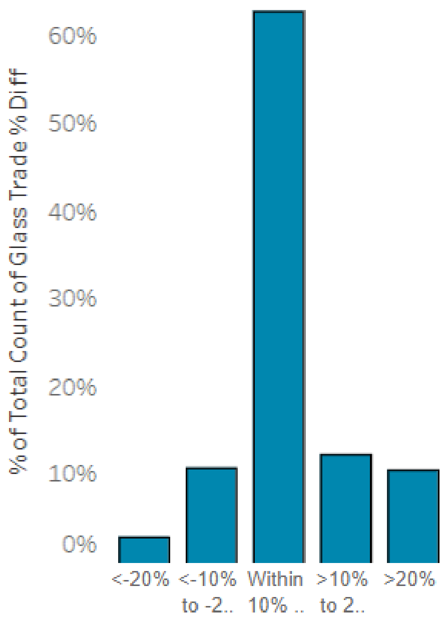
How accurate are our current Glass Trade values?

Glass's closely monitors the wholesale auction market and all observations gathered are used to help us to achieve our target of the Glass Trade Value. The graphs below show Glass's Trade Accuracy For Cars Observed in June 2018 versus the average Glass Trade Valuation for June.

Average Glass Trade vs Average Sale Price



Accuracy Distribution



Average Auction Sale Price

£7,629

Average Glass Trade Valuation

£7,810

Average Difference Between Our Trade Valuation and Auction Sale Price

2.4%

The image to the left is a snapshot of our accuracy reporting dashboard.

Glass's subscribers get full access to our accuracy dashboard each month and filters include:

- vehicle type
- fuel type
- manufacturer.

This means subscribers can see just how accurate we are on what matters most to them.

Get full access to our valuation accuracy dashboard

Glass's
Part of Autovista Group

Focus on Electric Vehicles

Electric vehicles (EVs) are here to stay, the range, styles and choices are growing wider with new offerings from mainstream manufacturers promised over the next few years. The technology is improving too. Many EVs are able to cover between 200-400 miles on a single charge. This means that for the majority of users, EVs are capable of carrying out almost every journey the driver will ever need to make without recharging during the day.

If you choose the right EV for your circumstances, effectively range anxiety is a thing of the past. Even many older models will comfortably cover 50 miles without an issue making them the perfect choice for the school or station run and even for short work commutes.

However, for the majority of people to consider taking an EV as their primary car, an increased range is needed, especially for those occasional journeys down to the coast. Of course there are alternatives such as schemes where dealers provide exchange vehicles with an internal combustion engine for occasions such as this. However, this solution does not give the total flexibility that some drivers need.

Tesla EVs already have realistic ranges up to around 400 miles with a rapid charge time of just 45 minutes using their Supercharger network. Whilst they may be on the wish list for many, they are not for everyone due to their price, currently starting around £65,000 and going up to over £120,000. More affordable options such as the new Hyundai Kona EV, with an expected retail price less than half of the Tesla, will offer a range, depending on the battery size chosen, of around 300 miles. This means that for the majority of the UK population the range will be more than enough to become a first choice car.

The inconvenient choice?

The problem then is not range; it is the potential inconvenience that people are concerned about. Currently if you drive a vehicle with an internal combustion engine, it takes five minutes to fill your car at any one of the 8,500 filling stations in the UK. The tank of fuel giving you a further range of anything between 400 to 700 miles.

If you have an EV and you are short on energy away from home, then firstly you need to find one of the 11,500 UK charging points not already in use. This requires a mind-set change for most drivers, with some planning required for longer journeys to ensure charging points coincide with planned routes and driving breaks. Alongside fitted EV navigation systems showing charge points, there are useful apps such as Zap-Map, which helps to locate charge points and show real-time availability.

An 80 percent battery charge will take between 30 and 40 minutes to allow you to continue your onward journey. This is just enough time for a comfort break, a coffee and to check a few emails. It is a mind-set change. However, with some planning, charging an EV away from home when the car is stationery anyway could actually save you time versus regular visits to a filling station.

Glass's
Part of Autovista Group

Focus on Electric Vehicles

The issue now is around the growth of the charging infrastructure versus the growth in sales of EVs. As more EVs are sold, without additional charging points, finding an available public charger when a driver needs one is going to become harder. The solution is not yet finalised, however, the Automated and Electric Vehicles Bill 2017-19 will go some way to solving the charging point infrastructure issue.

This Bill is currently making its way through parliament and has two main aims.

- Specify who is liable for damages following accidents caused by automated vehicles
- Improve the network of charging points for electric vehicles

As part of the bill, EV charging points will be mandatory at all large petrol stations and motorway services. This will lead to the installation of multiple charge points at each of the UK’s motorway service stations, as well as at many of the 8,500 UK filling stations.

Currently, there are more than 11,500 public EV charging points in the UK. This move will nearly double the country’s charging infrastructure, a major barrier to the uptake of EVs in the UK.

Owning an EV

According to Glass’s Total Cost of Ownership data, owners of EVs can gain on running costs versus similar internal combustion engine vehicles, particularly if the vehicle is owned for an extended period. Running costs are saved chiefly with the cost of charging compared to filling a tank with fuel. Glass’s Service Maintenance and Repair (SMR) data show further savings can be gained. With fewer moving parts, key savings at the SMR level for EVs will be on oil, oil filters, air intake filters, spark plugs, drive belts, cam belts and brake parts.

Barriers to ownership

In the near future more of the barriers to ownership will be removed. The doubling of UK charge points, increased speed of charging and the introduction of wireless charging making charging an EV even easier than refuelling an internal combustion engine car will all increase the attractiveness of EVs to a wider audience.

Range is no longer the major barrier to EV ownership. The barriers are the potential inconveniences that owning an EV may cause. Over the next few years it will be interesting to see how many people adopt this new mind-set and purchase EVs as their prim

Glass’s
Part of Autovista Group

Glass's Monthly Market Report

July 2018

Author:
Phil Curry, Data Journalist, Autovista Group

Contributors:
Anthony Machin, Head of Content, Glass's
Jayson Whittington, Chief Car Editor, Glass's
Jonathan Wyatt, Analytics Manager, Glass's
Andy Cutler, Forecast Editor, Glass's

Media enquiries: media@glass.co.uk

Glass's, part of Autovista Group
5th Floor, Wellington House
125 Strand
London
WC2R 0AP

w: www.glassbusiness.co.uk
e: customer@glass.co.uk
p: +44 (0)20 3897 2500
T: @GlassGuide

Published by Glass's Information Services Ltd.