

Press release: For Immediate Release

Cazana's Used Car Market Update for November 2018

Key points:

- Used car demand falls slightly but pricing increases once again
- Sub one-year-old car pricing on the up as pre-registration appears to decline
- Brexit confusion remains a sticking point driving consumer confidence down

It would seem that the new car market has rebalanced itself to its more usual annual performance levels and the November SMMT data shows that new car registrations for the month were down 3% on the same period in 2017. This essentially indicates that the impact of the recent legislative changes has now settled. This does not mean that WLTP and the removal of the Plug-In Car Grant will no longer affect the market, but it does suggest that the biggest changes are now passed. Year to date new car registrations are now running at 6.9% behind 2017 and it will be interesting to see whether there will be any sort of push before the end of the year during December to clear remaining stock or meet annual commercial targets.

The reduction in diesel car registrations is lower this month than it has been of late and at 16.7% below last years levels might indicate a greater interest in diesel propulsion, although it could equally be a blip. At some point, the message that Euro 6 diesel technology is really pretty clean will dawn on the consumer. It is also encouraging to note that there has been less negative national press in recent weeks as focus on Brexit once more monopolises the media. Petrol registrations have improved once more, but by just 3.5% over November 2017 which will be interesting to watch in the coming month. Year to date petrol registrations now stand at 8.8% higher than last year and market share has increased by 3.8 percentage points over December 2017 although at 62.2% for the year to date it rests at 9 percentage points higher than in 2017. Diesel market share for the year to date is 31.8% which is 10.4 percentage points lower than at the same point in 2017.

Alternative Fuel Vehicle registrations continue to increase and at 24.6% over the same period last year look very encouraging. The number of hybrid vehicles on offer to the consumer is almost at a high, once WLTP rebalancing is taken into consideration, even if some of this technology offers very restricted ranges and circumspect financial advantages to the driver. Market share for the month was at 6.8% up 1.5 percentage points over November 2017 and for the year to date sits at 22% which is similarly 1.5 percentage points higher than 2017. Whilst this traction is good news it needs to increase to ensure future goals are met.

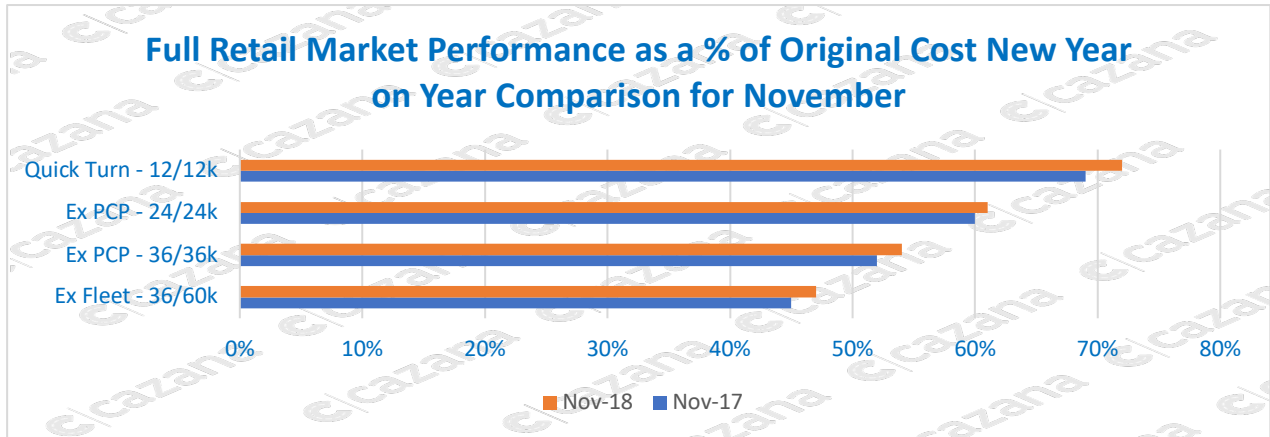
Looking at the split of registrations by market and it is interesting to note that private registrations for the month are down 6.4% on November 2017 with fleet registrations also lower but at just 0.7% leaving business registrations to take up the slack with an 8.6% increase for the month. When comparing these figures to the year to date results, it is apparent that private registrations are consistent for the year recording a drop of 6.5% whilst fleet figures are down 7.3% and business registrations at 6.3% lower for the year. It is difficult to ascertain what is the driving factor behind this reduction although Brexit will certainly have played many parts from damaging consumer confidence to the impact it has had on new car profitability from imports due to the exchange rate. The strength of the European market will also have drawn production to other markets but this is essentially good news for the used car market.

Going forward new car supply looks set to be an issue for certain manufacturers as they catch up with the WLTP testing procedures and this may result in less pre-registration activity. In turn that is likely to mean late plate used car values will continue to improve and used car stock is still short.

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

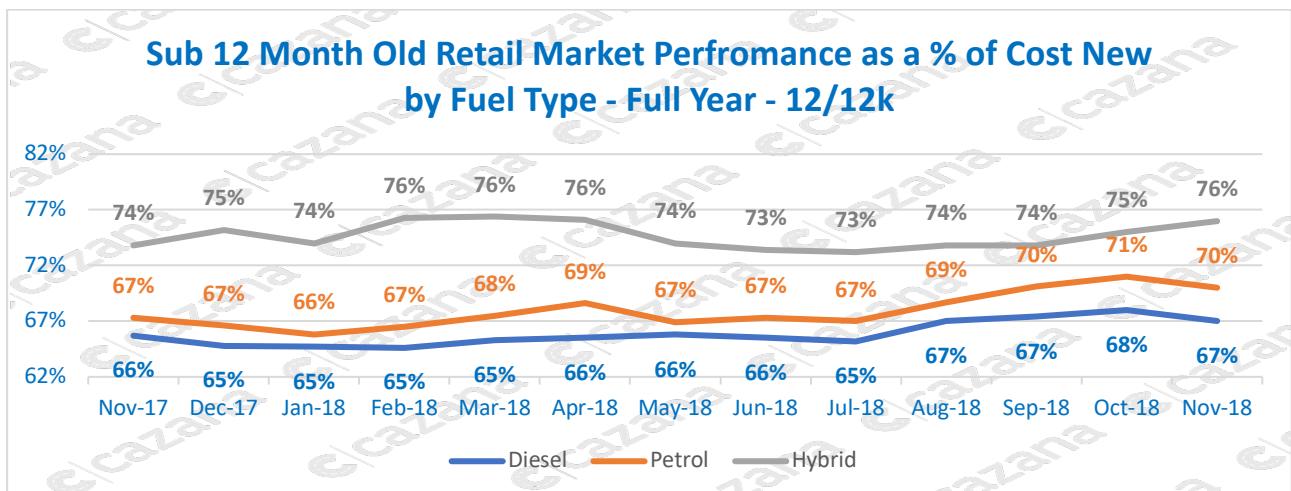


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This chart compares retail pricing in November 2018 with the same month last year. This is a top-level view of all vehicles and all fuel types combined at key age and mileage profiles. It is clear from this chart that the used car market is short of stock as retail pricing across all key age and mileage profiles has increased. The greatest increase in retail prices at three percentage points, is for the sub twelve-month old profile and this may also support the view that as pre-registration activity declines the lack of pressure from those cars sitting at the top of the market means that the desirability of sub twelve-month old cars is increasing and pulling prices up.

Retail pricing improvement for ex PCP profile cars that has been a feature of the market in recent months continues and this chart shows a one percentage point increase at two years and twenty-four thousand miles and a two-percentage point increase at three years and thirty six thousand miles. The rate of increase for these two profiles mirrors the October data and further supports the thinking that the greater volume of two-year cars coming back is mildly suppressing demand but purely due to increased choice.

Given the greatest increase highlighted is in the sub twelve-month-old car profile the chart below looks at performance over the course of the year:-



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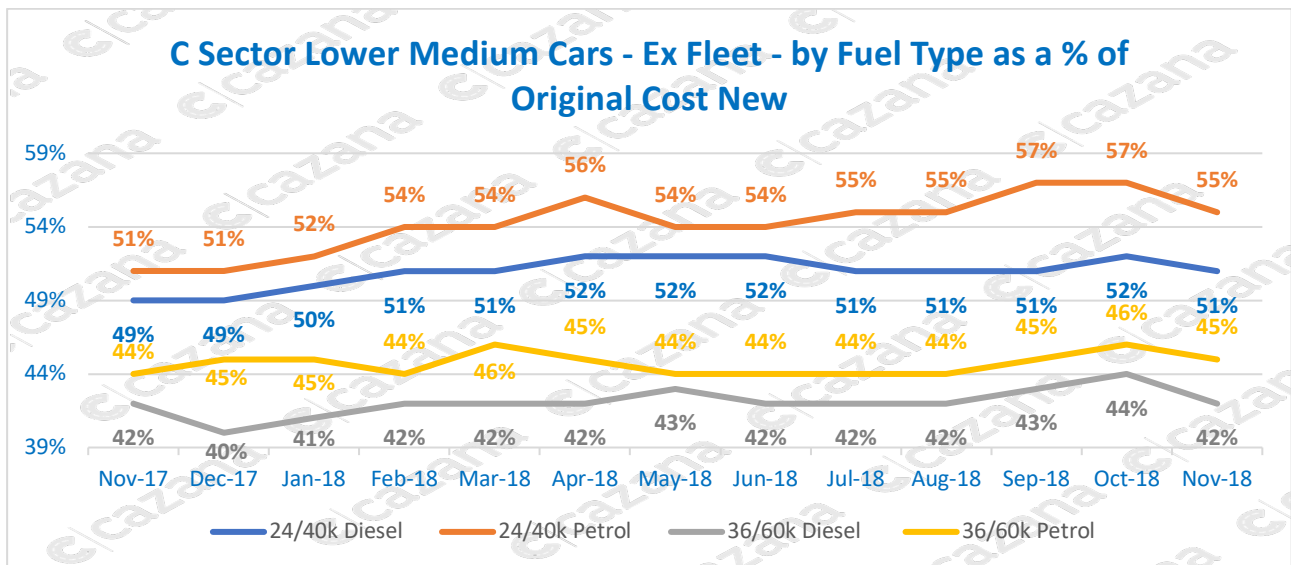
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This chart is very interesting as it confirms the fact that there has been a marked increase in retail pricing for sub twelve-month old cars not only over the course of the year but specifically in the last five months. This is especially noticeable for hybrid cars which unlike petrol and diesel vehicles have continued to increase in price during November where the other fuel types have declined slightly. Year on year hybrid cars have improved by two percentage points and diesel by one percentage point but it has been petrol powered cars that have shown the greatest year on year increase at three percentage points. This is no doubt in part due to the petrol/diesel discussion but also at this age group there can be greater volumes of smaller cheaper cars in the market from all vendor sources.

It is also worth noting the delta between the different fuel types both now and at the same point last year. The gap between petrol and diesel has widened by one percentage point whilst the difference between petrol and hybrid has narrowed by one percentage point. This is probably due to the fact that there are more hybrids coming to the market and realistically speaking hybrids will in all likelihood decline in residual value as supply improves as they sit particularly high in relation to cost new at the moment. However, there may be a hiatus in the coming weeks as new versions no longer attract support from the recently withdrawn Plug In Car Grant as reviewed in last month's market commentary.

Market sentiment and anecdotal comment is always plentiful and one topic of late has been that there are too many C Sector cars coming to the market at the moment particularly as ex fleet profile vehicles. There is currently discussion around the fact that wholesale values are being adversely affected and a suggestion that the retail consumer demand is not there for these cars. Astra, Focus, 308 and Golf type cars are usually a firm favourite with the consumer and despite the influx of crossover SUV's in recent years as alternatives they have remained popular.

The chart below shows the retail pricing performance for ex Fleet Ce Sector cars over the past year:-



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This chart shows some interesting insight with no indication that retail pricing has decreased year on year for either petrol or diesel variants in the sector. In fact, lower mileage petrol and diesel cars have both increased in price with a four percentage point increase for petrol and two percentage point increase for diesel at forty thousand miles. At the higher mileage point, petrol prices reflect a one percentage point increase and diesel remain at the same level as November 2017.

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This demonstrates that despite increased volume there is still good consumer demand for C Sector cars in the used market. It is key to remember that retail pricing is driven by what a consumer will pay for a car and therefore drives wholesale pricing more often these days.

In summary the November market has been more difficult from both a new and used car perspective but this should not come as a surprise. In the run-up to the festive season consumer focus is on other things and the ongoing Brexit complications should not be underestimated as consumer confidence continues to remain low. The balance of the year will see an improvement in used car interest towards the end of the month and new car registrations may see a boost once more as manufacturers and dealers seek to meet end of year targets to achieve full year bonus.

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 continuing Brexit confusion 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, December 5th 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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