

Glass's Monthly Car Market Report

December 2018



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Foreword

Thanks for downloading the December edition of Glass's Monthly Market Report. As we approach the end of 2018 we look back on what has been an unpredictable year for the new car market and a very consistent one for the used wholesale marketplace.

158,639 new cars were registered in November according to the SMMT, which is a drop of 3% compared to last year. This is the seventh time in 2018 that monthly registrations have recorded a deficit over prior year. The year to date total now sits 6.9% lower and unless either new car supply dramatically improves throughout December or large-scale tactical registering occurs, the market will end close to 2.37 million, a fall of 6.7%.

The used wholesale market remained reasonably buoyant for the time of year. The overall first-time conversion rate fell by only 2% to 82%, which is 1% higher than last year. Glass's editors, who attended 14 auctions in November, reported that auction halls were still buzzing with buyer activity, although feedback from dealers suggests that used retail has slowed. Many will have now turned their attention to building stock up for the New Year, where historically auctions receive fewer fresh entries and prices firm-up.

Glass's trade accuracy continues as a key priority for my team and me. Comparing our November values to actual November auction prices, we were within 2.3%. Finally, all at Glass's would like to wish you Season's Greetings and we hope that you have a prosperous new year!

Jayson Whittington, Chief Car Editor, Glass's



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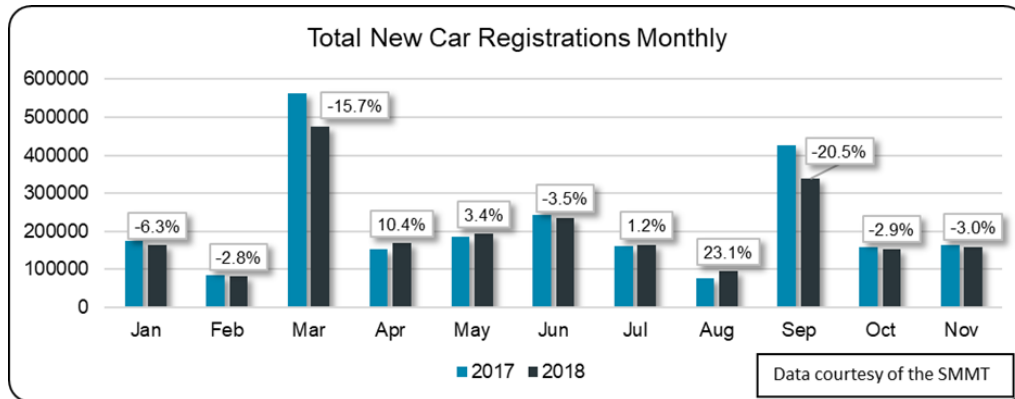
New Car Market

For the seventh time this year, the SMMT reported that the new car market recorded a deficit against 2017. 158,639 new cars hit the UK roads, 3% less than November 2017.

The downturn in diesel sales being the main reason, with 16.7% less registered, a fall of over 10,000 units, although a proportion of the fall is due to supply issues and not purely a continuation of the move away from this once dominant fuel type.

Petrol cars accounted for almost 61% of registrations, an increased share of nearly four percentage points in 12 months. However, this fuel type only saw a modest growth of circa 3,300 units.

Alternative fuel vehicles increased by 24.6%, albeit based on a low number, with just over 2,100 registered in November.



The total market year to date now sits at 2,223,058 units, 6.9% below last year. There is no doubt that WLTP has severely impeded supply this year and is a major contributing factor. That said, at the beginning of 2018, many industry commentators, including Glass's,

forecast that the market would fall again this year, expecting a final tally in the region of a 4% drop versus 2017.

Without the recent supply issues, a 4% downturn would have been a good prediction. It is likely therefore, that we should expect a strong Q1 2019 as supply issues ease, satisfying pent-up demand.

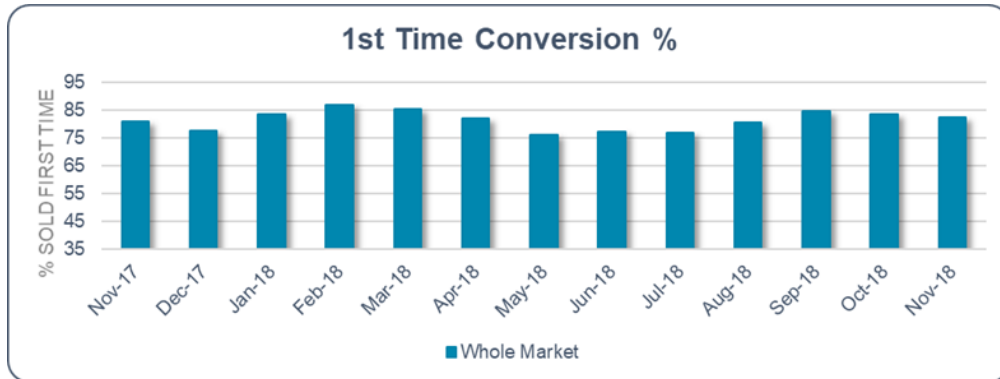
There are of course more hurdles for the market to overcome, as the Brexit date fast approaches. Will it be deal, no deal, another referendum or general election? At the time of writing, none of this is clear, allowing economic uncertainty to continue to cloud the horizon.



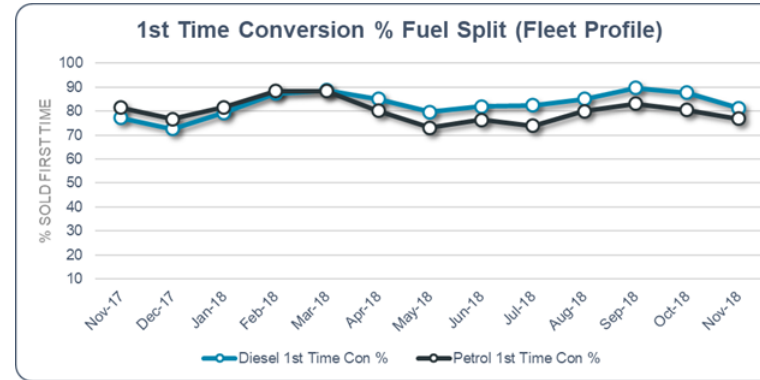
Used car market overview

The used wholesale market held up remarkably well in November. The overall first-time conversion rate was one percentage point higher than last year, at 82%.

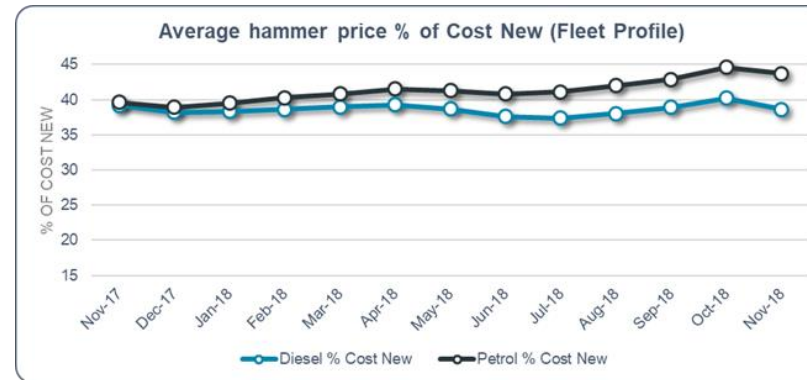
Hammer prices were strong, particularly at the start of the month. However, towards month end, prices appeared to begin to weaken, particularly for ex-fleet aged cars, as stock levels increased.



Shown in the following chart, ex-fleet cars aged between 2.5 and 4.5 years had a first time conversion rate slightly behind the average at 80%, five percentage points lower than last month but one point higher than last year. The sales volume, weighted heavily in favour of diesel for this age of car as many are ex-contract hire, shows that they continue to outperform petrol models in terms of conversion rate despite the disproportionate volume of diesel on offer.



That said, when expressing hammer prices as a percentage of original cost new price, petrol still has the edge.



It will be interesting to see how December develops. Due to the Christmas break, it is a shorter trading month and history shows mixed past performances at auction. Much will depend on whether vendors choose to holdback fresh stock for the New Year. If this likely scenario happens, dealers will struggle to buy the correct level of stock.

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

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.

FOCUS ON... South West

These were the UK's fastest sellers in the South West in November (with 50 or more sales).

MAKE AND MODEL	AVERAGE DAYS TO SELL
Vauxhall Insignia	31
Vauxhall Mokka	32
Vauxhall Zafira	33
Mercedes-Benz A-Class	33
Ford Kuga	34



NATIONWIDE

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

MAKE AND MODEL	AVERAGE DAYS TO SELL
Hyundai i800	22
Audi RS3	25
Skoda Karoq	26
Hyundai Tucson	28
Ford EcoSport	29

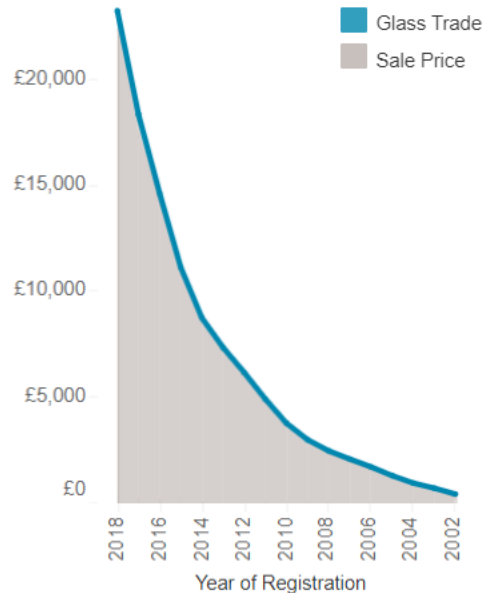
[Access the full interactive map](#)

Residual values – measuring our accuracy

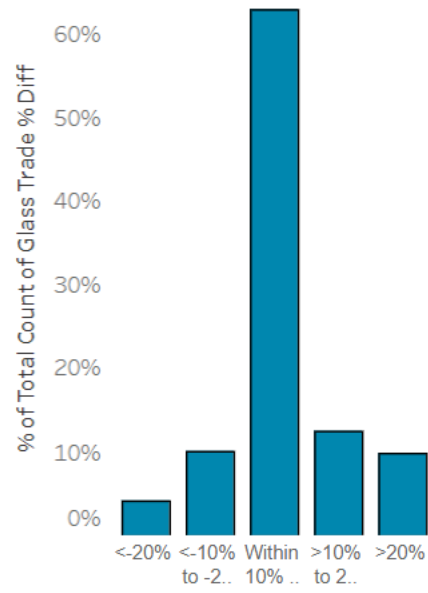
How accurate are our current Glass Trade values?

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 November 2018 versus the average Glass Trade Valuation for November.

Average Glass Trade vs Average Sale Price



Accuracy Distribution



Average Auction Sale Price

£7,751

Average Glass Trade Valuation

£7,929

Average Difference Between Our Trade Valuation and Auction Sale Price

2.3%

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**

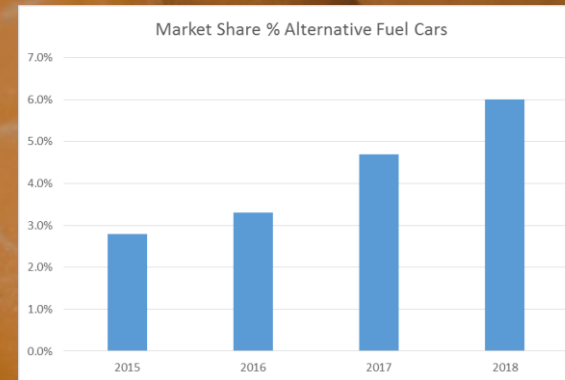
Alternative Fuelled Vehicles (AFV): the carrot or the stick?

Named in reference to a cart driver dangling a carrot in front of a mule and holding a stick behind it, the "carrot or stick approach" is an idiom that refers to a policy of offering a combination of reward and punishment to induce good behaviour.

Pressure is growing from all areas to improve air quality in the UK, especially in cities. Achieving this aim through a "stick" approach, for example, higher taxation; Benefit in Kind (BIK) increases, higher vehicle excise duty, increased fuel duty, Low Emission Zones and targeted congestion charges in cities. Alternatively, employing the "carrot" approach by offering grants on alternative fuelled vehicles (AFVs), cheaper recharging costs (Tesla), easier access to recharging points and other incentives.

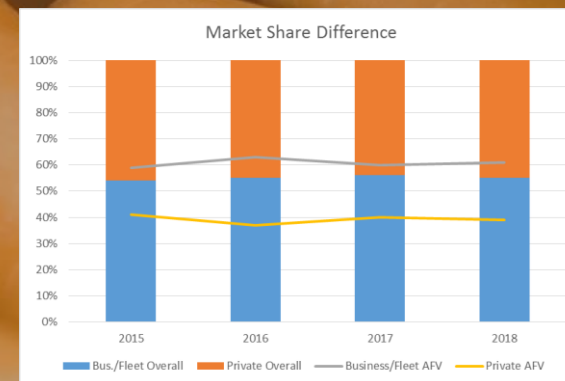


The chart below (data courtesy of SMMT) shows the continual increase of newly registered alternative fuel cars in the UK. The graph shows market share has doubled in the last four years with just under 150,000 new car registrations expected by the end of 2018.



Who buys these models?

The chart below shows the market share divided between private and fleet & business buyers. The bars show the new car market and the lines represent the split for AFVs



Alternative Fuelled Vehicles (AFV): the carrot or the stick?

We can see there is a consistent underperformance from the retail sector for AFVs when compared to the overall market.

There are three main reasons for this

- Lack of public education regarding the benefits of AFVs
- Larger tax incentives in the business/fleet sector, especially through BIK rates to choose AFVs.
- High list prices for AFVs compared to petrol or diesel equivalents.

With tested increases in CO2 emissions since the introduction of WLTP testing, it is likely that more drivers in the fleet and business sector will switch to AFVs to offset increases in BIK tax. However, incentives are reducing with the government cutting the Plug-in Car Grant for zero emission cars by a third and completely removing the grant for plug-in hybrids. This is likely to influence private retail customers more than fleet and business due to affordability.

It appears the approach adopted in the UK is to use the stick rather than the carrot, which could well create a larger divide between retail and fleet buying habits in the coming years.



Nissan LEAF – The World’s best-selling Electric Car

At the end of World War II, oil was scarce. However, electricity supply was plentiful and this reason drove the Japanese government to promote the manufacture of electric vehicles. With this encouragement, Nissan’s first electric vehicle (EV) the "Tama" launched in 1947 with lead-acid batteries delivering a range of around 40 miles and a top speed of 21.8mph. Its main user base was the Tokyo taxi fleet and remained in production until 1950.



Nissan Tama (1947)

Through the 1960s, Nissan became more active in the development of EVs and has since released numerous electric powered cars delivering many industry firsts in the process including.

- 1997 Nissan Prairie Joy EV, the world’s first EV equipped with a lithium-ion battery
- 2005 Nissan Pivo, the first vehicle with a compact laminated lithium-ion battery

In 2009, Nissan announced the five person, all-electric hatchback Nissan LEAF with sales starting in Japan and North America in 2011. In 2014, Nissan expanded its zero-emission capability into the Light

Commercial Vehicle sector with the launch of the e-NV200.



Nissan LEAF

In 2011, the world knew little about the Nissan LEAF, other than it was a quirky looking Ford Focus sized vehicle. It had no conventional internal combustion engine and had to be plugged-in regularly. This small vehicle is a landmark machine in the development of electric cars. It never creates the same column inches as the likes of Tesla models; however, the LEAF has changed the world’s acceptance of electric cars as being the first truly affordable and viable EV. Today the LEAF is the best-selling electric car of all time.

With a claimed range at launch of approximately 100 miles on a full charge, the Nissan LEAF is a 100% EV, promising zero tailpipe emissions and low running costs. It is the first purpose-designed, mass-produced affordable EV from any major motor manufacturer.

Nissan LEAF – The World’s best-selling Electric Car

At launch, power came from a Nissan-developed compact electric motor positioned at the front of the car to drive the front wheels. The AC motor developed 80 kW of power and 280 Nm of torque, enough for a maximum speed of 90mph, providing a highly responsive, fun-to-drive experience in keeping with consumer expectation from traditional internal combustion engine (ICE) vehicles.

The electric motor is ‘fuelled’ by a Nissan-developed laminated lithium-ion battery mounted under the seats and floor. The 24kWh electric vehicle battery consists of air-cooled, stacked laminated lithium-ion batteries. The arrangement of the 192 cells is into 48 modules of four cells each.

In addition to the main battery, the LEAF also has an auxiliary 12-volt lead–acid battery providing power to the car computer systems and accessories. A small optional solar panel on the LEAF rear spoiler can help charge this accessory battery.

In reality, the early cars had a limited range, especially with the heater and air conditioning running or with an enthusiastic driver at the wheel. The range anxiety issue heightened when customers noticed that the LEAF’s on board range calculation system tended to overestimate distance to empty. Nissan put fixes into play, although there was no official recall as there were no safety issues.

Introduced to global markets at the start of 2011, although the US and Japanese markets started with a handful of registrations in late 2010, the Nissan LEAF won the 2010 Green Car Vision Award, the 2011 European Car of the Year, the 2011 World Car of the Year, and

the 2011–2012 Car of the Year in Japan.

With the continued development of battery technology, linked to Nissan's innovation the first generation LEAF received more than 100 updates in 2013 aimed at making EV technology accessible to even more European drivers, including an increased claimed driving range of 124 miles and the ability to recharge in half the time of the first-generation LEAF. This change point gave Nissan a suitable date to commence UK production at the Sunderland plant.



Nissan LEAF (2013)

Nissan LEAF – The World’s best-selling Electric Car

Fast forward to 2018 and despite the relatively low take-up of electric vehicles in the UK, the Nissan LEAF remains the EV of choice with sales in the UK expected to rank third for LEAF sales worldwide in 2018. In 2017, registrations in the UK reached 22,359, a fair distance behind Japan with 97,000 and USA in top position with nearly 115,000. In September 2018, worldwide sales of Nissan’s LEAF totalled more than 350,000, making it the world’s all-time best-selling highway-capable electric car.

The second generation LEAF launched at the start of 2018 with new styling and further technical improvements for range, power and charging times with anticipated improvements to sales.

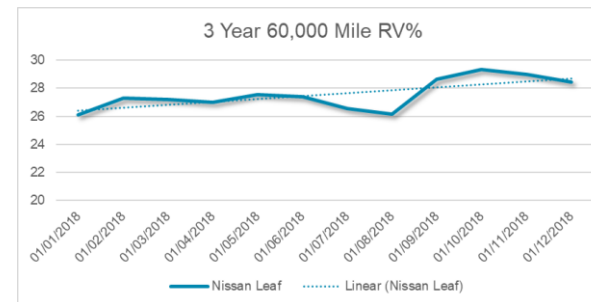


Nissan LEAF (2018)

The LEAF mileage range continues to improve. Real world testing in 2011 showed the likely range to be 73 miles from the 24kWh battery, this improved to 84 miles in 2015. In 2016 with the introduction of a 30kWh battery, range improved to a more acceptable 107 miles. The

second-generation model, launched this year with a 40kWh battery, is capable of 151 miles on a full charge finally diminishing the range anxiety felt by drivers.

Nissan LEAF models currently enjoy increased demand in the used market according to Glass’s data, in part due to the low volume available. The average selling price at auction rose from £8,480 twelve months ago to £10,109 In October, despite the average age increasing by nine months and average mileage increasing by more than 4,000 miles. As you would expect, Glass’s trade values have also increased. The following chart shows Glass’s average trade value expressed as a percentage of original cost new price for the Nissan LEAF at three years and 60,000 miles, over the past 12 months.



It may be some time until electric vehicles are commonplace on the UK roads, but the Nissan LEAF has become the leading environmentally friendly and affordable vehicle available for families around the world. As a EV brand already established in the UK, the LEAF is likely to continue to take a large share of EV business for some time to come.

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