Glass’s Monthly Car Market Report

February 2019

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Contents

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Foreword

Welcome to February's edition of Glass's monthly market report. In this edition, we review how the new and used car markets faired in January, and check out the exciting new cars our forecast editor, Andy Cutler, has seen recently. We will also be looking back at the history of a modern classic, the Jeep Wrangler, with another of our car editors, Rob Donaldson.

January brought with it further woes for the new car market, recoding a fifth successive month of decline, albeit only a reduction of 1.6% or 2,602 cars. Sales to private retail customers recorded growth of 2.9%, which is encouraging bearing in mind consumer confidence is at a low point. Fleet registrations were not so positive, being down by 3.4%. That said, with the volume of contract extensions that we saw at the back end of 2018, it should not be surprising to see fleet registrations faltering. It appears that some manufacturers that are strong in the fleet sector recorded heavy deficits in January, with the assumption being WLTP related supply issues continue, rather than there being a lack of demand. Just over 161,000 new cars were registered.

The used wholesale market began January with something of a whimper, before quickly gathering pace from week two as fresh stock entered auction halls. There was certainly no shortage of stock, but demand seemed to keep pace. However, while first time conversion rates were reasonably strong, hammer prices did not seem exceptional this January. Though, as the month progressed, prices did begin firming up.

When we retrospectively compare our January values to actual auction prices, we were within 4.3% of the market, which perhaps underlines the mixed fortunes in January of big volume sales versus weaker hammer price performance.

Jayson Whittington, Chief Car Editor, Glass's

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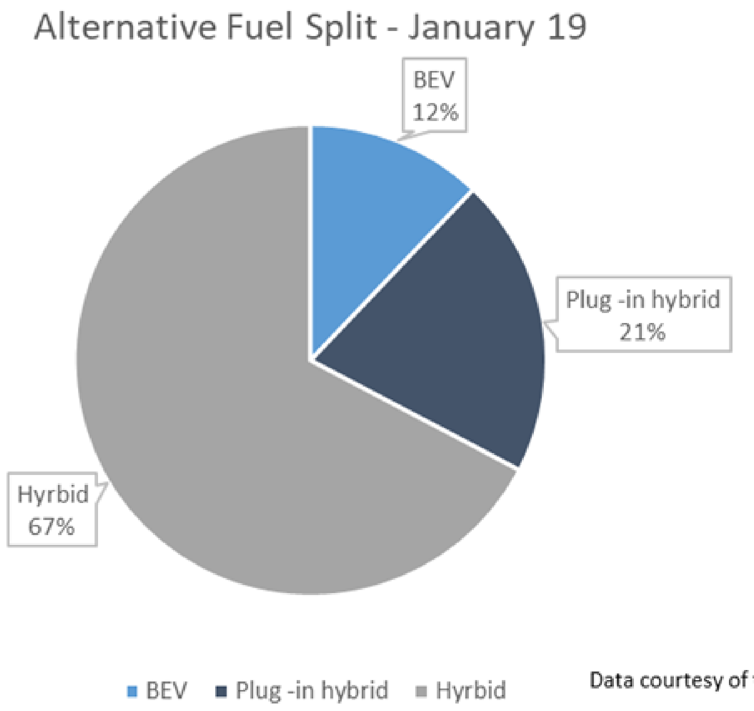
New Car Market

There are not many industry commentators predicting growth in the new car market in 2019. There are just too many factors working against the car industry at present: fallout from the changes in the testing of new cars (WLTP), a weak exchange rate, economic uncertainty, unclear government direction on vehicle taxation, continued negativity towards diesel, and a little thing called Brexit to name but a few. On the face of it, the new car market has got off to the poor start that many were expecting. However, if you look through the list of manufacturers that posted growth in January, the picture looks less gloomy. Gains made were more than offset by some key manufacturers who appear to have suffered a sharp downturn in volume. The assumption is that much of the deficit is being driven by their inability to fulfil vehicle orders due to continued WLTP related supply issues, rather than economic, confidence or Brexit related factors.

Diesel registrations suffered a further blow, being down by 20.3%. Petrol sales increased by 7.3%, but the stand out performer was alternative fuel vehicles, recording growth of 26.3% despite the Government’s withdrawal of the ‘Plug-in Car Grant’ from everything except full battery electric vehicles (BEVs). The affected plug-in hybrid vehicles recorded a downturn of 15.6% in January, and while it is difficult to rule out that the pulling of the grant has had an effect, there are other factors in play. For example, some of the best-selling models from German premium manufacturers in particular, have not been available in the market since August, with replacement models not expected until the summer.

BEVs posted impressive growth of 110%. Although this is based on a very small volume, with 1334 registrations in January, we expect to see electric vehicle volumes ramp-up throughout 2019 as more manufacturers bring new and exciting models to the market.

Non plug-in hybrids continue to perform well, increasing volume by 38.3%.



Data courtesy of the SMMT

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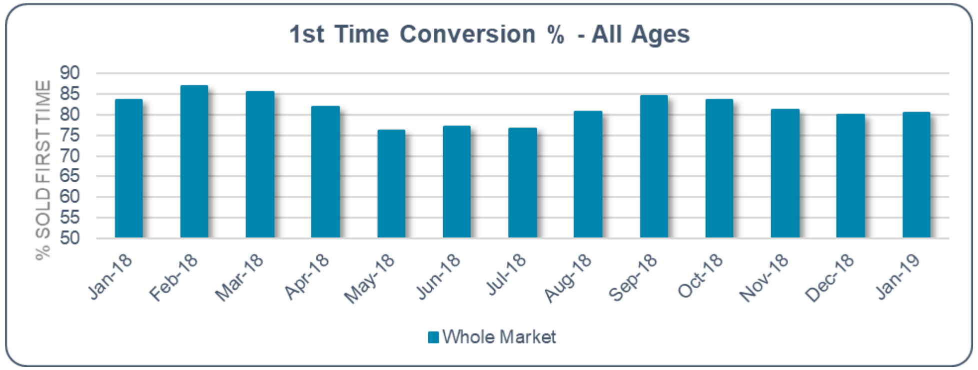
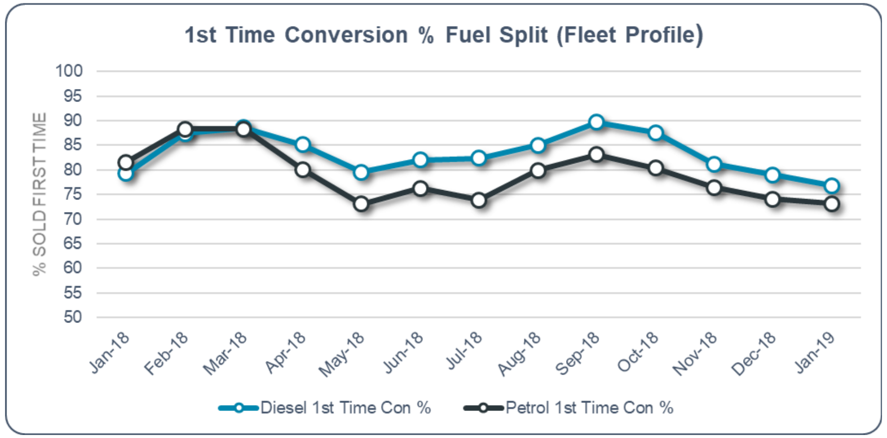
Used car market overview

January can often start slowly within wholesale channels as buyers settle back into work after the Christmas break. It also takes the best part of a week for fresh stock to start filtering into auction halls. The first week back this year was no exception, with auction catalogues made up of many re-runs that failed to sell in December. As the weeks progressed, so the volume of fresh entries ramped up, and buyer activity intensified. While it would be fair to say there was no shortage of stock, overall volume in the market was down around 2% compared to January 2018. This should not sound any alarm bells of impending stock shortages. It is simply a continuation of a trend we have seen over the past 3 months, where lease vehicles due for return become subject to contract extensions as a result of supply issues in the new car market.



The overall first time conversion rate was 80%. While reasonably strong, it is four percentage points lower than January 2018. This indicates less feverish buying activity, which is in line with what the Glass's editorial team saw while attending 25 auctions throughout January. Some age ranges fared better than others. Cars over the age of 10.5 years of age achieved a first time conversion rate of 89%, whereas fleet aged stock (2.5 – 4.5 years of age) achieved only 76%. Hammer prices were reasonable throughout the month, strengthening towards the end, however not as strong as we have seen in previous years.



Diesel cars remain as popular as ever; the first time conversion rate of diesel continues to outperform petrol, as shown in the above chart, which focused on cars between 2.5 – 4.5 years of age.

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

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… East Anglia

These were the UK's fastest sellers in East Anglia in January (with 50 or more sales).

MAKE AND MODEL	AVERAGE DAYS TO SELL
Renault Zoe	34
Ford Galaxy	34
Ford Grand C-MAX	35
Volkswagen Sharan	36
Mitsubishi Outlander	37

NATIONWIDE

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

MAKE AND MODEL	AVERAGE DAYS TO SELL
Suzuki Jimny	26
Volvo XC40	32
Audi RS3	33
MG ZS	33
Nissan Leaf	33

Access the full interactive map

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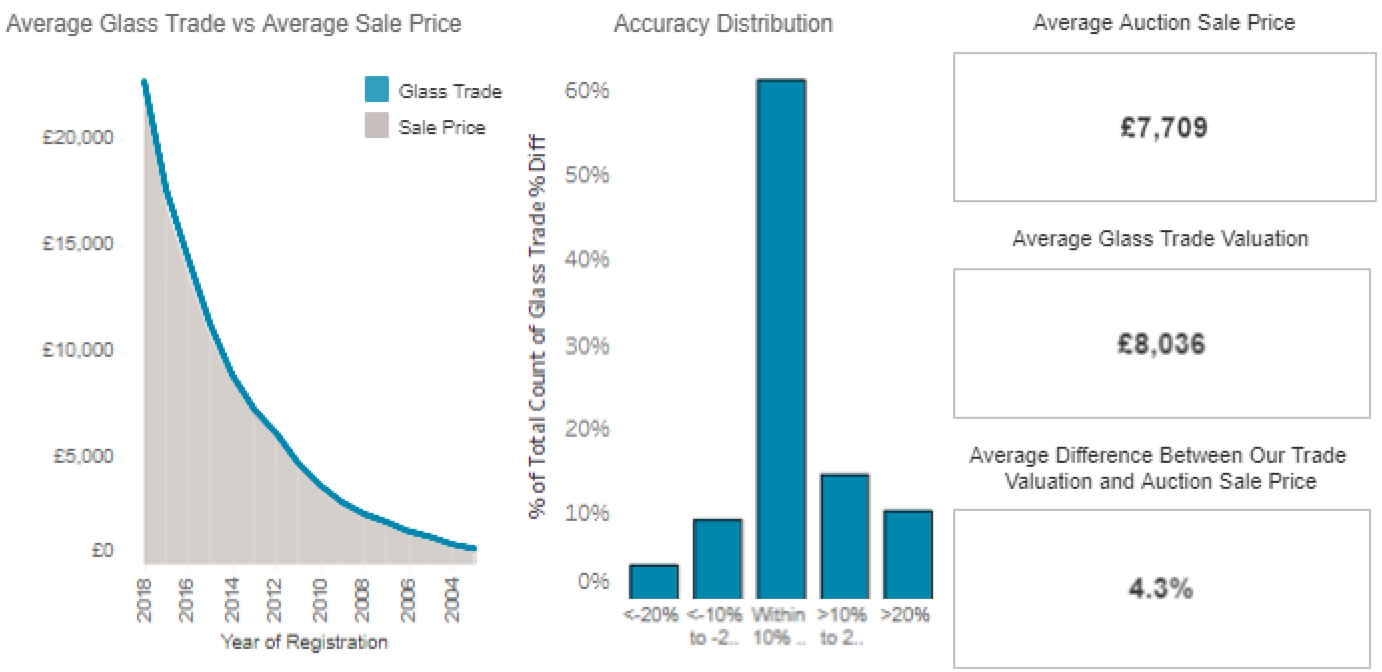
Residual values – measuring our accuracy

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 January 2019 versus the average Glass Trade Valuation for January.



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

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The secret diary of a forecast editor

It is vitally important that a forecast editor keeps up to date with as many manufacturers as possible to understand what new models will be hitting the marketplace. In January, Andy visited Hyundai, Polestar and Jaguar…

Hyundai Nexo

The Nexo is Hyundai's latest hydrogen fuel cell car, and very impressive it is too. It is a well-proportioned SUV so has plenty of practicality and interior space to go with its green credentials.

The car is quite a heavy SUV so is never going to win any prizes for being a dynamic driver's car; however, it does drive very well and is, as you would expect, a very quiet car to travel in. The interior is well presented with some nice touches such as the Blind-spot View Monitor' (BVM), which shows a live feed from rearward-facing cameras on the driver's LCD instrument cluster when you flick the indicator. It is a very cool feature and actually quite helpful, although you still should always use your mirrors. There are paddles behind the steering wheel that let you select how much regeneration you have, from zero to quite a bit. In fact, on maximum it would be quite easy to drive carefully around town while hardly ever having to use the brake pedal, if you read the road ahead correctly.

The biggest issue with the Nexo is not the car itself but the price and the infrastructure. At £68,000 it is not cheap, and currently there are not enough refilling stations in the UK. However, more are coming which will add to the dozen or so in operation. Currently the majority of them are in the southern half of the UK but more will arrive soon around the country.

The secret diary of a forecast editor

Polestar

Over to Gothenburg next to spend a couple of days with Polestar, at their headquarters, immersing myself in their vision of how they will not only produce cars but also bring them to market.

Polestar are a new brand, linked to Volvo. They will produce a new range of electric vehicles and have already launched Polestar 1, with first deliveries expected this year. The Polestar 1 is a high performance hybrid car. The Polestar 2 though, will be the first full battery electric vehicle that they launch and will be available to order in the first half of 2019, with first deliveries beginning around Q2 2020. As well as alternative drivetrains, the brand is looking to try an alternative approach to the way that they sell their vehicles.

The brand will have Polestar “Spaces” strategically placed in large cities in a number of countries, beginning with Oslo, which is the EV capital of the world with over half of all cars sold in Norway now electric or hybrid.

Built on the design concept that Polestar is working on in its retail lab environment in Gothenburg, Sweden, Polestar Spaces are set to redefine the way people interact with a car brand. Polestar will offer a fully digital retail experience that allows customers to do everything online.

However, if they wish, the Polestar Space will allow customers to meet Polestar experts, see cars in person and take a test drive. In an avant-garde environment designed to take the pressure out of the retail process, product experts rather than hard-selling sales executives on commission structures will staff Polestar Spaces.

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The secret diary of a forecast editor

Jaguar

Over to Coventry and then Gaydon in Warwickshire to look at the present and future with Jaguar. We were shown a couple of seriously interesting and impressive models that will be coming in the not too distant future, although at this stage I cannot share any details. What I can share is there is an updated XE that is to be launched soon. The exterior changes are subtle but they do improve the look of the car quite a bit. However, it is the interior where Jaguar has listened to their customers and have addressed issues raised from the first XE. All of the tough points are greatly improved and the infotainment system is now much better. Jaguar are also adding more standard equipment to offer a better package compared to their main rivals.

The great news for company car drivers is that not only the XE but also the XF 180bhp diesel engine has met RDE2 emissions targets. This means they avoid the 4% tax penalty that was imposed by the government, making them both the first cars in their segments to achieve this target.

Fleet News Awards

Down to Bauer Media in Peterborough for Fleet News judging day, along with a number of other industry experts to help judge the winners of this year's manufacturer awards. Christopher Macgowan OBE, former chief executive of the SMMT, chaired the judging.

Obviously, I cannot reveal the outcome of the voting as it is top secret. However, it was a very interesting day with much debate and many arguments made for and against several cars. The process was very strict with every decision independently audited. This year, Brian Cooper, director - people advisory services, Ernst & Young LLP was the auditor in question. I hope that on the evening of the 20th March, when I once again don my black tie, that the majority of people are happy with and understand why the winners were chosen.

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Jeep Wrangler – Surprisingly Sensible

Although not a direct descendant of the famous World War II Willys Jeep, so synonymous with classic war films, the Jeep Wrangler's design was (and still is) heavily influenced by it. Despite an increasingly crowded SUV market, its rugged, no compromise looks continue to make it stand out and thrive.

Running until 1986, the Jeep CJ models preceded the Wrangler. They were more utilitarian and stripped down, in a similar vein to the original military Jeep. Indeed, CJ stands for Civilian Jeep. By the 1970s and 1980s, the CJ-7 became popular as a recreational car, not just as an off-road work horse. It needed better road manners, stability and comfort.

Launched in Chicago, with production running from 1986 to 1995, the Jeep Wrangler (model YJ) bore a strong resemblance to the CJ-7, with a new design incorporating:

- Square headlights
- A wider stance
- Reduced ground clearance
- Increased comfort
- Improved safety and handling

In 1996, release of the second generation (TJ) reverted to round headlamps and used coil springs to improve on road comfort. Other major changes included the addition of a long wheelbase and two extra doors from 2004. Production of the TJ ceased in 2006.

The third generation (JK) Wrangler entered production in 2006 and ran until 2018. Developed under Daimler Chrysler this was a “bottom up” new design, including features that were “standard” on road cars. The four door long wheelbase models outsold the two-door version.

The latest completely new generation (JL) launched in 2018 with a clear objective to retain the iconic Jeep look while remaining true to itself. The JL retains legendary off-road capabilities and introduces advanced technology for the first time. The result is the most capable Wrangler ever, courtesy of unmatched technical features, mated to efficient engines and smooth gearboxes.

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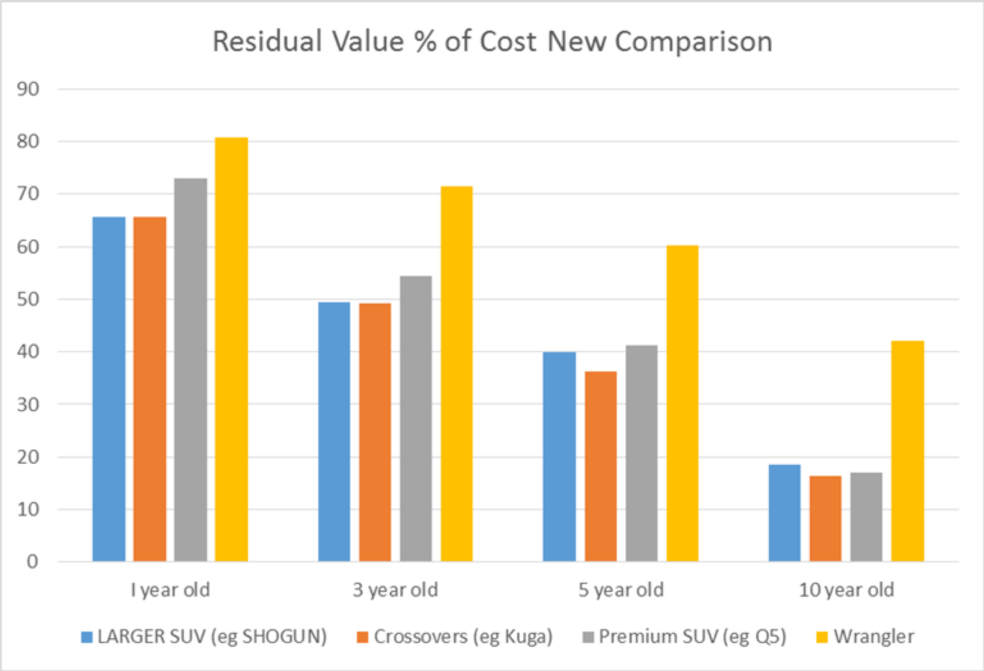
Jeep Wrangler – Surprisingly Sensible

In the UK, sales remain small but steady at approximately 500 units a year for the last 10 years. They have become somewhat of a cult car, and with its retro styling, a hit with the more fashion conscious looking for some originality. This combination along with the relatively small numbers available to buy in the second hand market keep residual values high compared to similar market categories.

The chart below shows the Jeep Wrangler's residual value performance throughout the different ages, from one to 10 year olds. It is clear to see that the Wrangler's rate of depreciation is favorable compared to similar rivals.



Rob Donaldson

Car Editor

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