

Press release: For Immediate Release

Cazana’s Used Car Market Update for August 2019

Key points:

- Consumer Demand Affected by Brexit
- Retail Prices on a Stable but Downward Path
- Hybrid and BEV Retail Prices still Increasing

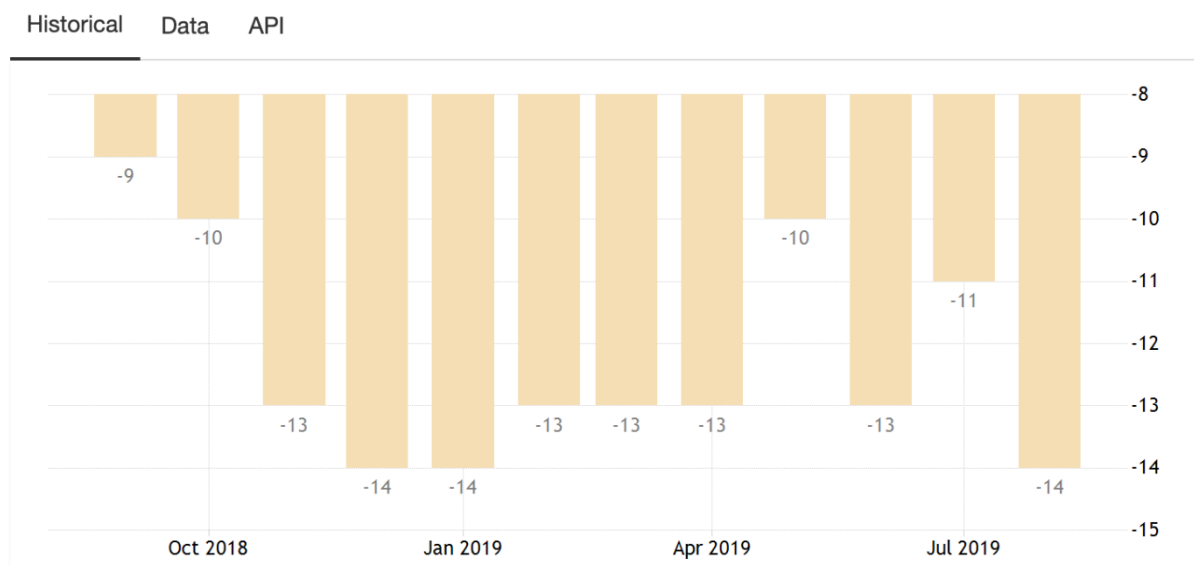
Car sales activity in August tends to be quieter than almost every other month in the year. Not only is consumer activity dependent on the weather, but it is also prime holiday time with children off school and leisure pursuits tend to be more popular than car dealerships. This year August has been more of a challenge than normal and it is fair to say that consumer demand has been lower than expected, although having said that, the retail pricing data implies that whilst values dropped further as the month passed, there has been some more consistency in the pricing decline than has been evident in the last few months.

From a new car market perspective, registrations fell by 1.6% over the same period last year which is lighter than some pundits had forecasted. It is worth noting that there is still evidence of significant pre-registration, and in this instance, it is not just driven by the requirement for market share but also due to the need to register WLTP cars in the face of the arrival of RDE2 legislation.

If the new car market has been challenging, then the used car market can be judged to have been harder for the majority. The question is, what have been the real drivers behind market apathy, and it is retail driven data that provides invaluable insight to the industry to be able to identify key considerations and the direct impact on dealer sales.

The current political and economic situation has moved from bad to worse in recent weeks and this is a significant factor in the consumer purchase consideration process. The chart below shows consumer confidence over the past 12 months:-

Consumer Consumer Confidence Index



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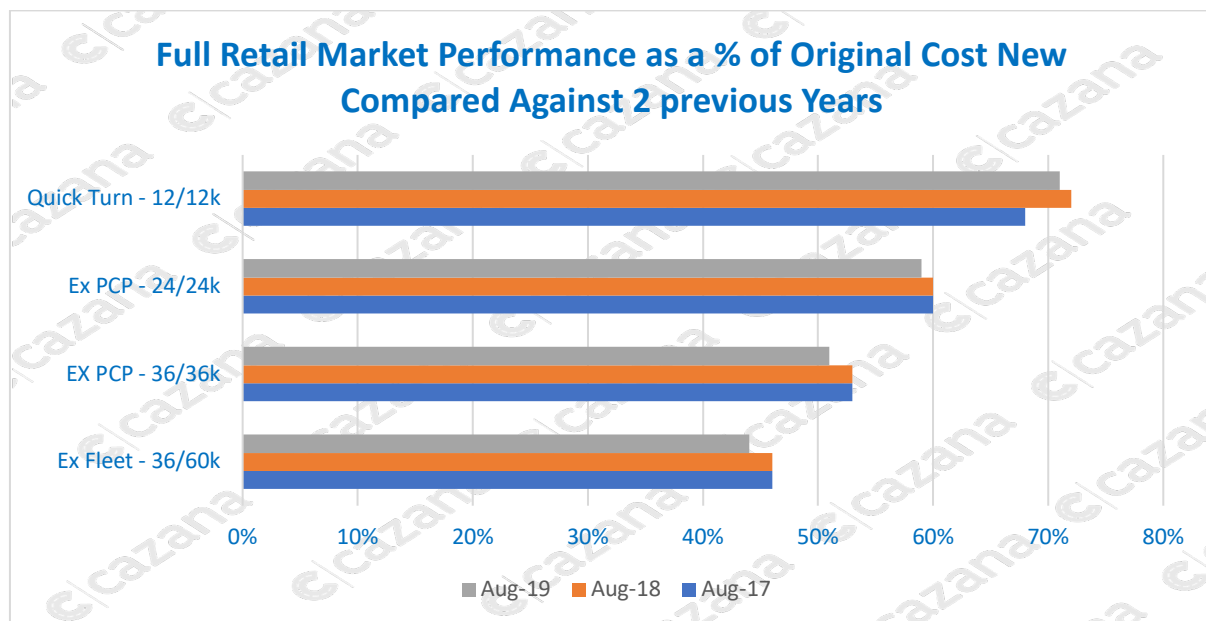
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Data Courtesy of Trading Economics

It is clear from this chart that the UK consumer is feeling very uncomfortable at this particular point in time. This has not necessarily impacted on the desire to buy a car, but it has affected the willingness to commit and therefore the time it takes to sell a car has increased.

With political events moving so quickly and controversially it is impossible to be completely relevant in describing the economic position as this press release is published. Suffice to say, a “no deal” Brexit is now legally impossible and this, unfortunately, puts the country and the consumer back to a position of not understanding what the eventual outcome will be. If the process decrees that the UK must ask the EU for another delay then it is quite conceivable that business confidence, the economy and consumer confidence will be further damaged. If this is the case then we are likely to find greater pressure on pricing and more significantly the time it takes to sell each car.

As clarification of the current used car market performance, the following chart shows the comparison at key age and mileage profiles against the same period over the last three years:-



Data powered by cazana.com

This chart shows a realistic picture of what should be happening in a normal to stressed used car market. The data shows that whatever the age and mileage profile, retail pricing is now falling away. Of note is the fact that the later plate cars seem to be holding value slightly better and have dipped in pricing terms by a single percentage point of original cost new. Three-year-old cars from both the private and fleet sector are being affected more severely. This will in part be due to the level of new car registrations that took place in the new car market 3 years ago.

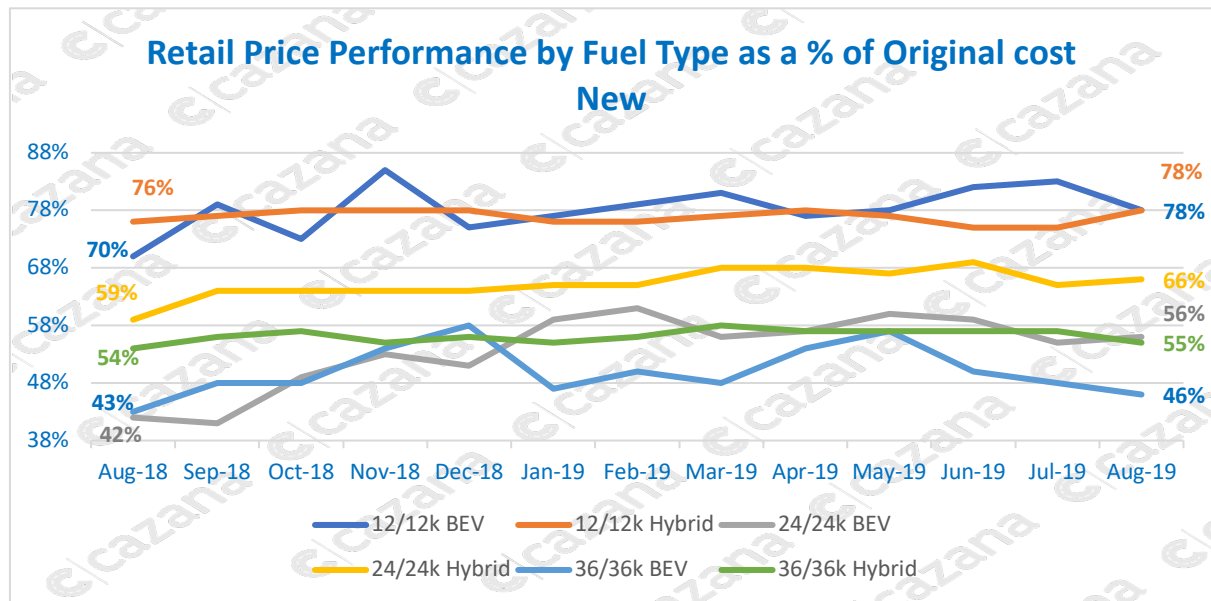
It is also important to note that whilst retail pricing is reasonably steady, the compromise has been in how long it has taken to sell each car. This is the difficult piece at the moment where the sales teams are having to demonstrate extra justification and greater value for the customer into each deal. The reality is that it may not be worth dropping the retail price if all

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the dealers are facing the same situation as this does not guarantee a quicker sale. Tenacity and resilience may be the correct approach.

The final glance at the used car market this month is a view of what is happening with the pricing of Hybrid and Electric vehicles. The new car market for diesels is still contracting and Hybrid and specifically Electric vehicles appear to be the flavour of the month. The question is whether that is being replicated to quite the same degree in the used market. The following chart looks at the performance of used diesel cars at key age and mileage profiles as a percentage of original cost new:-



Data powered by cazana.com

This chart is fascinating as it highlights the current advantage of working with Retail driven insight. Both these propulsion types are in fairly low volumes in the used car market and as such wholesale driven pricing is largely just an exercise in subjective value creation. Even working with large data volumes, pricing requires complex data science to interpret the market accurately.

Firstly, the data here highlights the instability of the two and three-year-old BEV market. This is seen by virtue of the fact that the pricing is very similar from November 2018 onwards despite a year's difference in age. In contrast, one-year old BEV product shows improved pricing stability at a significantly higher value than older variants. This is likely due to the improvements in specification over time but more importantly the driving range.

Looking at the Hybrid data and it is evident that there is greater pricing stability as all lines remain fairly flat across the twelve-month period. There is also a consistent gap between the value of each age and mileage profile which is similar to the pattern exhibited by ICE cars. Finally, there has also been consistent retail price increases at all age and mileage profiles which supports the view that consumer demand for alternative fuel vehicles is increasing.

To summarise, August has been another bumpy month for both new and used car sales in the UK. This time of year may traditionally be more difficult from a sales perspective but the political and associated economic challenges are an unwelcome complication. As it stands today this position looks set to continue until early 2020. Indeed, we may see another general

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election and new prime minister coming to the fore to conclude the Brexit process in the coming months and as such stability and recovery seems quite a way away.

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, September 10th 2019

-Ends-

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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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