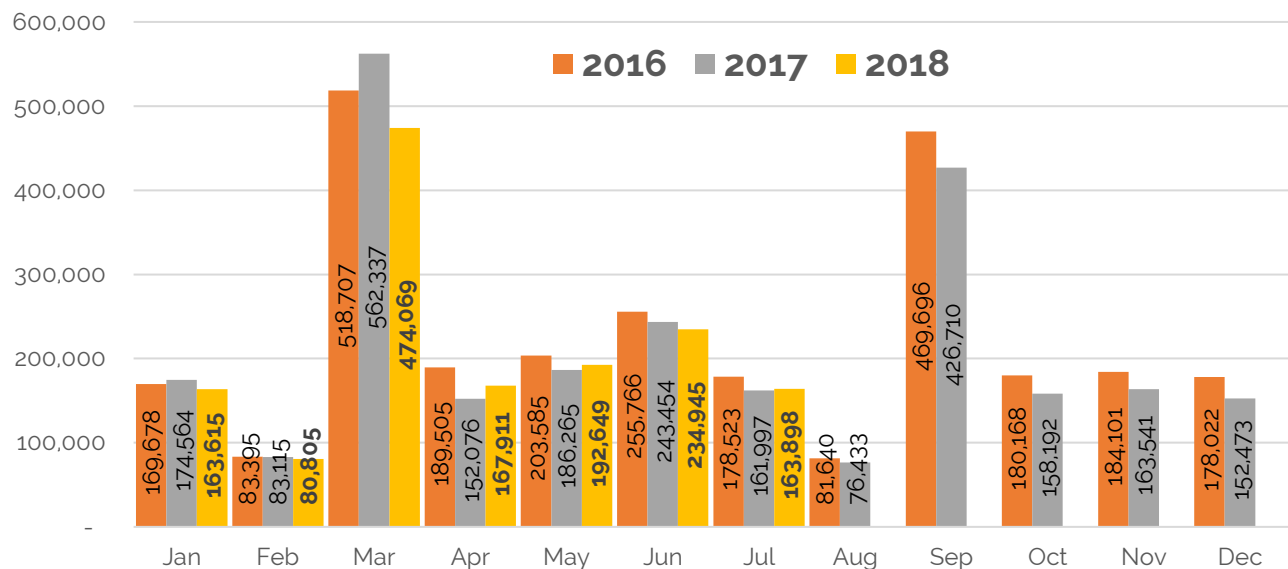


September 2018

black book editorial

New Car Sales

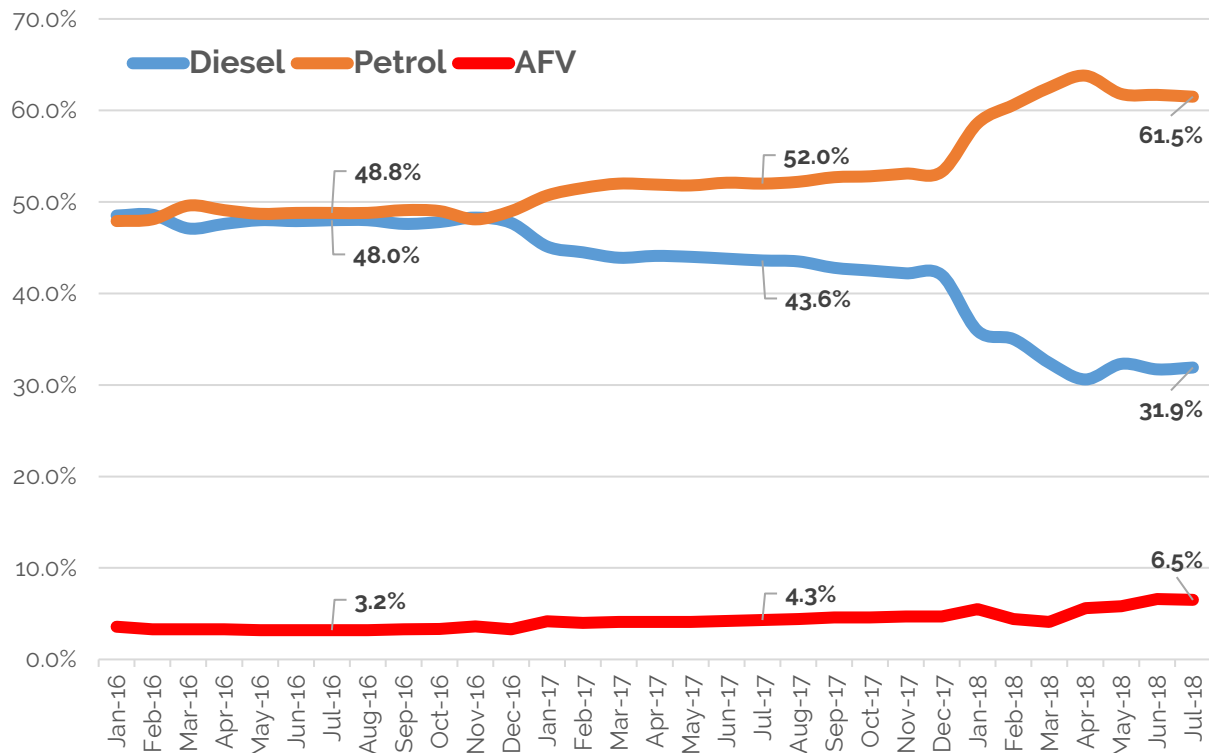
According to figures published by the SMMT, 163,898 cars were registered in July, compared to 161,997 in the same month last year, an increase of 1.2%. Year-to-date, 1,477,892 cars have been registered, compared to 1,553,808 in the first 7-months of 2017, a reduction of 5.5%. The market can best be described as stable, although with the plate-change month of September coinciding with the WLTP (Worldwide Harmonised Light Vehicle Test Procedure) deadline for manufacturers, the next few months are going to be particularly interesting for the new car market.



Source: SMMT

The volume of registrations of diesel cars continued to decline, following the trend that has been in place since the start of 2017. In July, diesel cars accounted for 31.9% of the market – a year ago, the share was 42.7% and in July 2016 it was 48.0%. Petrol cars have predominantly taken the volume from diesel, with share in July at 61.5%, compared to 51.8% in July 2017 and 48.8% two years ago. From being almost level with diesel 19-months ago, petrol is now by far the more dominant fuel type, with over 400,000 more petrol cars registered so far this year than diesels.

Alternatively fuelled vehicles continued their steady increase, becoming more widely accepted by consumers and fleets as each month passes. They accounted for 6.5% of the market in July – a record market share.



Source: SMMT

Used Car Retail Activity

The retail market remained buoyant in August, despite the clement weather and the school holiday period, usually both catalysts for a quieter month as consumers head on vacation or pursue leisure activities that do not involve visiting car showrooms.

Whilst WLTP has led to some confusion amongst dealers on the new car front, retailing used cars remains a consistent source of comfort and revenue. Car supermarkets and independent retailers have been busy as ever, and interestingly, franchise dealers have been likewise. August can often be a month where the franchise dealers increase their focus on new car activity, with September looming, however that has not necessarily been the case this year. Used car sales operations and departments have continued to retail large volumes, which in turn has kept them busy replenishing their stocks from auctions and the like.

For a number of months there has been industry speculation that there could be a glut of pre-registration activity in August, with manufacturers moving cars on that do not meet the strict WLTP guidelines that come into play from 1st September. It is clear from the retail data analysed by cap hpi, however, that at the time of writing this has not been the case. Volumes of "18" plates within the data have increased by a negligible 6% since the start of the month and are actually lower than the number of "17" plates that were in the retail market at the same time a year ago. Whilst most manufacturers have undoubtedly needed to get some cars registered, overall, they have not been in large numbers and some may have been sold through strong consumer offers rather than pre-registrations. Many daily rental companies have a strong requirement for new cars but this does not appear to have been a route taken by manufacturers. Of note, however, is that of the top 5 manufacturers, volume-wise, advertising what are likely to be predominantly pre-registrations, 4 are German brands; anecdotal feedback from dealers backs up this evidence.

Another interesting area of analysis concerns consumer demand for the different propulsion types, particularly with demand for new diesel vehicles having declined – is this replicated in the used car market? In a word, the answer to this is no. Diesel cars remain around 50% of the volume in the used market, and when analysing how long cars are advertised for before they are sold, there is no difference between the average lengths of time a diesel car is advertised for over a petrol one. This is very dependent on the size of the vehicle however, and smaller, diesel city cars, superminis and lower medium cars are noticeably less desirable than executive and upper medium cars, and SUVs, of that fuel-type. Electric vehicles also take longer to sell than their petrol or diesel counterparts, as they do remain niche in nature, despite more widespread acceptance of the technology. These are average figures and there can be many differences dependent on the type of sales outlet, manufacturer and individual vehicle.

Used Car Remarketing Activity

As one would expect with the retail market healthy, the trade side of the used car industry has been likewise, with the holiday season having minimal impact.

Looking at supply, volumes have been fairly static from the previous month, with actual sales through auctions around 1% up on July. 60% of respondents to the monthly cap hpi auction survey reported that stock levels were either on a par with where they were in July, or slightly higher, the remaining 40% citing a decline. When looking at demand, almost half stated that demand from buyers increased in July and almost the same again advised that demand was static. Two-thirds of respondents also confirmed that conversion rates had increased, with the majority of the remainder again advising they were about the same as in the previous month.

These survey results illustrate the strength in the used car market – an important pointer to the rest of the year and a positive sign with increased volumes likely over the coming months.

Cars around 3-years old or slightly under, in good condition, remained the most sought after vehicles. Those requiring much preparation to get them to a ready-to-retail state, or with higher mileages, were the ones struggling to achieve black book live values and generally ended up going through a number of auction sales rather than selling first time.

Overall, vendors and buyers remained positive during August, in a used car market where supply and demand were closely aligned. Most vendors were generally achieving between 80-90% conversion rates.

Used Cars – Trade Values

With the trade and retail markets so steady, it is unsurprising that the average value movements in black book live were so low. As always, however, the devil is in the detail.

At the 3-year point, overall values dropped by just 0.3% for both diesel and petrol cars. There is very little anti-diesel feeling amongst trade buyers, again dependent on the size of the vehicle; looking at sales volumes in the trade market, there is an even split between those with a petrol and diesel engine.

At the older end of the market, prices suffered a heavier drop, with demand not so healthy. Values in black book live dropped by 0.8% at the 5-year point and 1.4% at 10-years. This is a fairly normal movement for the time of year.

City cars were slightly weaker than the average during August. Many of these have been remarkably strong, pricewise, for the last year, so it is unsurprising that values have now

peaked, although they have certainly not started to drop away alarmingly. Models where supply has outstripped demand are the Fiat 500C and the Ford Ka, with values dropping by 2% and 4% respectively. Even in a strong market, as August has undoubtedly been, supply and demand dynamics can lead to price fluctuations in both directions.

The average SUV drop in value of 0.4% on average is somewhat misleading. This is such a large and diverse sector that there are many different nuances. Some medium-sized SUVs have been in high demand, with retailers happy to pay "cap clean" values for them, and on average, there was a negligible 0.2% movement down. Even models with high volumes, such as the Ford Kuga, Hyundai Tucson and Mazda CX-5, performed well. However, when looking at larger variants, and this has been a pattern for a number of months now, values were harder hit. The average movement down was 0.9% on these models, which equates to close to £300, a not insignificant figure in such a stable market. Examples of models that saw a reduction this month were the Alfa Romeo Stelvio petrol and diesel, BMW X5 diesel, Land Rover Discovery diesel and the Mercedes GLE diesel.

The lower medium sector, still the largest in used car volume terms despite the rise of SUV, had a strong month. For cars less than 5-years old the *average* movement was negligible, but models such as the Audi A3 (12-) diesel, Hyundai i30 (12-18) petrol and diesel and the BMW 1 Series diesel all went up in value based off their strength in the market. Other models did not fare so well and moved down, examples being the Nissan Pulsar petrol and diesel, Volkswagen Jetta petrol and SEAT Toledo diesel.

MPVs have also shown strength in the market, despite being a diminishing sector as consumers switch to SUVs. With volumes decreasing and a loyal following for many of these vehicles due to their versatility and functionality, models such as the Ford Galaxy diesel, Volkswagen Touran petrol and Peugeot Partner Tepee petrol all increased in value during August.

What Next?

Looking at the short-term, September is usually a very stable month for used car values, traditionally the "calm before the storm" before part-exchanges arrive into the wholesale market in large numbers. The average black book live movement during September over the last 5-years has been just 0.1% down, and nothing untoward is expected this time around – last year the movement was actually an upward one of 0.5%.

Whilst we are undoubtedly entering a rocky period for many manufacturers in the new car market, the used car market seemingly goes from strength to strength.

There is the likelihood of some manufacturers registering lower volumes than normal in September, and this may even stretch into quarter 4 and beyond. With less part-exchanges entering the market from this reduction, as some fleets extend their contracts by a few months, this could be good news for used car values beyond the immediate future. With demand unlikely to fall below where it seasonally is in the final 4-months of the year and even the potential for new car customers to be converted into late-plate used offerings, demand may well match supply more closely than it usually does as we enter the final third then quarter of the year. To temper some of this potential strength, however, the attractive new car offers appearing on those cars that manufacturers are keen to shift to encourage registrations, could push some late-plate values down.

More so than ever it is difficult to predict the next few months, due to WLTP muddying the waters, however, it is our view that the final months of the year will be relatively strong for used car values. As highlighted in this editorial, however, there are many models that stray

away from average movements, so keeping a close watch on the detail within black book live is more important than ever at this time of year, to avoid underselling or overpaying.

black book September 18 - Average Value Movements (Plate Uplift Excluded)

	1 YR/10K	3 YR/60K	5 YR/80K
City Car	(0.3%)	(0.7%)	(1.9%)
Supermini	0.2%	1.6%	(1.2%)
Lower Medium	0.1%	1.0%	(0.5%)
Upper Medium	(0.1%)	(0.4%)	(0.9%)
Executive	(0.3%)	0.4%	(1.5%)
Large Executive	(1.5%)	(0.4%)	(0.3%)
MPV	0.2%	1.3%	(0.2%)
SUV	(0.3%)	0.4%	(0.7%)
Electric	(0.1%)	0.8%	(0.6%)
Convertible	(0.4%)	1.1%	(0.3%)
Coupe Cabriolet	(0.3%)	(0.8%)	(1.2%)
Sports	(0.6%)	(0.7%)	(0.6%)
Luxury Executive	(0.9%)	(1.2%)	(0.7%)
Supercar	(1.1%)	(0.8%)	(0.5%)
Overall Avg Book Movement	(0.1%)	(0.3%)	(0.8%)

() Denotes negative percentages

Notable Movers 3yr 60k

GENERATION NAME	MIN £	MAX £	AVG £
AUDI A3 (12-)	-150	-75	-106
CITROEN C4 PICASSO (13-) DIESEL	125	150	140
CITROEN DS3 (10-15) DIESEL	-200	-150	-171
DACIA SANDERO (13-)	-175	-100	-131
FIAT 500 (08-15)	-125	-75	-94
FORD S-MAX (10-15) DIESEL	-150	-75	-108

HONDA CR-V (12-) DIESEL	-450	-100	-222
HYUNDAI I20 (09-15)	-150	-100	-133
HYUNDAI I30 (12-18) DIESEL	150	300	226
JAGUAR XF (11-15) DIESEL	250	600	402
LAND ROVER RANGE ROVER EVOQUE (11-) DIESEL	-350	-150	-239
MERC A CLASS (12-18)	175	300	236
MERC C CLASS COUPE (11-15) DIESEL	-250	-200	-217
SKODA OCTAVIA (13-) DIESEL	-250	-150	-195
SKODA SUPERB (08-15) DIESEL	-350	-200	-281
TOYOTA AURIS (12-) HYBRID	100	300	142
TOYOTA PRIUS (09-16) HYBRID	-150	-100	-125
VAUXHALL INSIGNIA (13-18) DIESEL	-175	-100	-138
VOLKSWAGEN POLO (09-18) DIESEL	100	125	109
VOLKSWAGEN SCIROCCO (08-18) DIESEL	100	200	150