Press release: For Immediate Release

Cazana's Used Car Market Update for October 2018

Key points:

- Used car market benefits as new car registrations fall
- Retail prices improve across key market profiles
- Brexit deal and government support for the industry are essential

The October new car registration data has depicted a return towards normality in terms of outright monthly registrations after last month's heavily distorted drop in activity in the wake of the introduction of the WLTP in September. With figures reflecting a drop of just 2.9% for October over the same period in 2017, the year to date figure reveals that the market is performing 7.2% worse than last year. However, the data overall highlights some interesting trends that have once again been driven by changes in legislation that the industry was not really expecting.

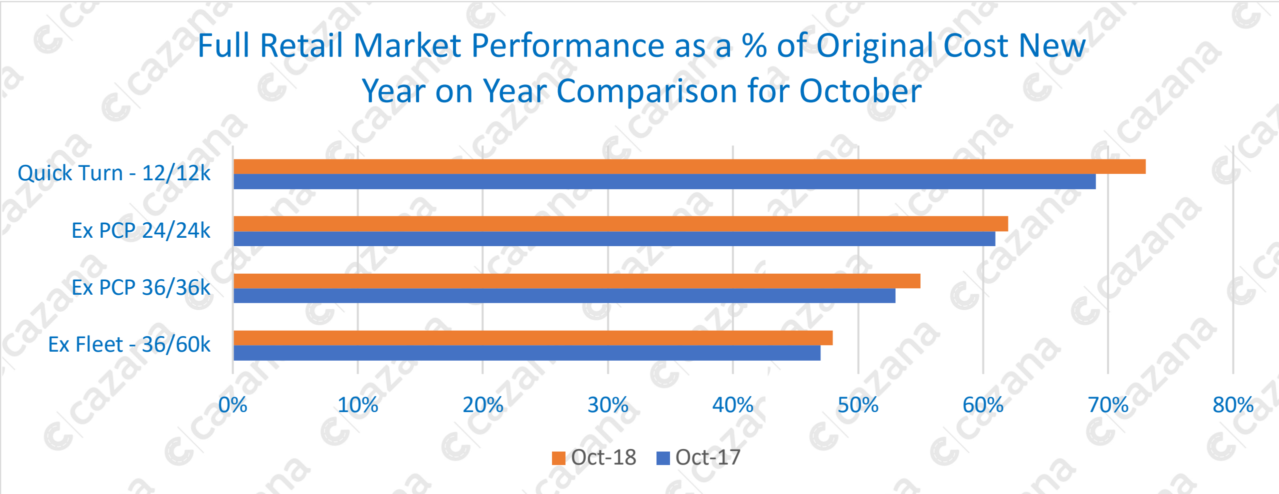
When reviewing the data by propulsion type it is clear that the anti-diesel lobbying is still having an effect on demand for new diesel cars. The fact that some of the key mainstream manufacturers are still unable to supply WLTP friendly engines is not helping the situation either with many models either unavailable for order or subject to very long lead times. Diesel registrations fell by 21.3% in comparison to October 2017 and this brings the year to date market share to 31.8% which is some 10.8 percentage points lower than in 2017. Conversely petrol-powered cars have seen a rise of 7.1% for the month and the year to date increase in sales at 9.2% reflects a 62.3% market share which is 9.3 percentage points greater than 2017.

From a sector perspective, private registrations fell by 1% and fleet registrations by 5.2% when compared to October 2017 although the business sector reflects growth of 10%. This is likely to be as a result of the fact that the country and the industry remain in a rather surreal place at the moment. With October's budget bringing little good news to the automotive sector overall and the continued indecision around a Brexit deal, consumer confidence dropped further during the month of October. Whatever the final outcome, confirmation of whether the country will have a Brexit deal or not will allow industry to plan ahead and this needs to happen as soon as possible. A date of November 22nd has been mooted but time will tell.

From a fleet sales point of view there are some reports that demand is beginning to rise again although this is somewhat surprising in many respects. The personal taxation position has still not really been made clear and it is hard to see why user choosers, who were wary of changing their cars four to six weeks ago, should be feeling any more confident now. Therefore, any improvement in demand is probably due to the need to change from a business cost perspective driven by the finance department thus pushing drivers into cars they may not really want.

With confusion and lack of product disrupting the new car market, the benefit has been evident in the used car market. Despite a general lack of consumer confidence, the number of used retail buyers have been boosted by new car buyers unable to find the car they want and, in some cases, people seeking to spend less money. This has helped to dent the large volumes of pre-registered cars that hit the dealer websites in recent months. With new car supply set to be an issue for the foreseeable future this bodes well for used car dealers nationwide and where there had been an expectation that retail pricing may have dropped to stimulate demand resulting in narrower margins it would seem that the opposite is actually likely to be the case.

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

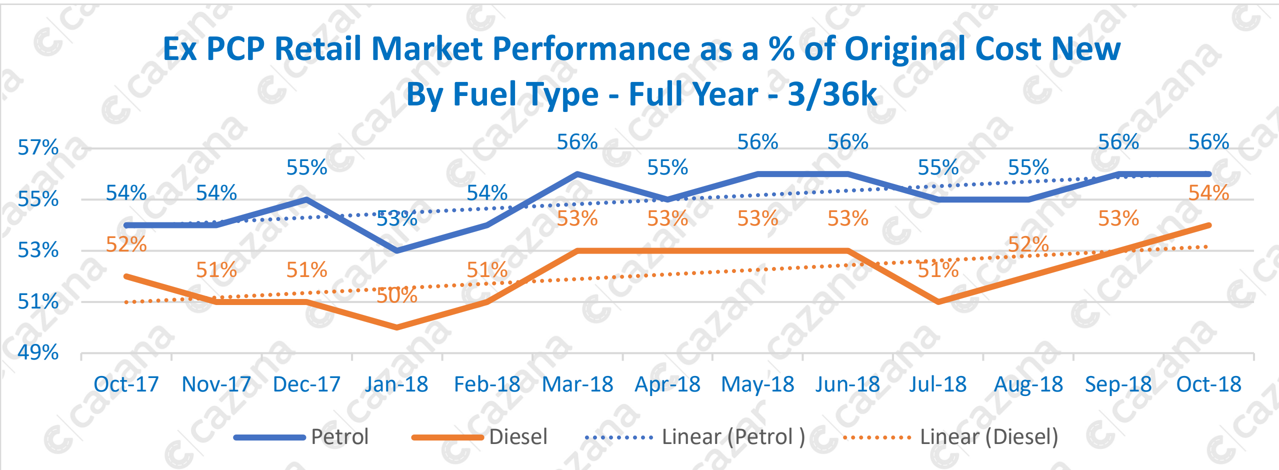


Data powered by cazana.com

This chart supports the view that the used car market is short of used stock overall and also enjoying a good level of retail consumer demand. Retail price performance across all key sectors shows an increase in value as a percentage of original cost new with the best performing profile being the twelve-month-old vehicle with a four-percentage point increase when compared with the same month last year. This is the result of the new car stock shortage with dealers able to achieve higher prices when selling to what were inevitably intended to be new car buyers.

There is also a two-percentage point improvement in retail pricing performance for three-year-old ex PCP cars. Compared to the one percentage point increase at two years old, the lack of this profile of vehicle is resulting in good demand and stronger prices. The lower improvement in two-year-old ex PCP product is possibly driven by higher volumes of this age and profile car coming to the market as dealers work to move customers to newer pre-registered cars creating a greater availability of two-year-old product.

With values of the ex PCP three-year-old vehicles increasing of late the chart below looks at the data in more detail by fuel type: -



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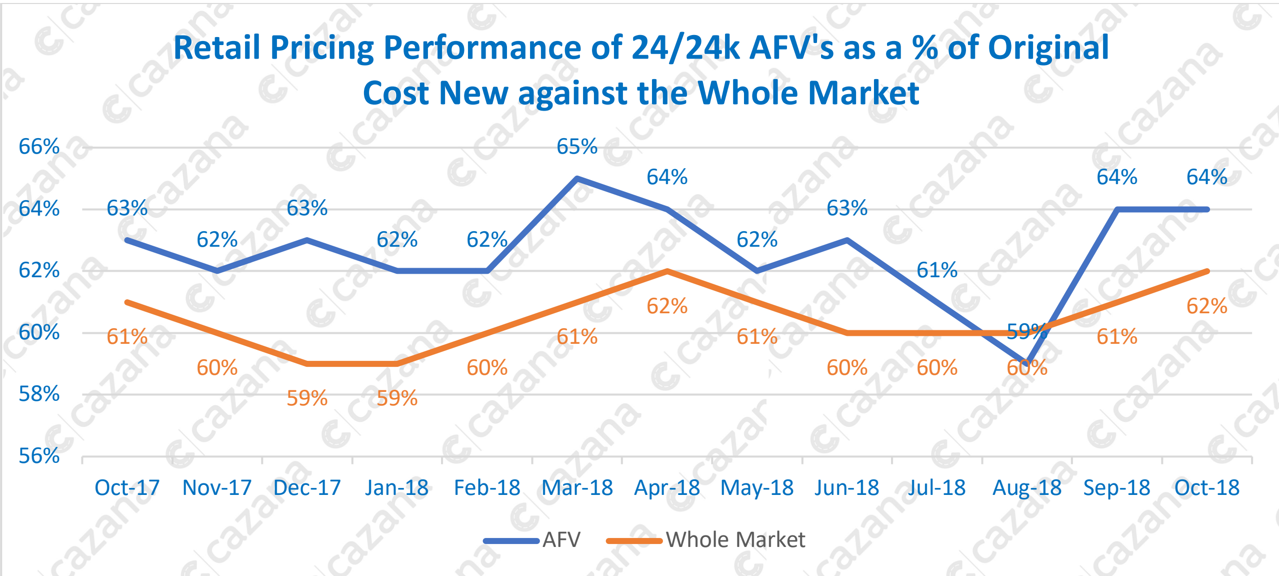
The previous chart shows the performance over the last 12 months of ex PCP cars at three years old and thirty-six thousand miles by fuel type. Whilst both petrol and diesel cars follow similar patterns for much of the year it is interesting to note that since July, diesel powered cars have been on a marked increase with retail pricing increasing by three percentage points whereas petrol powered cars improved by just one percentage point. This could indicate that there is greater demand for older cheaper models or indeed that there are less of these cars in the market. This would support the earlier suggestion that OEM's are churning PCP contracts early to improve pre reg sales.

The other important data in this chart is the relative positions of petrol and diesel models to each other during the course of the year. In October 2018 as a comparison against October 2017 the delta between the two fuel types is exactly the same at two percentage points. This shows consistency and strength. In fact, the trend line indicates that retail pricing has increased at the same rate although the performance line appears to show greater stability for diesel cars.

Given the significant increase of over thirty percent in Alternative Fuel Vehicle registrations in October it would be remiss not to take a snap shot of this market. As identified, this increase is due to the withdrawal of the government subsidy but it will be fascinating to see what impact this will have on the used car retail pricing of these cars going forward. Taking into consideration the fact that new prices have now increased, the question is whether used prices will follow suit as the gap between new and used pricing will expand.

The chart below shows the retail pricing performance for ex PCP AFV's over the past year:-



Data powered by cazana.com

This chart compares retail pricing performance as a percentage of original cost new for AFV's against the performance of the rest of the market at the same age and mileage profile. The interesting point here is the fact that AFV retail pricing as a percentage of cost new sits higher than the other fuel types combined. Naturally it is encouraging to see that generally speaking, pricing trends mirror those of the rest of the market which indicates that up until this point AFV's have been striking a chord with the retail consumer. It is also worth highlighting that despite a less stable journey, AFV's have retained the two-percentage point uplift in retail pricing over the rest of the market.

To summarise the October market is in some ways straightforward. With a further decline in the new market the used car market has continued to perform well. At this stage Cazana's data science driven insight gives no reason to suggest this will change, although there is a caveat. If the government are unable to secure a Brexit deal and the chancellor is forced to return to parliament with another budget proposition then the state of the economy will in all likelihood be compromised. At this point the political and economic landscape is likely to see a significant change, the likes of which are not really forecastable.

Cazana's truly live retail-driven data is unique in providing up to the moment 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. With the confusion in the new car market and uncertainty over Brexit at an all-time high, top quality up to the minute commercial data will identify market variations quicker than any other data provider and will be vital to ensure modern automotive organisations are in a position to make the most effective strategic decisions.

Written by Rupert Pontin, Director of Valuations at Cazana, November 5th 2018

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For more information, please contact teresa@cazana.com / 07548 303 949

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.