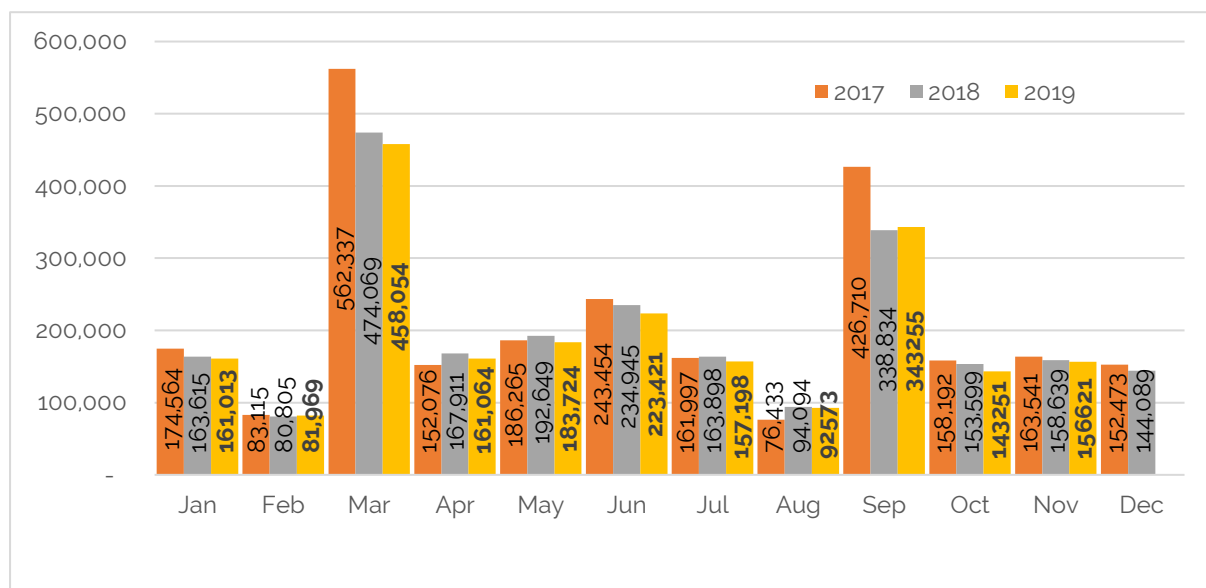


January 2020

# Car Market Overview

## New Car Sales

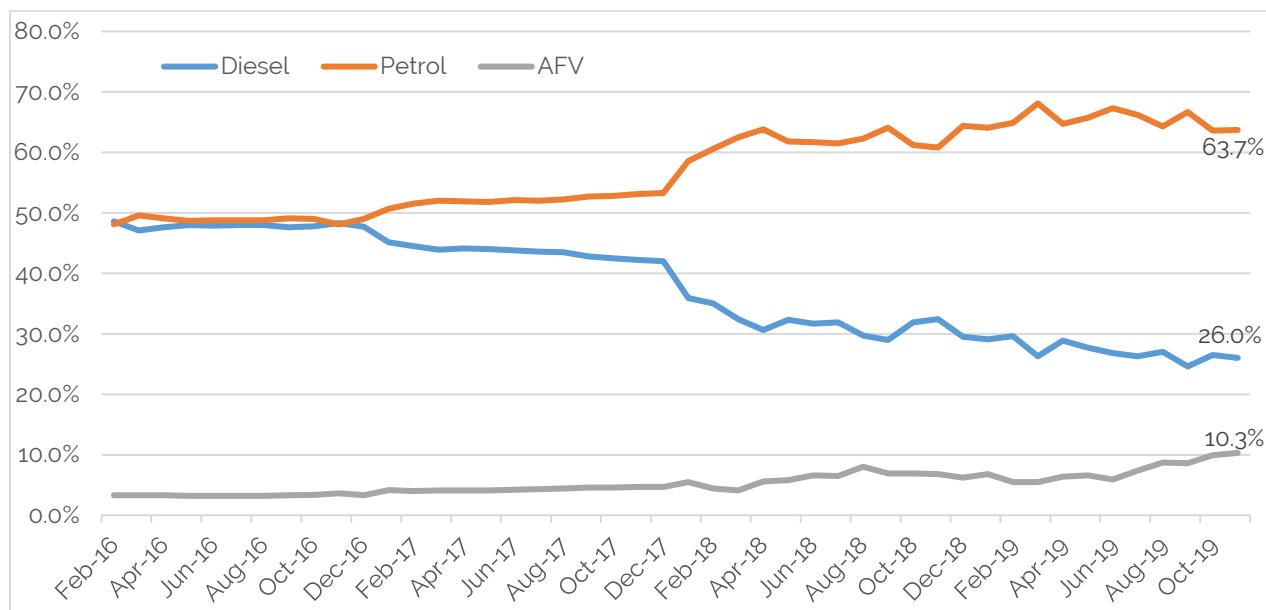
According to the figures produced by the SMMT, the UK new car market fell by 1.3% in November, with 156,621 cars registered, compared to 158,639 in the same month in 2018. Year-to-date, 2,162,143 cars have been registered, a reduction of 2.7% on the same period last year, when the figure was 2,223,058. It has been a difficult year for the industry, due to economic uncertainty, weaker business and consumer confidence and changes in fuel-type regulations and demand.



Source: SMMT

Registrations of diesel-powered cars continued their significant decline, down 21% in the month and 18% in the year (mild hybrids are included in both figures). They now account for just over a quarter of cars registered, whereas a year ago it was almost one-third and three years ago, half. With Clean Air Zones in place or planned, plus fiscal policy impact, petrol and particularly alternatively-fuelled cars continue to grow in popularity for consumers and company car drivers alike. Petrol (including mild hybrid) registrations now account for almost two-thirds of registrations year-to-date. Alternatively-fuelled cars accounted for over 10% of the share in a month for the first time, with Battery Electric Vehicles now having overtaken Plug-in Hybrids in volume. Next year will see the introduction of more EVs by manufacturers and volumes will no doubt grow, although battery availability and still some resistance will temper some of that growth.

The following chart shows the share of the market in each month since the start of 2016, illustrating the changing face of the new car market with regards to fuel-type.

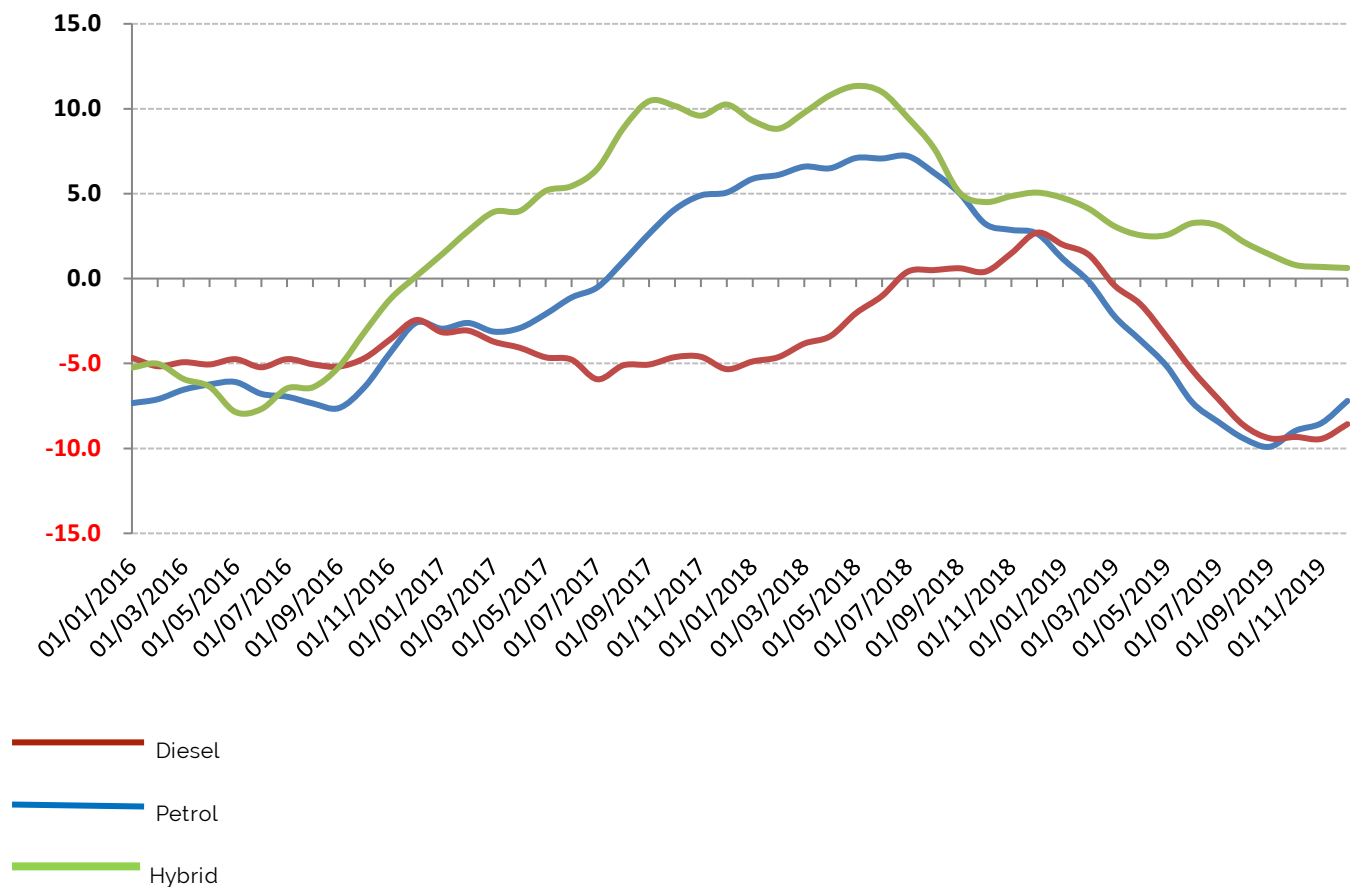


Source: SMMT

The Daily Rental new car market in November showed a decrease of 5% on the same month in 2018 (up 2% year-to-date), but this does not paint the whole picture. Most manufacturers did indeed decrease their volumes in the month, but Ford significantly increased theirs, by over 80%, and BMW theirs, by almost 70%. Year-to-date, both manufacturers have increased their volumes compared to last year, although Ford are still some way down on 2017 and Vauxhall still lead the way. It will be interesting to see if these increases continue and whether this has an impact on late-plate values for these brands in 2020, particularly as much of the Ford volume is polarised around the Kuga.

### Summary of the Used Car Market in 2019

It has certainly been an interesting year for the used car market. After the so-called "Year of the Used Car" saw prices increase in 2018, 2019 saw a realignment, bringing values back to more realistic levels. The chart below shows the evolution of values from 2016, by fuel type. Each point on the graph compares the used value of the vehicles at the 3-year, 60,000 mile point, to the exact same vehicle type at the same age and mileage a year earlier. As cars deflate in value as they get older into their lifecycle, history shows us that it is normal to expect values to drop by around 3-5% per annum. This chart shows that values actually went into inflation in 2017 and through most of 2018 (anything above the 0.0% line is inflation). Hybrids and petrol vehicles went up in value the most, but even diesel cars performed well, pricewise.



From the backend of 2018, however, as you can see on the chart, the tide turned and prices of diesel and petrol cars went into deflation again (hybrids held up better). What we witnessed and reported, was a steady decline in values from November 2018 up until April 2019. At that point, around the usual Easter watershed, there was a firm reluctance and refusal by the trade to pay the previous high prices for used cars. Supply increased off the back of the March plate change and relatively heavy registration years in 2015 and 2016, returning more cars into the market just as retail demand dipped away, as it tends to do around the holiday season.

As a result, values tumbled during April. This was not a one-off month, however, and the downward spiral continued from spring into summer. Overall, there was around an average 10% drop in values over a 4-month period. Around the same time, a number of dealer groups reported financial difficulties, slower sales and personnel changes, so it was a testing time.

Since August, values have stabilised fairly dramatically and we have reported on a strong used car market for 4-months now. The realignment over the summer period appears to have set values back to realistic levels. In comparison to that 10% drop in Live over 4-months from April to July, the period from August to November saw average drops in Live of less than 2%, and quarter 4 is traditionally the toughest period of the year.

### Used Car Retail Activity - December

So, what has been the story during December? With a General Election on the 12<sup>th</sup> and Christmas festivities getting into full swing, it could well be expected that the normal

December malaise would hit hard. This has not been the case, however, and consumer demand has remained steady – it has been healthy since late summer and shows no sign of abating, apart from the short period right around Christmas. Dealers are generally confident that they will hit their targets and that the period between Christmas and New Year will be busy. There could be some forced new car activity though, which could switch focus for franchise dealers from used to new.

Small, petrol-engine cars have been in particular demand, due to their popularity and relatively low price points. Cars below a £10,000 retail price point have proved particularly popular.

There has been little change in the number of days cars are held in stock for before selling. Measured by calculating duration of adverts on the internet, petrol cars are selling at an average of 48-days, diesel at 45, petrol hybrids at 44, but EVs lead the way at 39-days. These are nationwide figures, regional differences do apply.

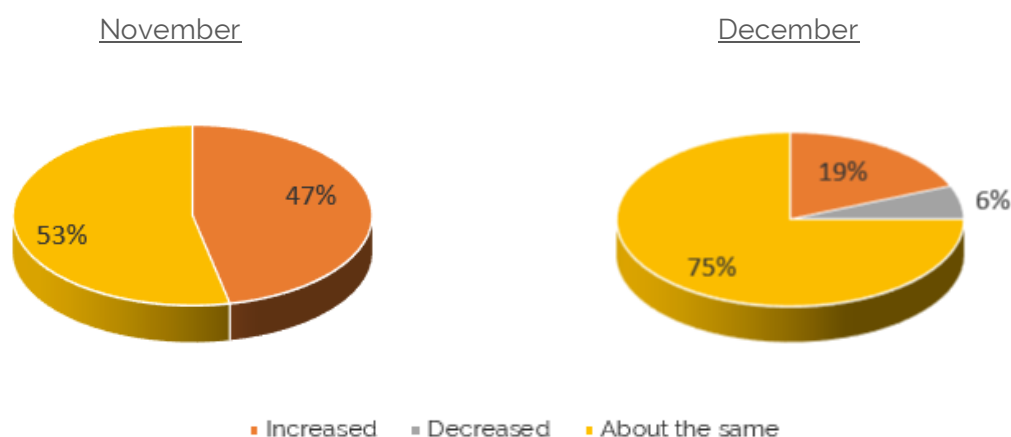
### Used Car Remarketing Activity - December

The wholesale market throughout December remained stable and largely unchanged from November. This is historically the month where auction conversions can be at their lowest point of the year, but this year has bucked the usual seasonal trend. Car supermarkets have been out in force and buying right up to the Christmas shutdown, just to ensure that they go into the New Year fully stocked and ready for, hopefully, the uplift in Retail activity. With stock levels in the auctions relatively low, a hangover from September registration activity not generating the desired quantity of part-exchanges and fleet returns, this has led to some competition for cars.

Some of the larger dealer groups have been actively sourcing stock direct from suppliers in order to hit their volume bonus targets, as many rely on this as a crucial source of income, plus these can be a relatively cheap source of cars if these vendors have end of year stock objectives to hit.

The December auction survey results backed up the sentiment in the marketplace.

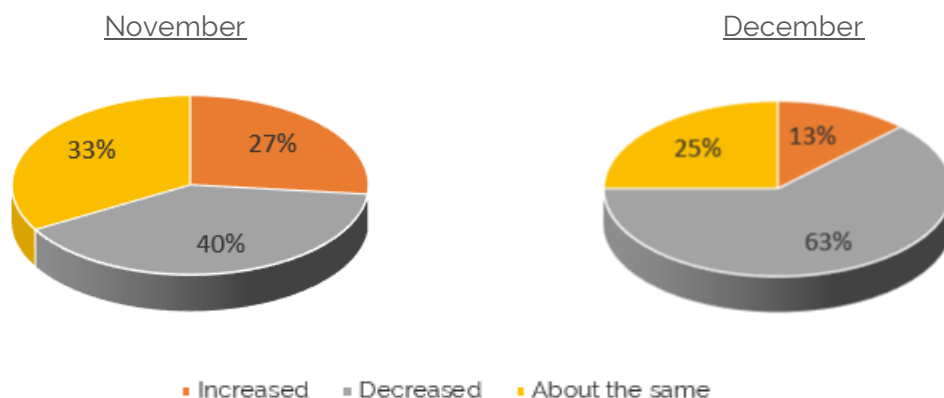
#### How does trade demand compare to the previous month?



Three-quarters of respondents advised that trade demand was similar to how it had been in November, with almost one-fifth actually saying demand had increased. This is very unusual for the time of year. 12-months ago, there was a 50:50 split between those

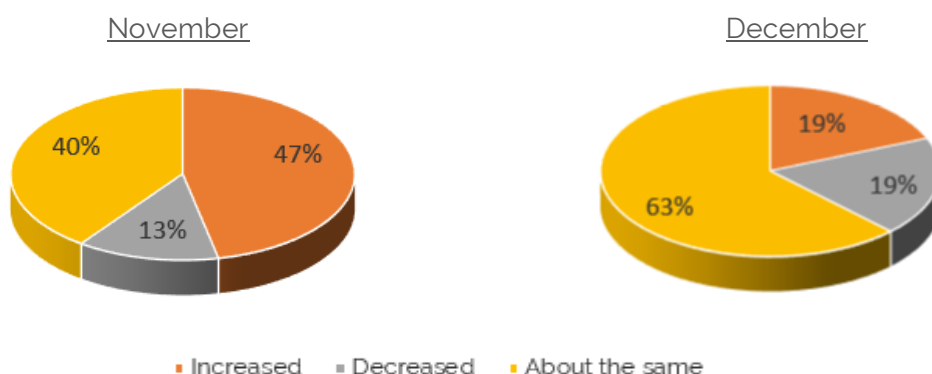
citing parity and those citing decreases in demand. No one said there were increases at that time.

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



Stock levels continue to decrease for the majority of auction companies, although a quarter did state that volumes were at a similar level to the previous month.

How do conversion rates compare to the previous month?



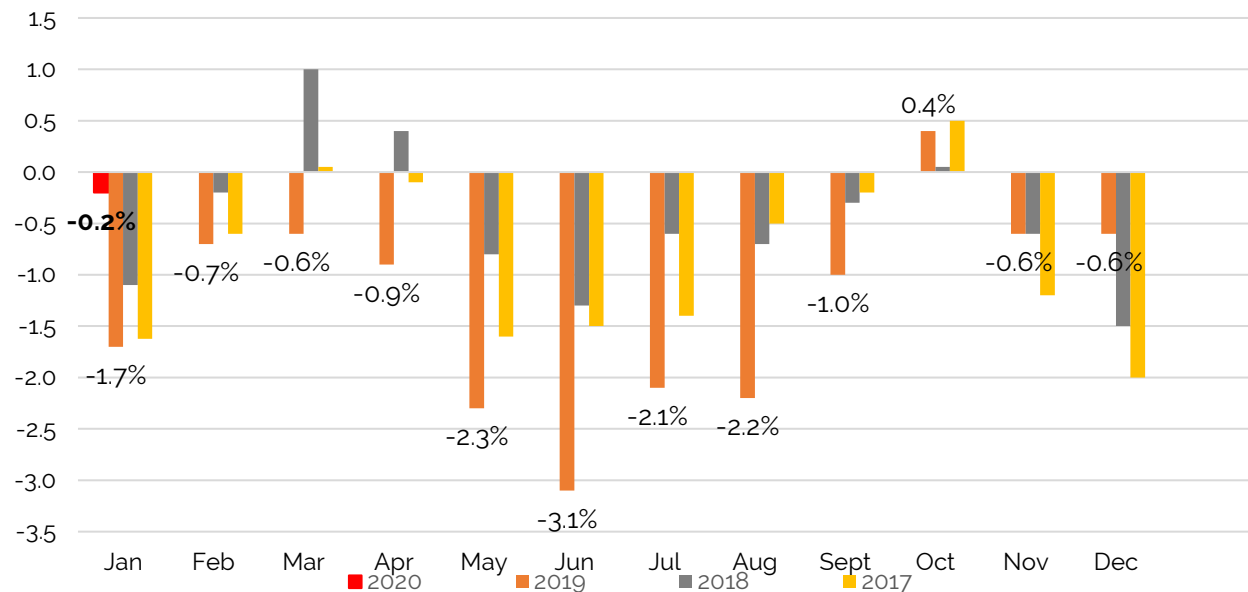
Auction conversion rates remained pretty much unchanged for many, some sitting in excess of 70%, which is unusual at this point in the year. There was a slight tailing off in the week before Christmas, but the only surprise about this was that the dip took so long to appear – usually for most of the month of December conversion rates struggle. At this time last year, half of respondents advised that conversion rates were down, with the vast majority of the rest saying they were on a par with the previous month. The market is much stronger this December than last.

**Used Cars – Trade Values**

So what did this mean for Live values during December? The cumulative value drops in the month, which make up January’s figures for monthly subscribers, unsurprisingly bearing in mind the commentary in this overview, have been negligible, certainly for mainstream sectors.

The average percentage movement at 3-years, 60,000 miles is just -0.2%, or a mere -£50. This is the strongest December since Live was introduced back in 2012, mainly due to the realignment in the summer, an inconsistent new car market and steady consumer

demand. Going into January this time last year, values dropped by 1.7% - this was the early stages of a reluctance to pay high previous prices.



Particular strength has been seen at the smaller end once again, with city cars and superminis increasing in average value (by around £50). These petrol, price-point cars remain popular and the value drops over the last 12-months have made them more sellable than ever. Some examples of cars that have received an uplift this month are the Citroen C1, Fiat 500 and Skoda Citigo.

Lower medium (C-sector) sized cars have also increased on average at the 3-year point, but there has been slightly less demand for late-plate offerings and at younger ages, values have dropped slightly. As always, with supply and demand dynamics present, different models have reacted differently. Most notably, the biggest movers down are Audi 3 E-Tron which is down over £1,000 at the 1-year point, new Ford Focus down around £400 for newer examples (both petrol and diesel), and the Fiat Tipo down around £250. On the flipside, Audi A3 petrol variants have increased in value, as have Toyota Auris'.

SUVs have been interesting this month. Large SUV models have moved down on average, by 0.7% (c.£500) at 1-year, 10,000 miles reflecting increased supply and high prices in the market. Small SUV models have performed better with demand for lower price point, fast selling models healthy. Values at that 1-year point have remained level on average, and at 3-years' old have moved up slightly, reflecting strong retail demand in an unusually active market for the time of year. Interestingly, in the SUV sector some hybrid models have come under pressure and values have moved down; compared to similar petrol and diesel models they look expensive. Examples are the BMW X5 and the Lexus NX.

As is normal for the time of year, convertibles have dropped in value by more than most sectors of the market. However, the reductions have slowed somewhat and these cars are now likely to be at their low point, with some recovery expected in the New Year.

December saw a mixed performance for electric vehicles. Despite the average movement being positive, as ever the devil is in the detail. Performance of Tesla models of late has been strong, resulting in values for the Model S increasing (by 3% or c.£2,000

at 1-year old) with the Model X also moving up (by 4% or almost £3,000). Jaguar I-Pace used volumes continue to rise adding further pressure to values, whilst the aggressively priced late-plate retail adverts for Volkswagen Golf Electric have affected trade values. The Nissan Leaf (10-18) continues to be the highest volume model in terms of trade disposal data, and as a result has followed the downward trend witnessed in previous months; values moved back 4% during December.

### What Next?

As we move into 2020, initially at least we are likely to see a stable or even strong used car market. Volumes are unlikely to increase to any great degree and there is even the potential for the delay of company cars being returned into the used market, as drivers wait for new tax rules in April, where there is zero benefit-in-kind for zero emissions cars. Battery supply issues could exacerbate and extend this.

January has averaged a small drop, of 0.5%, over the last 5-years, with the market then strengthening further during February, except for in 2019. This time around, there is no reason to expect anything other than stability or even some small increases in values.

Potential roadblocks to this strength could be new car registrations in the last few days of December – will manufacturers be pushing the pre-registration of cars to chase market share or more importantly avoid the potentially crippling fines from CAFE (Corporate Average Fuel Economy) targets? Will this lead to a plethora of delivery-mileage used cars in January? Will there be increased activity in January from manufacturers that have held back the “cleaner” cars to register in 2020?

Overall, with the General Election now out of the way and at least some of the economic uncertainty overcome, it is likely that 2020 will be positive for the used car market, although once again there will be challenges on the new car front.

As has occurred in December, and throughout an interesting and difficult 2019, many cars value movements varied from the overall market. A focus on the detail within cap hpi trade and retail valuations is more important than ever, as due to the amount of data we receive and analyse from a variety of sources, our accuracy in our Live products is second to none. Whatever 2020 may bring, we will be purely reflecting what the market shows us.

Finally, we would like to take this opportunity to wish you all a happy, healthy New Year.

### Current Used Valuations Jan 2020 - Average Value Movements

	1 YR/10K	3 YR/60K	5 YR/80K
CITY CAR	0.8%	1.0%	0.5%
SUPERMINI	(0.2%)	0.5%	0.2%
LOWER MEDIUM	(0.1%)	0.4%	0.2%
UPPER MEDIUM	(0.8%)	(0.6%)	(0.8%)
EXECUTIVE	(1.4%)	(0.9%)	(0.5%)
LARGE EXECUTIVE	(1.3%)	(1.6%)	(1.5%)
MPV	(0.3%)	(0.1%)	(0.1%)
SUV	(0.7%)	(0.5%)	(0.5%)
ELECTRIC	0.9%	0.6%	(0.6%)
CONVERTIBLE	(1.8%)	(2.4%)	(3.3%)
COUPE CABRIOLET	(3.4%)	(3.6%)	(3.8%)
SPORTS	(1.2%)	(1.5%)	(1.0%)
LUXURY EXECUTIVE	(0.2%)	(0.1%)	(0.1%)
SUPERCAR	(1.1%)	(1.0%)	(0.9%)
OVERALL AVG BOOK MOVEMENT	(0.6%)	(0.2%)	(0.4%)

( ) Denotes negative percentages

### Notable Movers 1-yr 20k

GENERATION NAME	MIN £	MAX £	AVG £
BMW X5 (13-18) DIESEL	-1,300	-500	-891
CITROEN C3 (16- ) DIESEL	300	300	300
LAND ROVER RANGE ROVER EVOQUE (11-19) DIESEL	-1,200	-750	-945
MERC E CLASS (16- ) DIESEL	-1,950	-1,000	-1,303
MERC S CLASS (13- )	900	1,800	1,190
MITSUBISHI OUTLANDER (14-18) HYBRID	-450	-400	-425
TESLA MODEL X (16-19)	2,200	3,000	2,633
VOLKSWAGEN GOLF (13- )	-950	-100	-286
VOLKSWAGEN TIGUAN (16- ) DIESEL	-250	-150	-203
VOLKSWAGEN UP (12- )	100	200	136

### Notable Movers 3-yr 60k

GENERATION NAME	MIN £	MAX £	AVG £
FORD MUSTANG (15- )	-450	-350	-393
HYUNDAI I20 (14-18) DIESEL	125	150	135
LAND ROVER RANGE ROVER EVOQUE (11-19) DIESEL	-650	-400	-515
MERC S CLASS (13- )	550	1,200	771
NISSAN LEAF (10-18)	-375	-275	-322
SEAT MII (12-19)	50	100	68
TESLA MODEL S (13-19)	900	1,400	1,057
TOYOTA AYGO (14-18)	75	125	88
TOYOTA RAV4 (15-19) HYBRID	150	200	167
TOYOTA YARIS (12-17) HYBRID	200	425	316