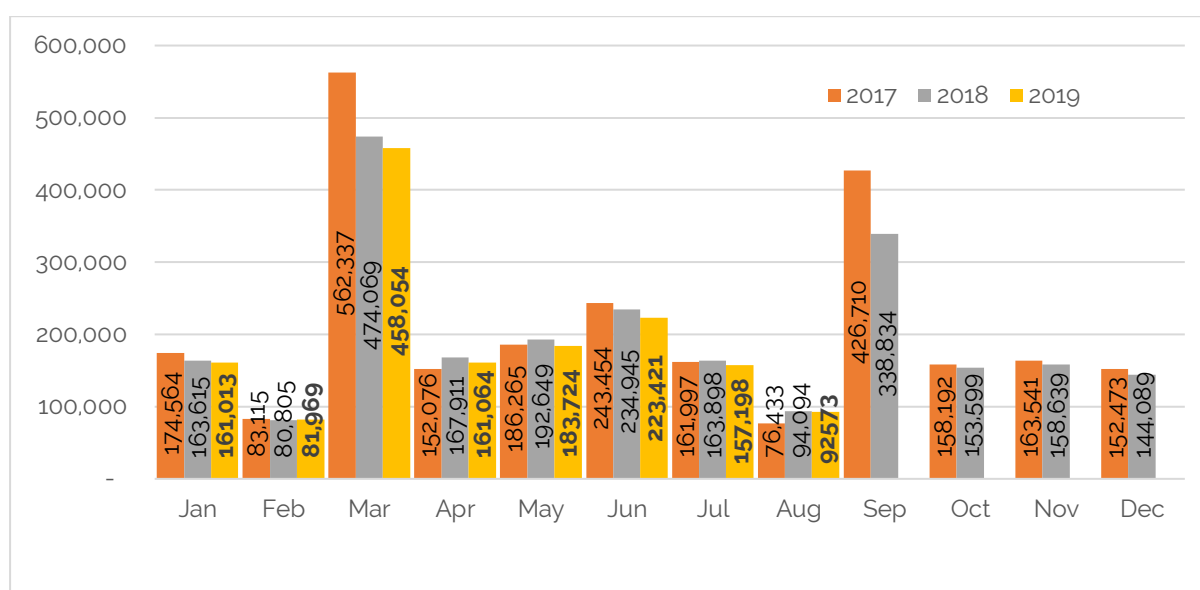


October 2019

Car Market Overview

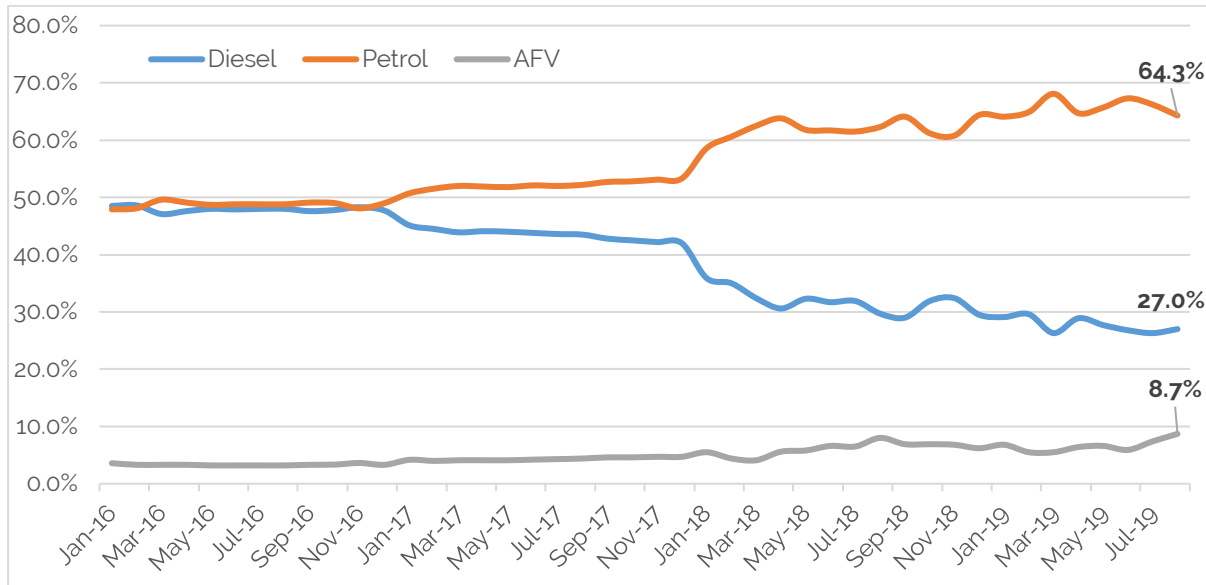
New Car Sales

According to figures produced by the SMMT, 92,573 cars were registered in August, a reduction of 1,521, or 1.6%, on last August. Both of those months, a year apart, were impacted positively by WLTP, with certain manufacturers' cars being registered on the earlier plate in August, rather than "68" or "69" plate in the following month due to the 1st September deadline for WLTP last year and RDE2 – real world testing of achievements of emissions targets this year.



Source: SMMT

Diesel registrations fell for the 29th month in a row, although at a slower pace than in recent months, with the volume of petrol cars up just 1.0%. Battery Electric Vehicles were the real winner, up 377.5%, with 3,147 registrations, Tesla Model 3 actually taking 3rd place in the overall rankings, irrespective of fuel type, and Hybrid Electric Vehicles also increased, up 36.2% (4,014 total registrations). Demand is certainly on the increase for these vehicles. Plug-in hybrid registrations continued to decline, down 71.8% to just 907 cars.



Source: SMMT

Daily Rental registrations in August are traditionally low, with rental companies and manufacturers preferring the residual value benefit of waiting for the new plate. This August was no exception, with registrations reduced by more than normal, down 33%, with some manufacturers choosing not to register any rental cars at all. It will be interesting to see what September brings and whether manufacturers choose to bolster their volumes by selling cars in volume in this less profitable channel.

Used Car Retail Activity

Used car retail demand in September has been slightly better than over the last few, difficult months, but it could still not be described as buoyant. Many dealers have been selling at competitive prices as these cars became "overaged" based on their stocking policy. Some of these cars have been sold at a loss, when taking into account costs, from when they were purchased in the trade; prices have dropped by over 10% since May, so cars bought a number of months ago have now been a struggle to sell at a reasonable profit, due to that market price drop. These retail price reductions have encouraged consumers to purchase.

The general feeling in the retail market is that used cars have been selling, but not flying off the shelves, and some profit margins have been affected. The market is in a better place for retailers than it was over the summer months, and starting to return to more normality after some testing times. For those retailers that did buy cars at the low point in July or August and managed to retail them quickly, profit margins were healthier.

The more expensive, premium end of the market remains challenging, as it has been for the majority of the year. Those "big ticket" purchases are on less people's agenda than in previous years, with economic uncertainty certainly a major driver in this.

Looking at overall days in stock by fuel-type, diesel cars continue to sell slightly quicker than petrol ones (45 days versus 48). This is mainly driven by cars around 3-years old; at younger ages, there is very little difference in the time cars are in stock. Over 3-years old, diesel cars are at an attractive price point, and despite volumes being relatively

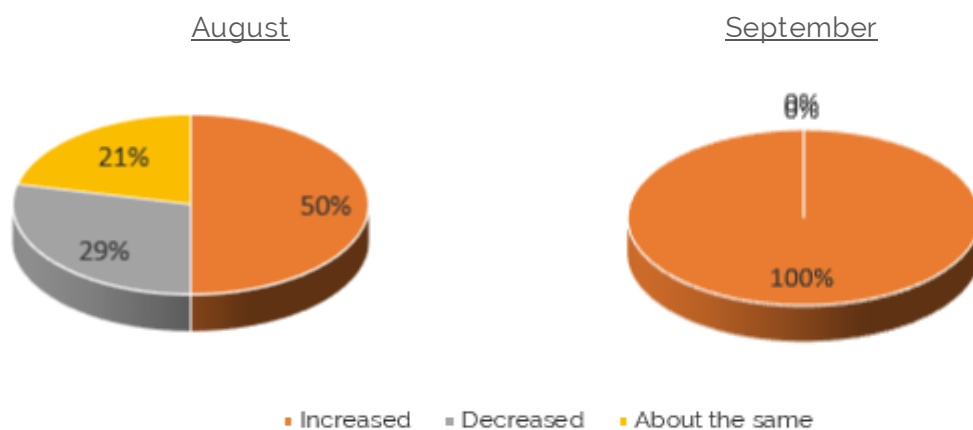
high at these ages, cars still sell well. Electric cars continue to sell the quickest, at 39 days. This is in large part due to low volumes in the marketplace.

Used Car Remarketing Activity

The wholesale market in September has been a breath of fresh air after some particularly challenging months since Easter. As many dealers have sold retail stock, albeit at lower prices than they had budgeted for, there has been a requirement to replenish forecourts. With new car supply also slow for many franchised dealers through the first half of September, there was a lack of part-exchanges being generated to retail on their forecourts. This has led to increased demand in the trade marketplace. There has also been a drop in the volume of vehicles available due to lower defeets, as is normally the case following August (always either the lowest or second lowest registration month of the year). All of this has led to healthy demand in the auction halls and for those buying direct from remarketers of used cars.

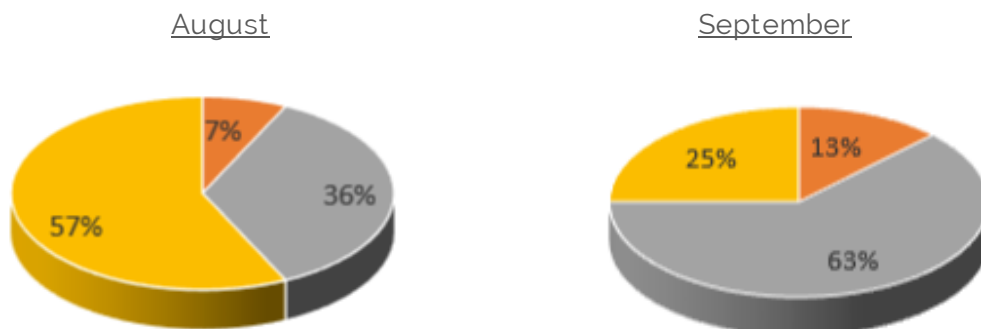
This positivity is borne out in the September cap hpi auction survey.

How does trade demand compare to the previous month?



For the first time since this survey has been in place, there is complete agreement for one of the questions asked – demand has improved for all. After some difficult months, that led to prices falling across the board, there is certainly a positive vibe amongst the auction companies.

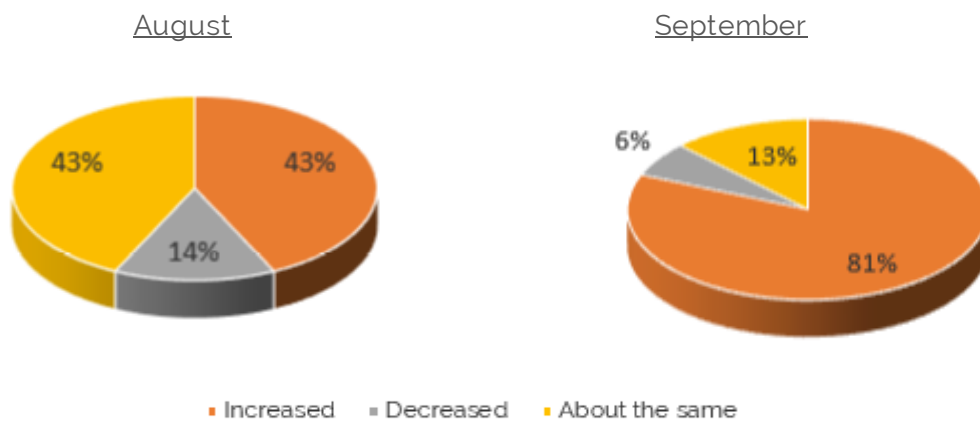
How do your current stock levels compare to the previous month?



■ Increased ■ Decreased ■ About the same

Almost two-thirds of respondents confirmed that stock levels dropped in September, with only a quarter stating they were the same as last month and a small minority saying they had increased. This was to be expected at this time of year.

How do conversion rates compare to the previous month?



Unsurprisingly, with supply levels down and demand up, conversion rates increased for the vast majority. This is the highest number we have seen with such a positive view on the market, and almost double those that responded in the same manner last month. After a difficult time, it is good news for the trade market at last. There have been a number of auctions that have achieved 100% conversion rates – this was almost unheard of as recently as a month ago.

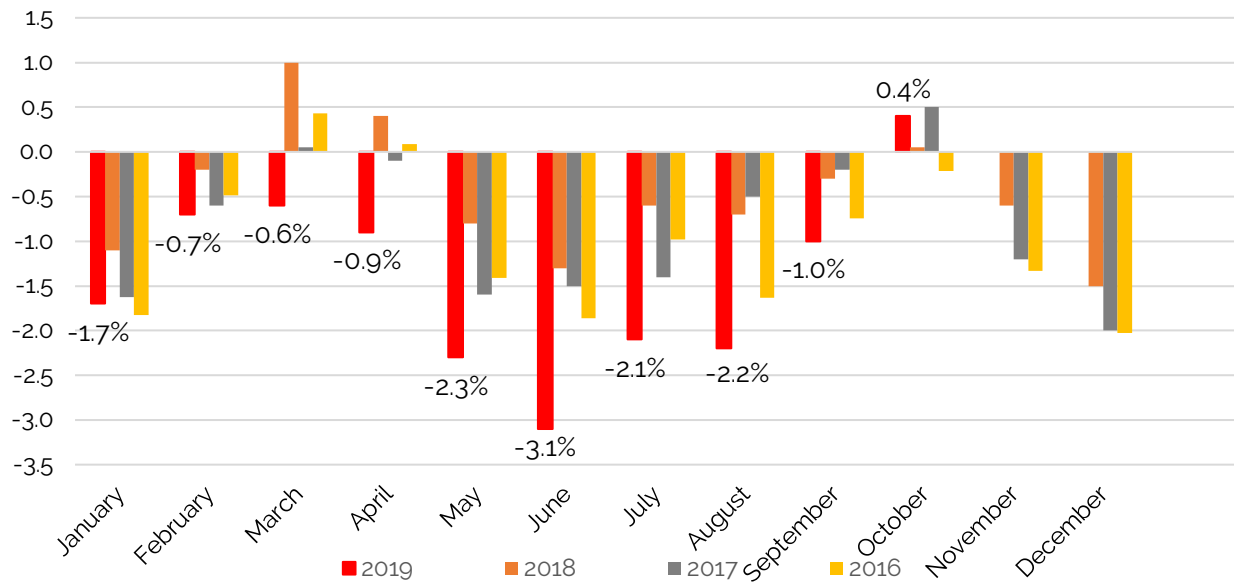
Used Cars – Trade Values

Feedback from the auction survey also suggested that selling prices increased in September – almost 90% of respondents stated this as being the case. This feedback has been backed up by the large quantities of trade data received by cap hpi.

As a result, for the first time in 18-months (since April 2018), the accumulation of Live valuations, leading to the monthly product, has seen a positive average movement. Whilst the 0.4% at 3-years, 60,000 miles is not dramatic, it has certainly been a welcome end to the heavy price drops experienced over recent months. We saw the early signs of this during August, when there was just a 1% reduction, but now we are seeing prices strengthen.

It is not completely unprecedented for values to increase during September, leading to October's product, as the chart below illustrates:

Monthly Value Movements at 3-years, 60,000 Miles



All of the mainstream sectors have experienced average increases in values, with the smaller city cars and superminis being the most heavily affected with increases of 1.5% and 1.4% respectively. In monetary terms, this equates to an average of £65-100. Small, petrol-engine cars remain the staple car of choice for retailers to sell, and this demand along with low supply and relatively heavy price drops earlier this year has meant buyers have been prepared to pay above previous prices for these models, particularly if in ready-to-retail, cap clean condition. Some of the models that have increased in value are the Citroen C3, Toyota Aygo and Volkswagen Polo. By the nature of the attention to detail paid by the Car Valuations Editors, even in a strengthening market there are generally examples that buck the trend and some diesel models in these sectors, whilst very small in volume, remain less desirable to the majority of buyers and have dropped in value. Examples being the diesel variants of the Dacia Logan, Hyundai i20 and Seat Ibiza.

The next size of vehicle up, the lower medium or C-sector, has also seen values increase and for this size of car, both petrol and diesel variants have proved equally popular, both increasing by similar amounts and averaging out at a 1% increase. Buyers still desire the economy and lower running costs of diesel engine cars of this size and above. Some hybrids in this sector have actually dropped in value, maybe somewhat surprisingly bearing in mind the current sentiment in the country. However, this drop is likely to be as a result of the cars appearing expensive when compared to their petrol and diesel counterparts. Examples of this are the Toyota Prius Plug-in Hybrid and the Audi A3 Hybrid. Some of the cars to increase in value were the Volkswagen Golf, the Vauxhall Astra and the Mazda 3 – both traditional fuel-types of these models increased.

The SUV sector, whilst having a negligible average movement in September, was notable by having a slow start to the month in the Live product – values actually dropped in the first few days. Cars in this sector were slightly slower to react than the other sectors, partly due to volume, but values did then do a U-turn and have ended the period slightly up. Newer models have been slightly weaker than those at the 3-year point, however, as they compete with pre-registered cars, ex-demonstrators and ex-rental cars. At the 3-year point, the Dacia Duster, Skoda Yeti and Suzuki Jimny all saw increases, whereas at the 1-year point, the Vauxhall Grandland X, Ford Edge Diesel and Audi Q7 Diesel all decreased in value during September.

Sectors that have seen average values drop in September were at the expensive end of the spectrum (sports, supercars and luxury executive models) or due to seasonal factors. As is usual as we enter the autumn, convertibles struggled to sell and the average drop in values for this sector was 1.9% (almost £400 at the 3-year 60,000-mile point).

Average values of both petrol and diesel cars increased during the month, with petrol ones performing slightly the stronger of the two.

September saw a mixed performance in the electric sector. Of the volume players in this sector, the Nissan Leaf saw values move back as supply of this product continues to be plentiful whilst values for the Renault Zoe with the fully owned battery continued on an upwards trend. While most models stayed level throughout the month, again values for some of the older models increased, for example the Citroen C-Zero (11-19) and Chevrolet Volt (12-19), as they represent good value for money.

What Next?

Quarter 4 is going to be a particularly interesting period for the country as a whole. The nature of any Brexit deal or no-deal is still very much up in the air and as such the impact on the car market impossible to call. Manufacturers are certainly preparing themselves for the worst case scenario and price lists with tariff-imposed increases are being prepared in readiness.

As we have stated in previous overviews, Brexit could potentially lead to some strength for the used car market. If tariffs are imposed on new cars, this will inevitably lead some consumers to seek out used car alternatives – particularly younger used cars - and this could strengthen some values. In the longer term, a reduction of new car volumes could lead to a strong used car market, as long as demand stays healthy and the country does not slip into recession.

Focussing again on the short-term, there is a certain amount of nervousness in the market, as the final quarter of the year is when prices traditionally fall, as volumes increase due to part-exchanges from the September plate change and demand naturally declines the nearer to Christmas we get. Will the recent increases in values mean this drop will be more acute? Or will the volumes of part-exchanges not be to the levels that they have been in years gone by?

It is difficult to call, and there could even be continued market strength. However, the most likely scenario is that the current increases being experienced will fade away and the next few weeks will see some stability, until the part-exchange and fleet return volume hits the market in numbers when values could then drop away gently, unlikely to be by as much as we witnessed in the April-July period this year.

As has been illustrated this month, whatever the overall market does, there will always be models and even engines and trims that react differently to their counterparts, depending on supply and demand. Attention to detail by the cap hpi Car Valuations Editors means that trade and retail prices are analysed at micro-level in real time, so it is important to use our Live values for that up-to-date view of values in the market.

black book October 19 - Average Value Movements

	1 YR/10K	3 YR/60K	5 YR/80K
City Car	1.2%	1.5%	0.7%
Supermini	0.8%	1.4%	1.0%
Lower Medium	0.6%	1.0%	0.7%
Upper Medium	(0.5%)	(0.0%)	(0.2%)
Executive	(1.0%)	(0.6%)	(0.1%)
Large Executive	(3.2%)	(1.5%)	(0.1%)
MPV	0.4%	0.3%	0.0%
SUV	(0.0%)	0.1%	0.0%
Electric	0.0%	(0.3%)	(0.6%)
Convertible	(1.9%)	(1.9%)	(3.1%)
Coupe Cabriolet	(1.4%)	(0.8%)	(0.7%)
Sports	(1.0%)	(0.8%)	(1.0%)
Luxury Executive	(2.5%)	(2.2%)	(2.6%)
Supercar	(1.9%)	(1.6%)	(1.0%)
Overall Avg Book Movement	(0.0%)	0.4%	0.1%

() Denotes negative percentages

Notable Movers 1-yr 20k

GENERATION NAME	MIN £	MAX £	AVG £
AUDI A6 (11-19) DIESEL	150	300	220
AUDI Q3 (11-19) DIESEL	300	400	341
BMW MINI ONE (14-18)	250	450	332
FIAT PANDA (12-)	-200	-100	-140
FORD KUGA (12-) DIESEL	200	350	275
FORD MONDEO (14-19) DIESEL	-400	-200	-301
HONDA CR-V (12-19)	250	500	370
HYUNDAI I10 (14-)	100	175	136
MERC E CLASS (16-) DIESEL	-1,350	-200	-529
VOLKSWAGEN GOLF (13-) DIESEL	300	850	546

Notable Movers 3-yr 60k

GENERATION NAME	MIN £	MAX £	AVG £
CITROEN C4 GRAND PICASSO (13-18) DIESEL	150	300	200
JAGUAR XF (15-) DIESEL	200	300	250
LAND ROVER RANGE ROVER (13-18) DIESEL	-600	-300	-375
LEXUS CT (11-18) HYBRID	-450	-100	-209
MERC A CLASS (12-18)	175	300	218
MITSUBISHI OUTLANDER (14-18) HYBRID	-500	-150	-231
NISSAN LEAF (10-18)	-500	-200	-301
NISSAN QASHQAI (13-18)	-250	-100	-169
VOLKSWAGEN POLO (09-18)	125	325	213
VOLVO XC60 (08-17) DIESEL	200	350	260