

Press release: For Immediate Release

Cazana's Used Car Market Update for July 2019

Key points:

- Consumer Demand Continues to Wane
- Retail Prices Softening Slightly
- Diesel Prices Performing in Line with the Overall Market

July is an interesting month at the best of times with market conditions driven by a myriad of variables not least of which is the strength of consumer demand. For 2019 there has been much discussion around the decline in used car performance and there is little doubt that this has been a reality although the level of decline is a moot point. There has also been a plethora of comments on the performance of dealer groups nationwide and the City and markets have watched carefully as the half-year financial results of the large dealer groups have been announced and it is interesting to note that despite the negative comments the outlook has not been all doom and gloom. As a nation and specifically an industry, there is a tendency to seek to find the bad news in any situation whereas some of the larger dealer groups have posted a reasonable performance which is something the industry should do well to focus on.

In recent weeks the country has watched in stunned amazement at how the political leadership has changed in what some might describe as a unique way. However, the good news is that we appear to have a prime minister keen to deliver on the countries desire to leave the European Union in the timescale stated. Irrespective of individual political views, the key is that there is a firm plan and an absolute timescale by which UK, European and World markets can work to, which is perhaps the clarity that has been missing since the initial referendum result.

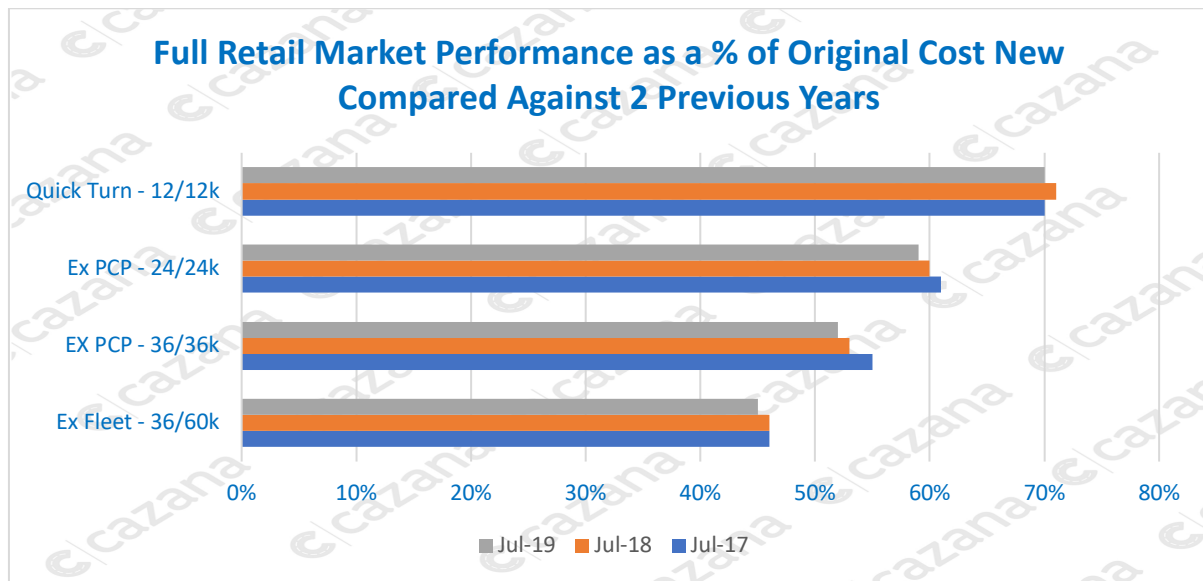
With this in mind, there is a train of thought that both consumer and business sales can begin to stabilise. UK and European businesses can now plan ahead as the timescales have been set, albeit with two alternative outcomes with a hard Brexit perhaps more likely given that Europe have confirmed they are no longer willing to negotiate further. It is also prudent to consider that planning over the next few months will also have to account for the usual market influencers that come with the time of year. The schools are now closed for the summer break and this can often make retail demand less consistent especially when the weather also has a part to play and the last week or so of July proved that buyers do not like looking for cars when the sun is out and the mercury high in the thermometers.

Having acknowledged the issues surrounding the July market, it is important to recognise that the market did not just stop dead and that the vibrant digital marketing campaigns put in place in the last 8 weeks have continued to bring rewards for those with sales teams prepared and trained to follow up swiftly and professionally once a consumer engages. Whilst enquiry levels continue to be lower than desired tenacity and speed of response has still resulted in sales and interestingly despite continued comment on the collapse of used values by some market data providers used car pricing has not been in the freefall some might have you believe. Using realtime retail driven data gives clarity, consistency and reliability in data provision that has been lacking for some years now.

The following chart shows the comparison at key age and mileage profiles against the same period over the last two years:-

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The chart reports on the market by highlighting the performance of pricing as a % original cost new using retail pricing as this is the largest data source available to the industry. This chart confirms the fact that retail pricing is not on a steep downward trajectory. In comparison to the same period last year, all age and mileage profiles have shown a one percentage point decrease which is more in line with a healthy market movement the industry might expect. For the time being the days of static retail pricing have passed.

What is of more interest is the movement of pricing for the Ex PCP profile cars at two and three years of age over the last two years. The largest downward movement has been for three-year-old cars that have seen pricing drop 3 percentage points. It is possible that this is because of the type of car coming back to the market and an increase in the number of volume brand cars in the market might produce a poorer residual performance. However, there has been a 5.4 percentage point increase in average cost new over this time which is broadly in line with the increase in cost new over the time period thus inferring that it is a mix of volume and demand that has been the cause of the decline.

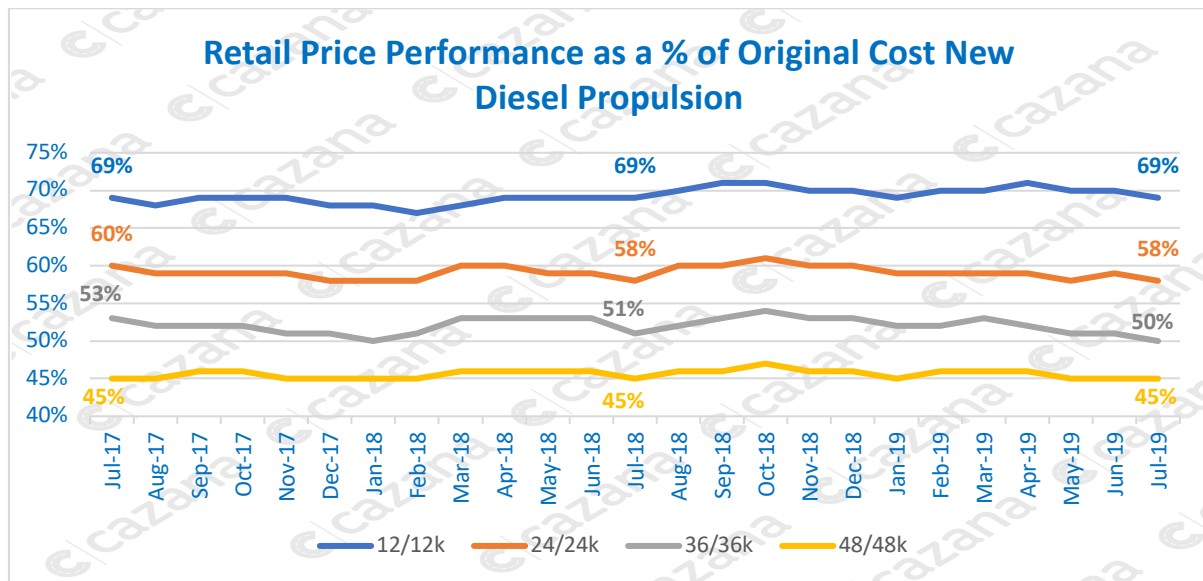
However, this is not the same for cars in the two-year-old age profile as the average price of cars advertised for retail sale has increased by 12% over the two-year period. This would suggest that there has been an increase in the higher priced premium brands coming to the used market. A more detailed analysis of the data would corroborate the link between new car registrations of key premium brands two years ago and the supply of those cars coming back to the used car market.

The other consideration here must be what is happening with propulsion types as there is much consternation over the immediate future of diesel. Despite the acknowledgement and fact that Euro 6 diesel engines are no worse for the environment than a modern petrol engine, new diesel sales remain on the decline. The question is what has happened with used car retail prices, as anecdotal market discussion and other valuation providers will have the market believe that pricing has dropped considerably.

The following chart looks at performance of used diesel cars at key age and mileage profiles:-

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This chart is of particular interest as it immediately shows that used diesel fuelled vehicles are not in major pricing difficulty. Wholesale anecdotal comment that nobody wants these cars is just not supported by the Cazana retail data and this rhetoric is more likely a pricing negotiation tactic on behalf of the buyers. Retail consumer demand broadly remains good with stability evident at both 1 year old and 4 years old.

The retail pricing movement at 2 and 3 years old is clear although the key is the stability over the two-year period. There has not been any significant drop in values. These age and mileage profiles would expect to see a drop-in pricing due to the increase in volume as a result of new car sales activity using PCP finance products but what this chart really highlights is the continued consumer demand for diesel cars.

In conclusion, it is acknowledged that July 2019 has been a more difficult month for used car sales. The upcoming new car registration data from the SMMT is likely to show a further drop in new car volumes, unless there was a further increase in pre-registration as was apparent in the first half of July but the good news is the new car market will stabilise towards the end of the year. With the political situation supposedly resolved, consumer confidence that was lacking in July will probably build and the nation will begin to plan ahead again. Retail pricing confirms that despite some claims, the market whilst tougher is still in fair shape.

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 maximum vision and the most comprehensive insight required to maximise profit, ROI and asset management. With market conditions shifting and the used car market becoming more of a challenge, 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 Insight at Cazana, August 5th 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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