

Press release: For Immediate Release

Cazana’s Used Car Market Update for May 2019

Key points:

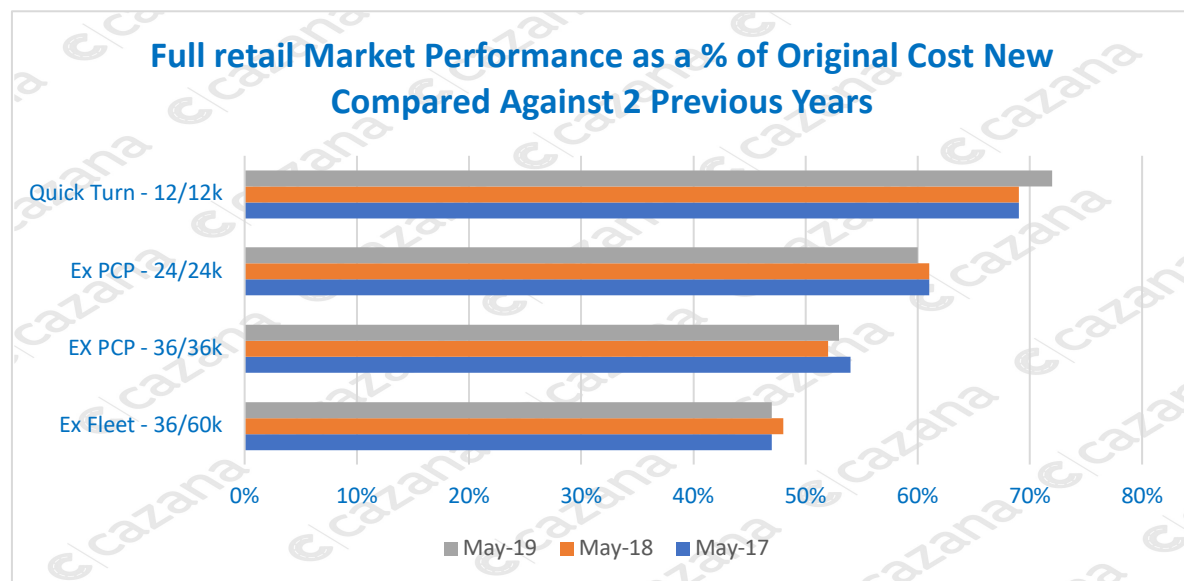
- Retail Consumer Demand is still Good
- Sub 12 Month and 3 Year Ex PCP Profile Pricing Increases
- EV and Hybrid Pricing on the Rise

The month of May can be a contradictory one for the used car market as it benefits (if you are positive minded) from two Bank Holiday weekends. This does give the “holiday happy” retail consumer a number of alternatives of things to do with their free time and as such it can prove a challenge for dealers who need to generate business over those weekends. That said with the right events and promotions a Bank Holiday weekend can be a very profitable sales period even if the weather is fabulous.

There is little doubt that May 2019 has been a harder month than of late and this has given some valuation providers the opportunity to blame the need to edit values back to the true market level on more difficult used car market trading. Using realtime information has never been so important and as such the true picture is actually far less worrying than some may have you believe and there is certainly no need to heavily write back stock values, as the market movements whilst evident are not severe.

Many people have tended to forget that the industry has been through an extended period of increased demand for used cars driven by the reduction in new car demand and also the fact that economic concerns have driven many buyers to look at cheaper used cars instead of new ones. Couple this with the improvement in used car finance propositions and the market has understandably remained buoyant as consumers have been given the means to buy what they want at a sensible monthly retail price thus driving the used wholesale pricing.

The chart below shows the comparison at key age and mileage profiles against the same period last year:-



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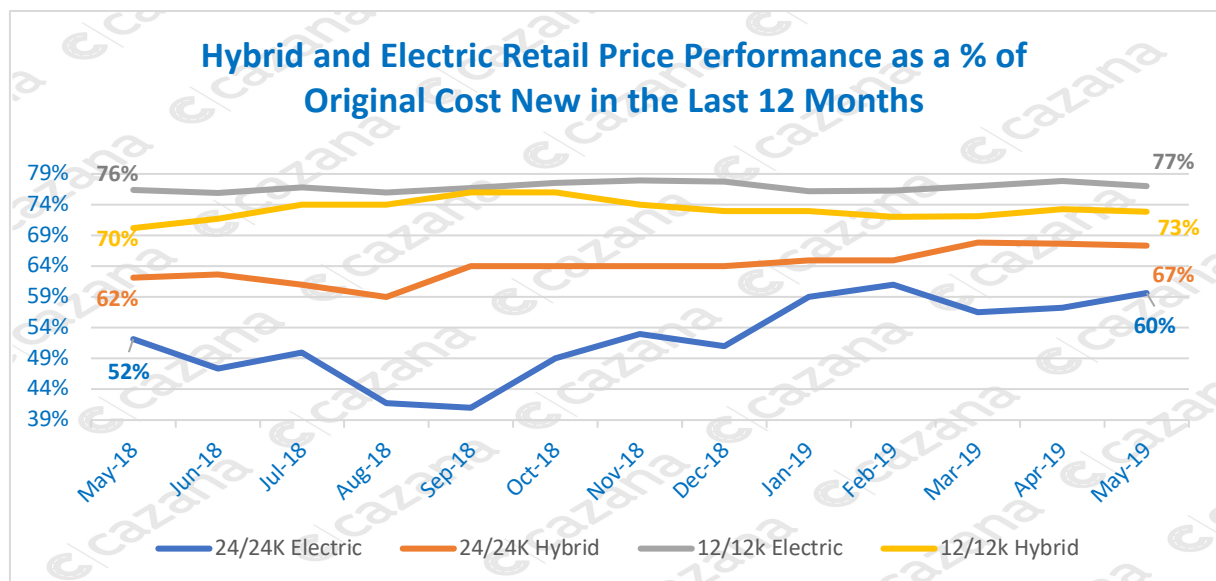
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The data in the chart reflects the pricing and movements as a % of Original Cost from a Retail perspective and it is retail pricing that drives the wholesale market these days. The data in this chart is key as it shows that the market has moved slightly year on year, a trend identified a couple of months ago. There is still strength in the sub 12-month-old sector where retail prices have increased by 3 percentage points when compared to the same period last year. The trend of the last 2 months around 2-year-old and 24k ex PCP product has continued with a drop-in retail prices of 1 percentage point in comparison with May 2018.

Interestingly, 3-year-old cars at ex PCP mileage have increased by 1 percentage point over the same period last year and this may reflect the fact that cars on 3 year deals have been early changed as credit agreements fall into a positive position and consumers can get in a new car. This ties in with the drop in 2-year-old retail pricing which is under pressure due to a volume increase. Finally, the 3-year-old ex-fleet car has seen a drop of 1 percentage point in retail pricing perhaps reflecting the proportional strength in the new fleet car market and the increase in deflected cars.

The other area of the used car market that has come under scrutiny of late has been the Alternative Fuel Vehicle sector. New vehicle registrations for these cars continue to increase as buyers seek to reduce taxation liability and follow the sometimes-erroneous belief that these cars are economical to run and good for the environment. In a few cases this may well be true, but as many have discovered the writing on the tin does not always convey what's actually inside.

The chart below looks at performance of Hybrid and EV's over the last 12 months as a % of Original Cost New:-



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The data in this chart is fascinating as it clearly depicts the rise in popularity of the new propulsion types in the used UK car market. The data also reflects the sensitivity of this market profile of the vehicle and the evolution of the retail pricing. It is astonishing to see that the 24-percentage point difference between 12k/12k electric vehicles and the 24/24k product has narrowed by 8 percentage points in the last 12 months. The stability of retail pricing for the latter profile has been getting better as time progresses but it is clear that this has been a

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delicate market and that has been due to volume and desirability of cars that arguably have compromised range, by today's standards.

The Alternative Fuel Vehicle market is shaping up to be a vibrant and somewhat volatile place. With the product still in its infancy there is the danger that as new versions become available for sale the superseded models may drop in popularity very quickly. It is also likely that as volume increases the performance against cost new will also decrease and this may happen quite rapidly.

In conclusion, May once more proved to be a tougher used car market although demand is still there as retail pricing has largely not fallen in a bid to drive used car sales. Indeed with 2 of the 4 key age and mileage profiles recording an increase in pricing over the same period last year the data argues that the market is still in good shape. The value of looking at the complete used market assists with this and no one platform can compare with whole market data and reliance on manual editing is no longer good enough for businesses operating in this business space. The coming weeks will be fascinating but as it stands today there is no need for panic as there is good retail business to be done.

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 in the UK alone. Seeking more focussed information relating to specific market sectors or time periods ensures the 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, June 3rd 2019

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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 in excess of 9 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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