

Press release: For Immediate Release

Cazana's Used Car Market Update for September 2018

Key points:

- Used Car Customers Harder to Find but Market is Still Strong
- Quick Turn Sub 12 Month Sector Live Retail Values Continue to Strengthen
- New Car Market Registration Changes Likely to Impact the Future Used Car Market

New car registration data released by the SMMT for September 2018 saw a quantum shift from the August return that saw such an uplift in registrations. This was, in the majority of cases, due to the introduction of the new WLTP and the need to clear the stocks of old less environmentally friendly cars. With registrations this month down by 20.5% this reflects the impact of selling cars that were not going to be able to be sold under the new regulations. This has taken the year to date registration volume to 7.5% below the figure achieved by the end of September last year, which is on track with the Cazana full year expectation of a market decline of 6.5% over 2017.

Looking at propulsion type, registrations for diesel cars reduced by a stunning 42.5% lowering market share for September 2018 to just 29% which is 10% less than the same period last year. Conversely and unsurprisingly petrol cars took 64.1% of the market share with registration volumes down just 6.7%. This left AFV's with 6.9% market share which is an increase of 3.9% representing the continued shift in customer demand to what is perceived to a better fuel type.

The September registration volume has been decimated by the lack of supply of new cars rather than a significant drop in consumer demand. With the manufacturers desperately trying to finish WLTP testing of their new product, there has been quite a delay in production capacity for most cars. This is particularly evident in the case of diesel product that has been under so much scrutiny in recent months. However, there are some who are citing that market demand has also been significantly affected by consumer confidence over Brexit and although this has a part to play, an element of poor planning on testing and production must also be partly to blame.

Therefore, it would appear that the new car market has begun to balance from the disruption experienced in recent months and the remaining quarter of 2018 will be an interesting period of trading. With so many changes to product supply and to the stated emissions, there is a high level of confusion in the market particularly for the business user whether they be fleet owners or company car drivers. Whilst the SMMT shows that market share between private sales and fleet sales has varied by just 1% in comparison to last year there is quite a story behind how these figures have been achieved.

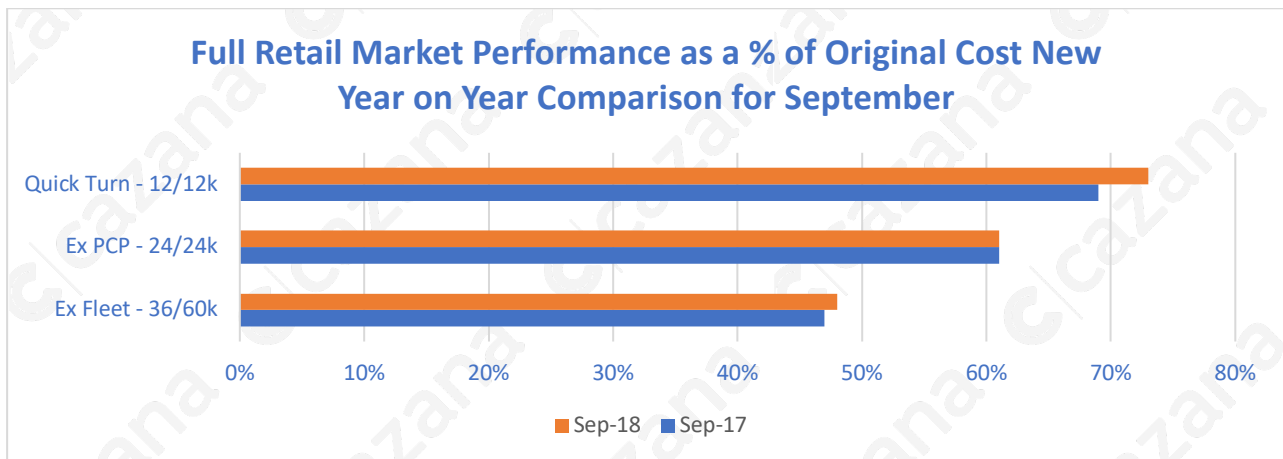
However, the used market has been a different proposition and where consumer confidence has been lower, this has resulted in buyers seeking slightly cheaper cars on the basis they would like to save money. There is little doubt that this has been good news for the OEM's that have pre-registered so many cars as the problem has been shifted to a lower price point and thus far it would seem that consumer demand has just about kept up with supply.

With quieter months ahead though it may become a challenge for used car sites to ensure that sales meet budget aspirations. It is possible that to keep stock moving there may be a reduction in retail pricing at the expense of margin as consumers begin to focus on autumn holiday time and the festive season beyond rather than buying cars. Although these are usual seasonal factors considered and budgeted for by most businesses, with such change in the market this year it may prove to be a period of discomfort for some as competition increases.

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The chart below shows overall market performance of key vehicle age profiles year on year:-

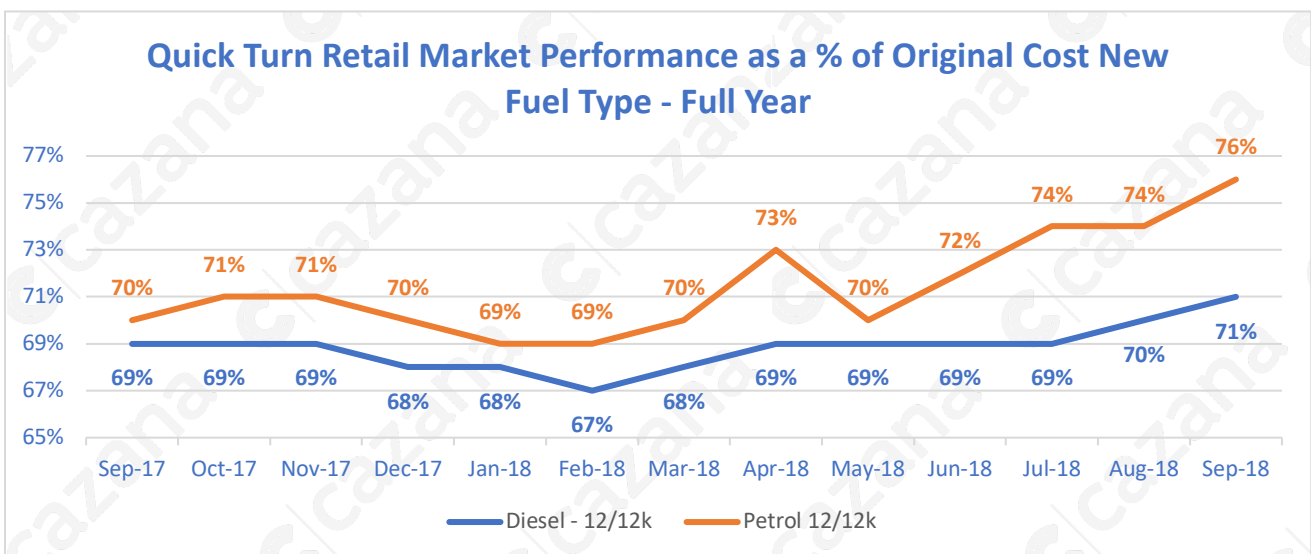


Data powered by cazana.com

This chart displays an interesting view of the market. Given the increase in pre-registrations of late, the trend of improving prices of Quick Turn cars in recent months was surprising as volumes had increased. However, following a month of drastically reduced new car sales, there is now an irrefutable reason for retail prices in this sector to have risen. This trend may continue during the last quarter.

Stability appears to remain in the ex PCP sector despite volumes increasing further but there is more to be revealed in the data on closer investigation. The ex-Fleet sector has recorded an increase in retail pricing over the same period last year which is positive news and it is likely to be down to the fact that WLTP has caused distress in the new Fleet market hence affecting the supply of defleeted product to the used market. Alternatively, this could reflect better consumer retail demand as buyers seek to save money as a result of Brexit concerns.

With values of the sub 12-month-old vehicles increasing of late the chart below looks at the data in more detail by fuel type: -



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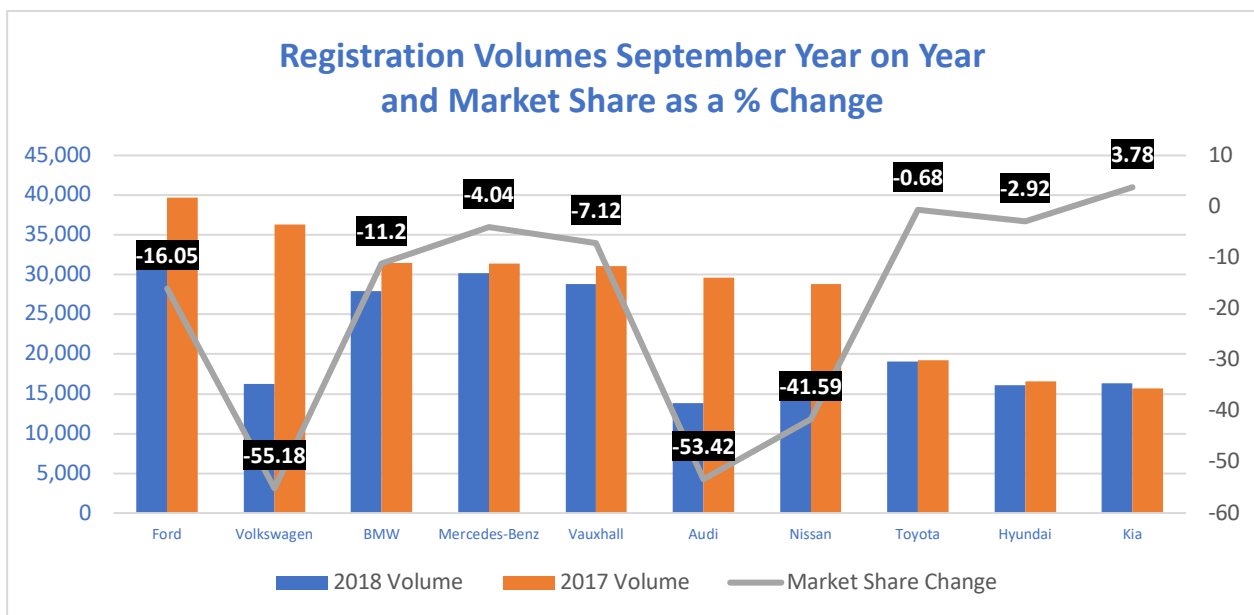
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The previous chart gives greater context to the increase in prices of the sub 12-month-old cars in the retail market and reflects pricing performance split by fuel type over the last year. The year on year increase in pricing for petrol cars is a significant six percentage points whereas for diesel the increase is two percentage points. The good news is the general shape of the chart for both propulsion types is similar and this quantifies the fact that there is not a problem with used diesel cars, in the same way, there is with new models. However, it is worth noting that the delta between the two fuel types in September 2017 was just one percentage point and over the course of the last year this has grown to five percentage points.

The growth in the delta between the two is important as although diesel propulsion is not in trouble, retail pricing has not improved as much. This is possibly due to the volume of cars in the market and without a doubt the type of car. The current new market conditions have driven the increase in pricing as there are fewer new cars for sale which has meant that manufacturer ex-management cars have been deflected in lower volumes and the rental companies have been struggling to change their fleet too meaning less choice for the consumer in the used market.

With so many changes to the new car market over the last few months, there is now a level of concern around what the impact of this changeable supply will have on the used car market in the years and months to come. This is very difficult to predict as the industry has not seen this type of disruption to the market since 2008 and that was due to a part anticipated global financial meltdown. It is true to say the European markets have also been feeling the heat too but being one of the most active and changeable markets the UK is likely to be worst affected.

The chart below shows just how much of a shift there has been in new car registrations and market share for the top 10 manufacturers in September:-



Data from the SMMT

With this level of change in the new car registrations and market share, it seems highly likely that used car buyers will find themselves being offered very different cars on the forecourt in the future. Change is often seen as good and this period of adjustment may prompt customers to review the type of vehicle they really want or actually need to meet personal requirements when they find a limited supply of what they perceive to be the right car for them.

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In summary, September has been a complex month of compromise in the new car market. The used car market has changed shape due to varying quantities of used stock and the shift of consumer focus further towards used alternatives. The finance industry has been seeking to offer better-used car finance packages to service this market shift with varying degrees of success. What we do know is that the coming months will be in part challenging but without doubt changeable and the need for realtime insight and intelligence has never been greater to keep the more proactive businesses on the right track.

Cazana's truly live retail-driven data is unique in providing up to the day market insight and intelligence being driven from over 25,000 websites each day. Seeking more focussed information relating to specific market sectors or time periods ensures maximum vision and the most comprehensive insight required to maximise profit, ROI and asset management. This is exactly the data and insight required to deal with what is becoming a more challenging market with every day that passes and will continue to do so as the industry heads into 2019 and beyond.

Written by Rupert Pontin, Director of Valuations at Cazana, October 9th 2018

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Notes to editors

- Cazana provides global automotive insights, enabling the next generation of vehicle access.
- Founded in 2012, Cazana originally set out to gain a better understanding of the prices of classic cars by using big data. Although it started as a hobby for founder Tom Wood, Cazana has become the largest car search and indexing engine for used cars on sale in the UK. The business now tracks millions of vehicles for sale across eight countries on a daily basis.
- Cazana's search technology shows every car on-sale, unearths hidden history on every vehicle and tracks a car's value and history with a timeline of events from manufacturer to present day.
- Cazana provides a wealth of data to manufacturers, dealers, finance and leasing companies to help them better understand residual value risk and the changing prices of vehicles in the market. Cazana is the first car valuation engine to use real-time retail data and correctly value vehicle condition and specification, which helps its clients price products more effectively and with greater certainty.

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