

January 2021

Car Market Overview

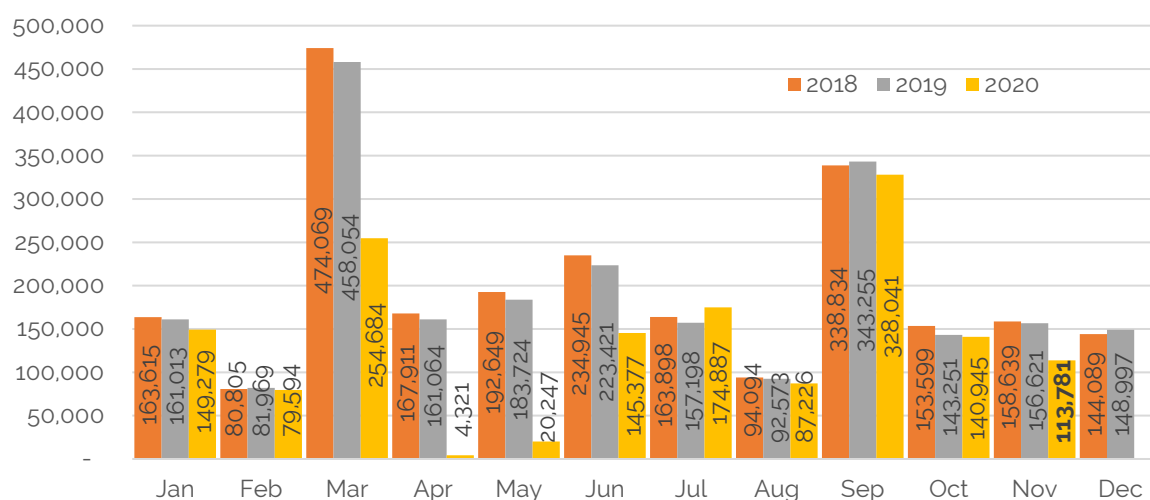
As we reach the end of a tumultuous year and the beginning of hopefully, a brighter new one, the national situation is complex, with lockdowns and different tiers to cope with a new strain and rising COVID-19 cases and hospitalisations. The car industry has remained robust throughout 2020, despite the huge challenges that have been placed in its way.

In this overview, we will report on registration activity in the new car market to the end of November and dynamics in the used car market at the time of writing, including what may happen in the early weeks of 2021. All information is correct as of 22nd December 2020.

New Car Sales

According to the figures published by the Society of Motor Manufacturers and Traders, 113,781 new cars were registered in November 2020, a 27.4% reduction on the same month last year, when 156,621 were registered. With English car showrooms unable to open for the majority of the month, "click and collect" and safe deliveries meant this number was far less of a reduction than during the first lockdown. Despite this, registrations to private buyers did drop by 32.2%.

Year to date, 1,498,382 cars were registered, a 30.7% reduction on the 2,162,143 to the end of November in 2019.



Source: SMMT

Diesel registrations, including mild hybrids, were down 47.9% year-to-date, with a market share of 20.1%, compared to 26.8% a year ago. Petrol volumes, again including mild hybrids, were down 33.3%, with a market share of 63.4%, compared to 66.1% to the end of November 2019.

Alternatively-fuelled vehicles have increased in number this year, aided recently by the government announcement on the proposed ban on new internal combustion engine cars by 2030, as well as some strong incentives from manufacturers to register electric vehicles in the final months of the year, to avoid punitive CAFE (Clean Air For Europe) fines. Battery

Electric Vehicles were up 162.2%, with 86,291 registrations in the year to the end of November, a share of 5.8%. Pure hybrids were up 10.2% (102,147 units) and Plug-in Hybrids up 89.4% (57,769). Overall AFV share is at 16.5% compared to just 7.2% a year ago, obviously aided by the lower overall numbers.

Daily Rental registrations in November, always interesting due to the generally strong discounts they require and potential impact on future used car values, were unsurprisingly down in November, by 41.5% according to the SMMT. Ford registered over half of the volume in the month as they fulfilled some pent-up demand from daily rental companies.

Used Car Retail Activity

Much of the debate during November's national lockdown in England was how strong demand would be once the tightest restrictions were lifted – when car showrooms were able to reopen on 2nd December.

Whilst there was a degree of pent-up demand at some dealerships and car supermarkets, it was nowhere near to the same levels as in June, when lockdown 1 ended. However, activity levels were higher during lockdown 2, so maybe that is unsurprising. Dealers and consumers are now far more open to selling and purchasing online, using click and collect or safe deliveries. With the proximity to Christmas, it was always debatable whether large numbers of consumers would be out seeking a car at this time of year.

Whilst there was some early demand, others reported that the month was a little slow to get going.

The general picture in the first 2-3 weeks was of any initial pent-up demand quickly dissipating and the month turning into what was described by many as a "normal" December. Relatively steady demand, but not particularly remarkable. There were more reasons to be upbeat than not with this result. If anything, having a normal market in such abnormal times was quite reassuring.

However, with tighter restrictions once again announced for certain areas of the UK during week commencing 14th December, the situation changed once more. London, the South-East and parts of the East of England entered a newly announced Tier 4, where car showrooms were unable to physically open once more, pretty much with immediate effect. Tighter restrictions were also brought forward for Wales and a 6-week lockdown announced for Northern Ireland from Boxing Day, with click and collect not permitted for the latter. The first half or so of the month may have been normal for used car dealers, the final run in to Christmas and the New Year would be anything but in these heavily restricted areas, as coronavirus cases increased worryingly.

At the time of writing, most used car dealers had resisted any temptation to reduce prices. Once again looking to ignore "days in stock" metrics with a view that December activity was steady and January would be strong. Only small reductions have been noted where they have specifically been required. Whether this trend continues will depend on how the period from 26th December pans out with regards to consumer demand and to what degree the public embraces buying online once more, generally without test drives.

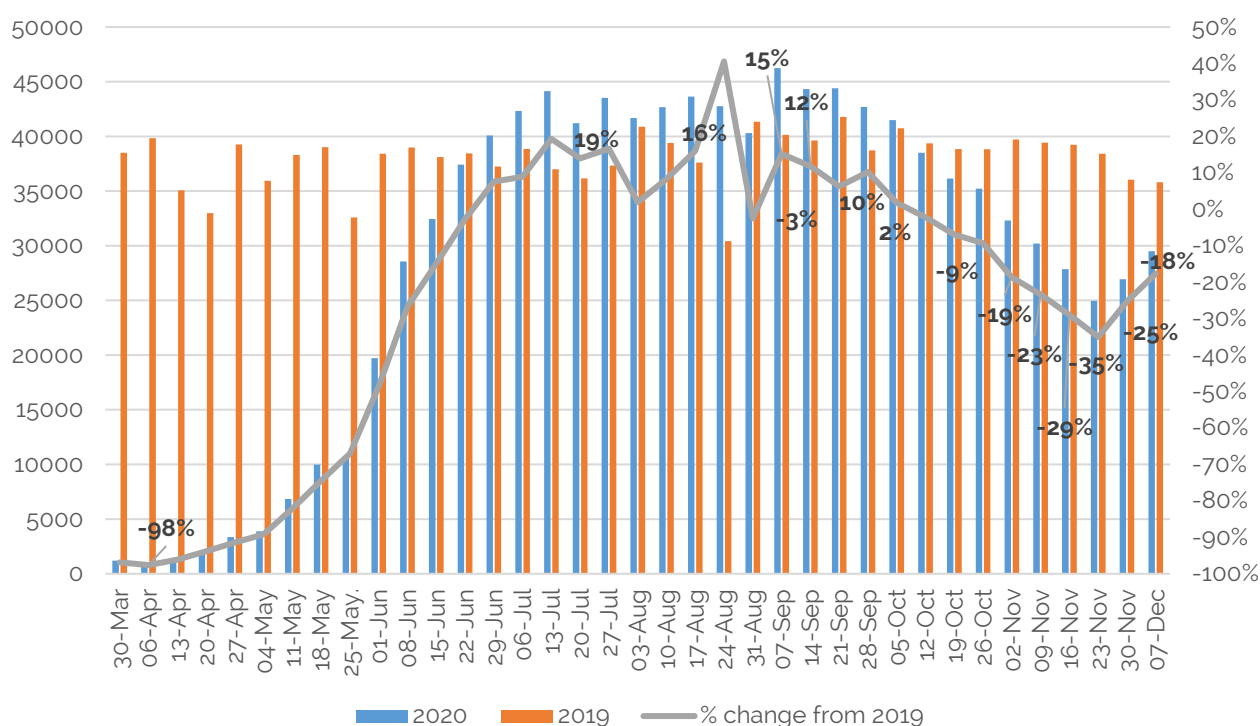
Used Car Remarketing Activity

The wholesale arena for used cars witnessed steady activity in the first 3-weeks of the month.

Many retailers were already well-stocked, taking advantage of some vendors reducing prices during a short period in November. This had satisfied much of their requirements, meaning they did not need to buy large quantities in December, for the expected January retail demand. Buying was selective rather than in bulk and cars in good condition were the most sought after, those requiring refurbishment or mechanical work were struggling to sell. This was not the case over the buoyant summer months, but is not unusual for the final quarter of the year. It is essential times like this that vendors are realistic with their expectations on price, particularly with regards to condition – Cap Average and Below need to be used as a benchmark, as well as Cap Clean.

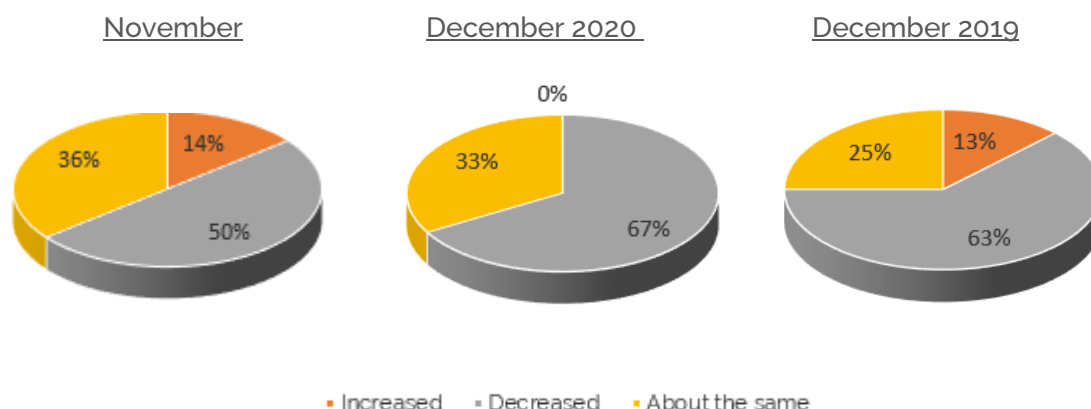
Whilst the wholesale market has seen plenty of activity, sold volumes have declined since September's peak. As you can see from the following chart tracking weekly volumes, which only records like-for-like suppliers of trade data (new suppliers in 2020 have been removed), activity during lockdown 2 was well ahead of lockdown 1, but at its lowest in the last week of November, some 35% down on the equivalent week last year. During December, the number of sales picked up again, but were still some way behind 2019 (-18% in week commencing 7th December). This data is from a variety of sources across the remarketing industry.

Wholesale Volumes since initial lockdown, 2020 vs. 2019 (like for like suppliers only)



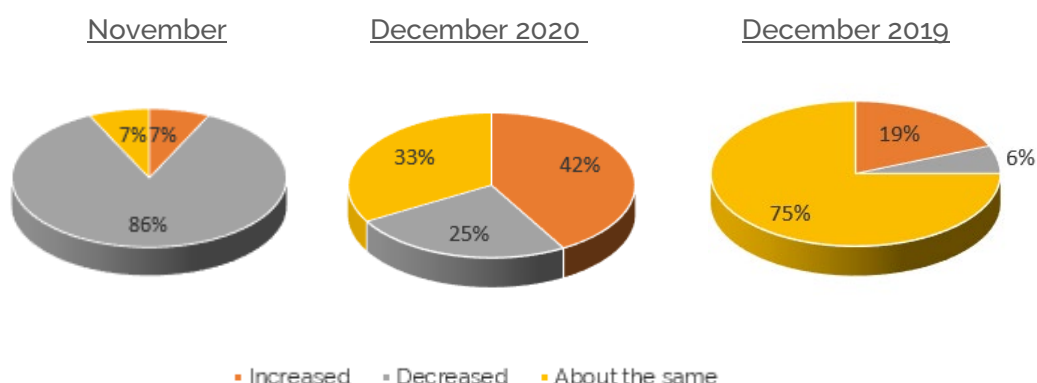
Moving onto the cap hpi auction survey results, looking at stock levels, we have included a comparison to the same month last year for some context. Two-thirds of respondents stated that stock levels were lower in December than in November – as you can see this is not unusual and there was a similar picture last year, despite the country and market being in a very different position.

How do your current stock levels compare to last month?



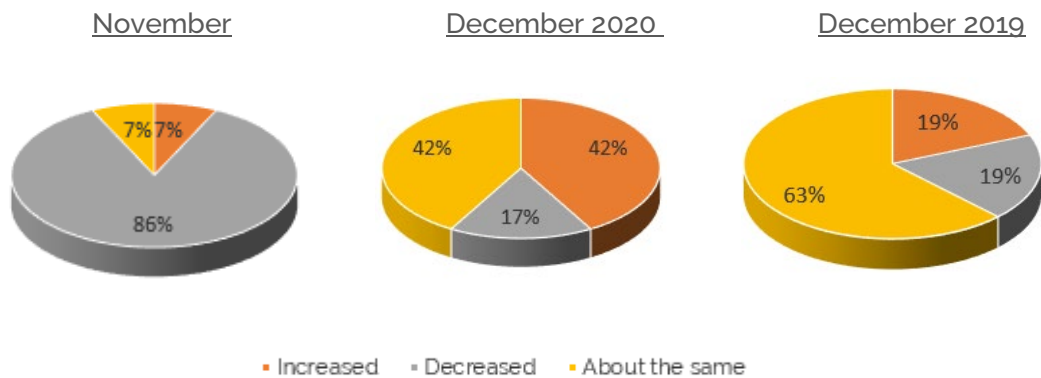
Moving onto demand for cars, in November there was a huge consensus amongst the auction companies that demand dropped – the country was in lockdown and retail appetite lower, as well as there being some reduced-price cars elsewhere in the wholesale market. In December, 42% confirmed that demand increased compared to during the previous month. It is somewhat surprising that over a half of respondents had not seen an improvement since lockdown eased. In December 2019, there was a very stable market – demand and supply were very well matched at this point last year.

How does your current overall demand compare to last month?



Conversion rates paint a similar picture to demand, with 42% again confirming they were either better than or the same as in November. Certainly at sites where larger volumes were available, conversions do appear to have improved, but as the results again show, for many the picture was no better, or even worse, than during the lockdown period. As was the case with demand, December last year saw a very steady month.

How do your conversion rates compare to last month?



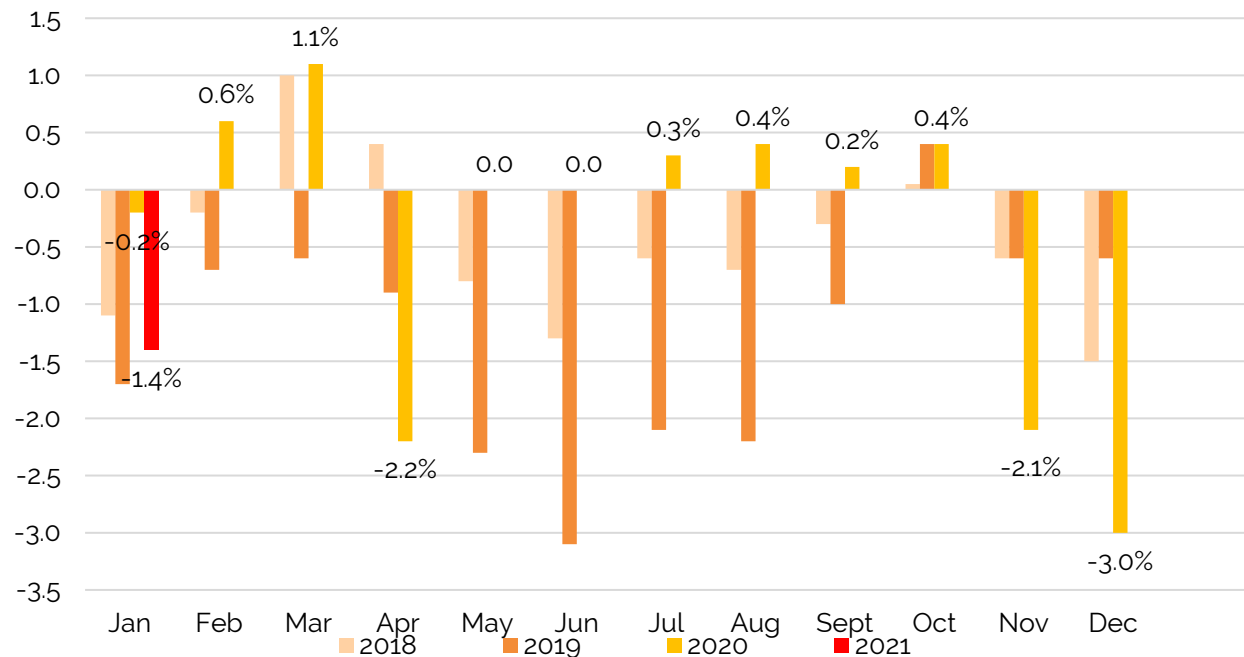
Overall, the wholesale market in December was active without seeing high levels of demand. With the vast majority of auction activity being online, there will be more opportunity for buying over the festive period than there has been in previous years, although with the increased COVID-19 restrictions in place it remains to be seen to what levels these are at. Trade buyers may prefer to take a prudent view and see how January pans out.

Used Cars – Trade Values

October and November saw some sizeable downward movements in trade prices, as reflected in cap hpi Live values. The cumulative movement for 3-year old cars was -5.1% over those 2-months. In December, there has been a further downward movement, of 1.4%, equivalent to c.-£150, but the majority of this was in the first few days of the month – prices have certainly stabilised since, and over the course of the month over one-quarter of individual models have not moved in value. Around two-thirds of models have reduced in price, with the remainder actually increasing – this illustrates that, as always, it is important to review the detail rather than purely averages.

The chart below illustrates the cumulative Live movements per month since 2018, with movements from December 2020 shown in red as January's monthly figures.

Monthly Percentage Movements in Live Valuations



As you can see, the 1.4% downward move is not unusual for the time of year. 2019 saw a particularly stable quarter 4, including December (for January's monthly figures), but the previous 2-years saw movements of -1.1% and -1.7%. The 5-year average is -1.3%, so despite the hugely unusual year for the used car market, including a strong start, unbelievably buoyant summer and weakening quarter 4, prices are actually moving as they tend to do at this time of year.

Looking at the average movements of individual mainstream sectors, MPV (-1.7%) and Upper Medium or D-sector (-1.6%) have seen some of the strongest downward movements in December's Live values, after some large drops in November too – both have dropped on average by c.£175 at the 3-year age. Many models in these sectors have struggled to achieve previous prices due to a lack of desirability, certainly versus more fashionable cars in the SUV sector. Examples of MPVs that have dropped the most at the 3-year age point are the Peugeot 5008 diesel, Kia Venga and Volkswagen Touran. Diesel upper medium cars have dropped in value by more than petrol or hybrid models (-1.8% compared to -1.2% and -1.3%) – some examples being the DS5, Hyundai i40, Jaguar XE, Kia Optima and the Vauxhall Insignia which have all dropped by more than the average.

City cars and Superminis have reduced the most over recent months, but this month they are roughly in line with the average. Lower medium, or C-sector, cars have been interesting in December, as looking at the average they have been one of the hardest hit. However, looking into the detail, petrol and diesel variants have on average sold at closer to cap than their hybrid equivalents. Hybrid C-sector cars have dropped by an average of 2.7% whereas the more traditional fuel-types have seen falls of 1.6% and 1.8%. In monetary terms, because hybrids remain more expensive, this is an average drop of c.£300 compared to around £150 for petrol and diesel models.

SUVs have dropped in value too, but again there are some differences between models. Small and medium-sized examples, where there is plenty of volume, have dropped by the most (c1.5% or £150), whereas more aspirational large SUVs have hardly moved on average (-0.3% or just -£50). Some models that have come under pressure this month are the

Vauxhall Mokka X, Suzuki C Cross, Renault Kadjar, Peugeot 2008 and Nissan Juke. Some strong performers have been the Jeep Grand Cherokee, Range Rover Sport diesel, Porsche Cayenne diesel and VW Toureg diesel. Traditional fuel-types do not seem to be an issue for these cars.

This aspirational theme continues in some more niche sectors such as Sports and Supercars, both of which have barely moved on average, down 0.1% and 0.3% respectively, or £35 and £300 in monetary terms at 3-years old. Convertibles and Coupe Cabriolets have also performed better than the average. This continues the theme of consumers looking to buy a car that may not be the most practical but in mentally challenging times practicality is not necessarily the main driver, especially as savings have been made from lack of travel and socialising. It also points towards the more affluent consumer being less affected by the pandemic than those employed in say lower-paid, hospitality sectors. Examples of aspirational cars that have increased in value during December are the Audi RS5, BMW M5 and Nissan 370Z.

Electric vehicle Live values have fallen for the fourth consecutive month in December. Some of the recent pressure can be attributed to a c.20% increase in used vehicle supply to the market this year, but the biggest factor still surrounds the expensive premiums they hold over their internal combustion engine alternatives. The focus in December for many franchise dealers was also new car registrations for EVs rather than selling used ones, with manufacturers mitigating fines due to CAFE regulations as mentioned earlier in this overview. Electric Vehicle values fell by more than all other fuel-types (over 2% or equivalent to c.£300 at the 3-year age).

What Next?

Before the latest restrictions and higher COVID-19 tiers were put in place, a positive January seemed much easier to call.

There was a likelihood that consumer demand for used cars would be buoyant, with Boxing Day onwards being a traditional time for browsing online and subsequent buying. All retailers that the editorial team have spoken to were gearing up for a busy few weeks post-Christmas.

The latest restrictions have taken the wind out of their sails somewhat, with car showrooms once again closed across much of the country. The current tiers will be reviewed before January, but government commentary has advised that the restrictions could be in place for months rather than weeks in many areas.

On a positive note, almost all used car businesses are well established to trade online now – both buying and selling, and consumers are getting more-and-more used to internet purchases, even of expensive items such as cars. Test drives and visits to showrooms are still preferred, but the inability to do so will not stop many buyers.

Following recent drops in values, of almost 7% in a 3-month period, but a slower decline in December, it is fair to predict a more stable January – values may drop but likely by less than in December. There are, however, a number of potential bumps in the road: increased volumes from lease extensions and vendors that held off selling in November and December, economic uncertainty due to Brexit (although this could also increase some used car prices), potential for a "lockdown 3" or at the very least more areas coming under tier 4. Consumers will still need or want to buy cars, however, and with a vaccine now actively being administered, there should be some green shoots of positivity as we move into 2021.

As always, cap hpi daily Live values will continue to reflect prices in the used car market as we move through the initial days, weeks and months of the year.

We will also provide a free industry update on the current used car and LCV market, plus a forecast view on the future, at our next cap hpi webinar on 14th January. To register, please follow cap hpi on LinkedIn, Facebook or Twitter and follow the relevant link.

We would like to wish all of our contacts, customers and suppliers an especially safe and Happy New Year.

Current Used Valuations January 2021 - Average Value Movements

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
City Car	(1.2%)	(1.3%)	(0.8%)	2.2%
Supermini	(1.6%)	(1.3%)	(0.6%)	2.4%
Lower Medium	(1.5%)	(1.8%)	(1.6%)	0.9%
Upper Medium	(1.4%)	(1.6%)	(1.3%)	0.8%
Executive	(0.6%)	(0.8%)	(0.6%)	1.3%
Large Executive	(1.4%)	(1.7%)	(1.1%)	(0.3%)
MPV	(1.5%)	(1.7%)	(2.0%)	(1.2%)
SUV	(0.8%)	(1.3%)	(1.3%)	(0.2%)
Electric	(1.5%)	(2.1%)	(2.0%)	(1.3%)
Convertible	(1.0%)	(1.1%)	(1.4%)	(1.8%)
Coupe Cabriolet	(0.9%)	0.5%	0.2%	(0.2%)
Sports	0.1%	(0.1%)	(0.2%)	0.6%
Luxury Executive	(0.2%)	(0.1%)	0.0%	(0.1%)
Supercar	(0.2%)	(0.3%)	0.2%	0.4%
Overall Avg Book Movement	(1.2%)	(1.4%)	(1.3%)	0.6%

() Denotes negative percentages

Used Car Values January 2021 - Average Value Movements by Size

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
MPV Small	(1.6%)	(2.1%)	(2.6%)	(0.6%)
MPV Medium	(1.9%)	(2.1%)	(2.0%)	(1.4%)
MPV Large	(0.8%)	(0.8%)	(1.7%)	(1.1%)
SUV Small	(1.3%)	(1.4%)	(1.3%)	0.6%
SUV Medium	(0.8%)	(1.5%)	(1.6%)	(0.4%)
SUV Large	(0.2%)	(0.3%)	(0.2%)	0.3%

() Denotes negative percentages

Notable Movers 1-yr 20k

GENERATION NAME	MIN £	MAX £	AVG £
FORD KUGA (12-20) DIESEL	(300)	(150)	(229)
LAND ROVER RANGE ROVER SPORT (17-) DIESEL	500	1,500	828
MERC C CLASS (14-18) DIESEL	(400)	(250)	(346)
NISSAN JUKE (10-20)	(500)	(325)	(414)
PEUGEOT 2008 (13-20)	(400)	(175)	(294)
RENAULT CAPTUR (13-20)	(500)	(350)	(436)
SEAT ATECA (16-) DIESEL	100	200	162
TOYOTA C-HR (16-20) HYBRID	(800)	(650)	(707)
VAUXHALL CORSA (14-20)	(300)	(175)	(237)
VOLKSWAGEN PASSAT (14-19) DIESEL	(650)	(300)	(456)

() Denotes negative movement

Notable Movers 3-yr 60k

	MIN £	MAX £	AVG £
AUDI A4 (15-19)	175	350	239
FORD FOCUS (11-18)	(250)	(125)	(151)
HONDA JAZZ (15-20)	(325)	(225)	(267)
MERC A CLASS (12-18) DIESEL	(300)	(200)	(244)
MERC C CLASS (14-18) DIESEL	(350)	(200)	(265)
NISSAN X-TRAIL (14-19) DIESEL	(450)	(275)	(336)
PORSCHE CAYENNE (10-18) DIESEL	250	300	275
VAUXHALL MOKKA (12-20)	(325)	(225)	(276)
VOLKSWAGEN PASSAT (14-19) DIESEL	(450)	(225)	(315)
VOLVO XC60 (08-17) DIESEL	(350)	(250)	(281)

() Denotes negative movement