

April 2021

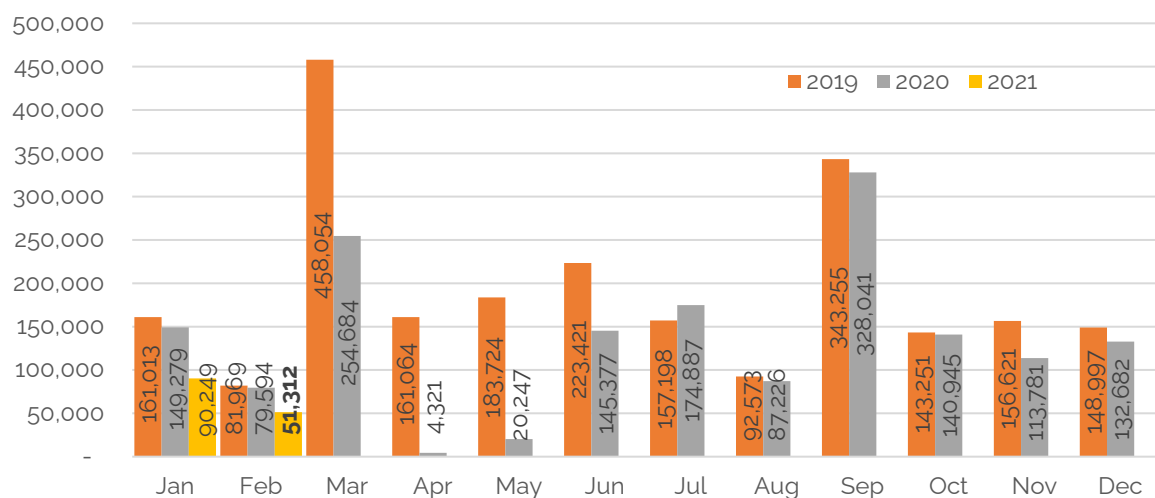
Car Market Overview

As we approach the light at the end of the Lockdown 3 tunnel, the car industry remains upbeat, having coped remarkably well with the challenges thrown at it. The used car sector of the industry, in particular, is in good health and more than ready for the reopening of car showrooms in April. New car activity, subdued during March, will no doubt improve once the restrictions on consumers visiting dealers and test-driving cars are lifted.

In this overview, we will report on registration activity in the new car market to the end of February 2021 and dynamics in the used car market at the time of writing, including what may happen over the coming weeks and months. All information is correct as of 26th March 2021.

New Car Sales

According to the figures produced by the Society of Motor Manufacturers and Traders (SMMT), 51,312 cars were registered in February 2021, a reduction of 35.5% compared to the same month in 2020, the last month before the impact of COVID-19 started to be felt in the UK. With the country remaining in lockdown, the reduction was not a surprise but a stark reminder of the restrictions in place. Over the first 2-months of the year, 141,561 cars were registered, compared to 228,873 in the same period last year, a reduction of 38.1%.



Source: SMMT

Registrations of diesel cars continue to see the steepest decline, down 50.7% compared to February 2020, -49.9% for the year so far. Petrol registrations were down 38.0% in February and -42.4% for the year. Figures for both fuel-types include mild hybrids.

Registrations of Battery Electric Vehicles (BEVs) were up 40.2% in February, 49.0% year-to-date, and Plug-in Hybrid Electric Vehicles (PHEVs) were up 52.1% for the month and 35.2% so far in 2021. Alternatively-Fuelled Vehicles (AFVs) have made up 20.5% of total registrations so far this year, compared to 11.6% at this point a year ago.

Daily Rental registrations were heavily subdued in February, down 83%. Many rental companies' business levels continue to be adversely affected by the pandemic and there is less of a desire by manufacturers to register cars into this sector than previously, due to supply limitations and cost.

Used Car Retail Activity

Bearing in mind that, at the time of writing, the country has now been in lockdown for almost 12-weeks, with car showrooms physically closed, this sector has posted some amazingly positive sales figures. Demand has been steadily increasing throughout the latest 3-month period.

March has seen retail enquiry levels and sales rates increase as the month progressed, perhaps surprisingly bearing in mind that from 5th April in Scotland and 12th April in England it will be possible to visit a dealership and test drive a car. There was a theory that consumers may hold back until then, but that does not appear to have been the case overall.

These increases have not been uniform across the board, however. Whilst some businesses are operating at over 90% of "normal", many car supermarkets have been closer to the 50-60% mark – slightly less positivity but still on an upward curve. Some premium franchise dealers have actually reported business levels ahead of where they would normally expect – many consumers remain active in making aspirational purchases with money saved or government backed funds received.

On the pricing side, there have not been widescale movements by retailers, but certainly some outlets have been reducing cars that have been in stock for a while, or do not now appear competitively priced based on internet research. There have been some tactical reductions taking place to encourage buyers towards websites in this competitive market.

Retailers have now been working within the constraints of the pandemic for a full year and what is clear is how far they have improved their online presence and overall distance selling procedures since COVID-19 first hit the UK. They have also had to work harder than ever to achieve the levels of sales and to handle the increased number of competitors – not just the traditional ones in their local area. This increased online competition was always on the horizon but has certainly accelerated over the last year.

Some very strong financial results have been posted by dealer groups, which is a huge testament to those involved. However, this would not have been possible without the vast sums of government support in various guises. So, whilst it has been a strong year for used car retail, it has always remained challenging.

One theme, both over the year and in the last few weeks, has been increased demand for older cars. Many dealers have reduced the number of cars that they dispose of to the trade, realising that there is margin to be made by retailing more of their part-exchanges. This is particularly the case for older, premium models.

Overall, what a difference a year makes. From 23rd March 2020, businesses closed their doors and the future was uncertain – how would they cope without physical customers? Sales rates dropped by 98%. In March 2021, whilst under almost identical restrictions, sales rates overall are now only around 10% less than normal.

Used Car Remarketing Activity

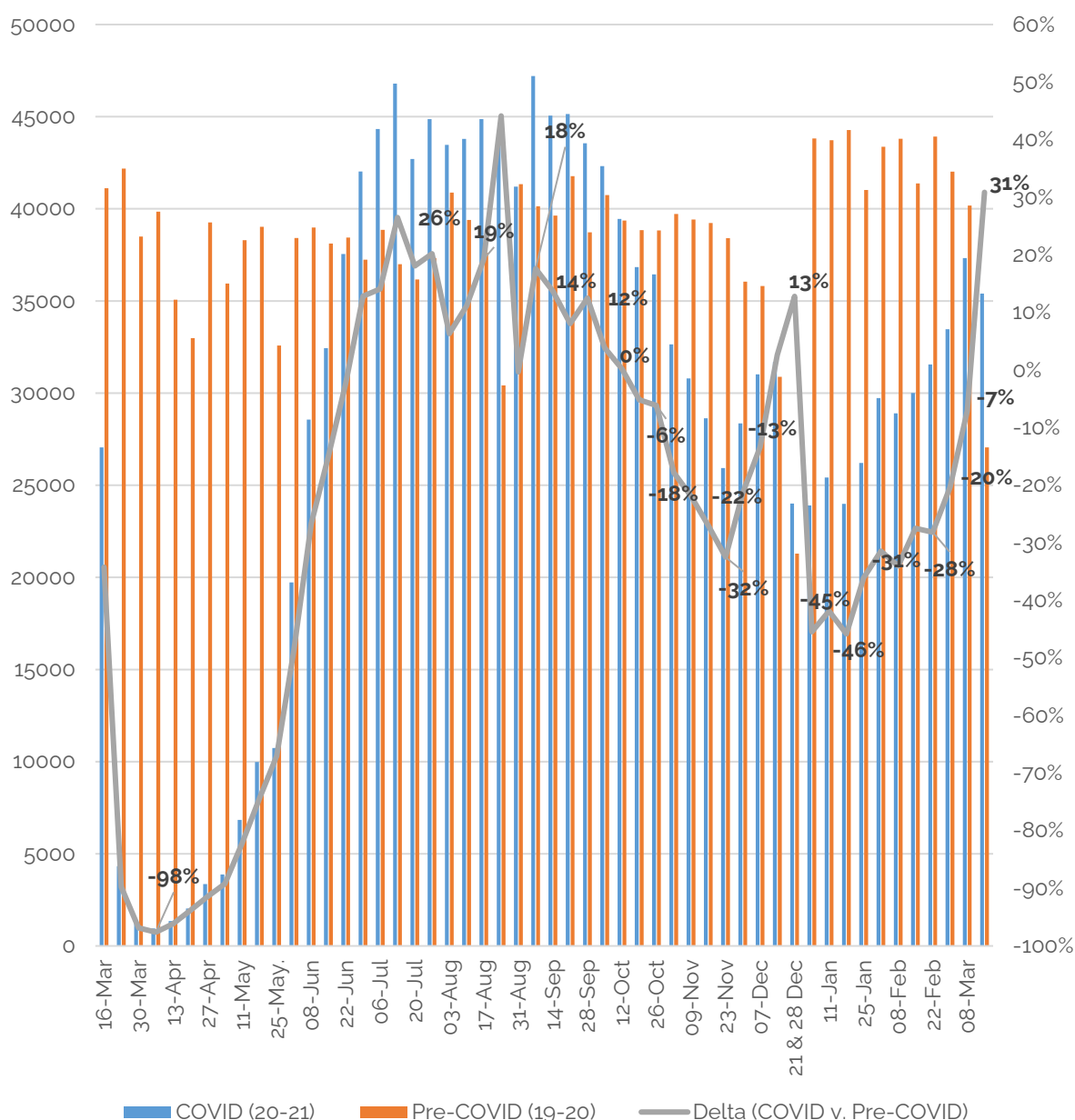
The trade, or wholesale, market has also improved over the month of March. Sales volumes have steadily increased as more buyers appear and those that were already present have become more active. Of course, all activity remains online, but as was the case last year, the vast majority of auctions and remarketers are now well established digitally.

Whilst sales rates are not quite back to normal levels, or to where they were last summer when the market was so buoyant, they have improved from the c.70% of normal that they were at the end of February. Year-on-year comparisons are now unrepresentative due to the situation this time last year, with sales volumes 31% up on the same week last year, as the pandemic started to take hold. Comparing volumes towards the end of March to the

equivalent week in 2019, volumes are around 14% down. Part of this reduction may well be due to dealers retailing their part-exchanges and having less of a requirement to buy from trade sources, whilst consumer demand is not at normal levels.

The following chart shows the progression of volumes over the last year and compared to the same week 12-months earlier. The increases are clear to see by the blue bars during March. Volumes are short of where they were last summer, but compare favourably to Lockdown 1 and certainly heading in the right direction as we enter April and the easing of restrictions.

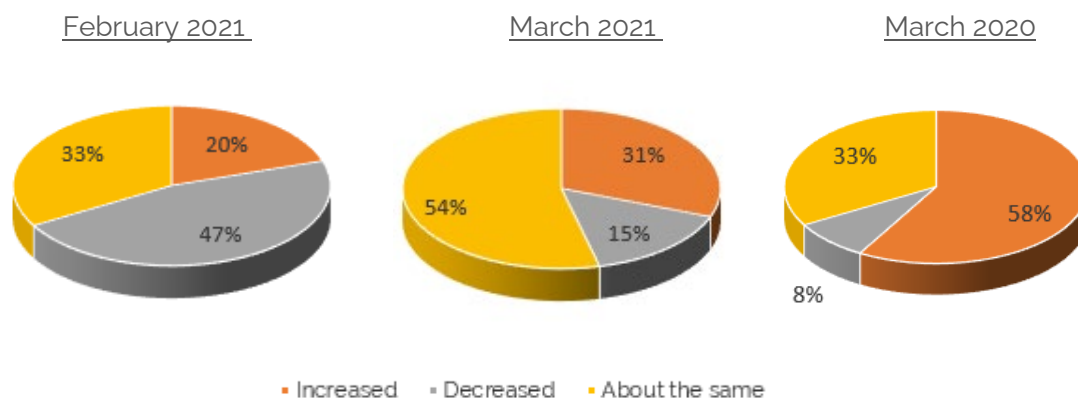
Wholesale Volumes since initial lockdown, comparison to previous year (like for like suppliers only)



Increased sales activity has been particularly strong for those cars in good condition, requiring little refurbishment, but sales of those Average and Below cars have also picked up, and many that have been left on the shelf previously, whilst demand was lower, have now sold for amounts acceptable to the vendors. Older cars have also sold well, mirroring the consumer market.

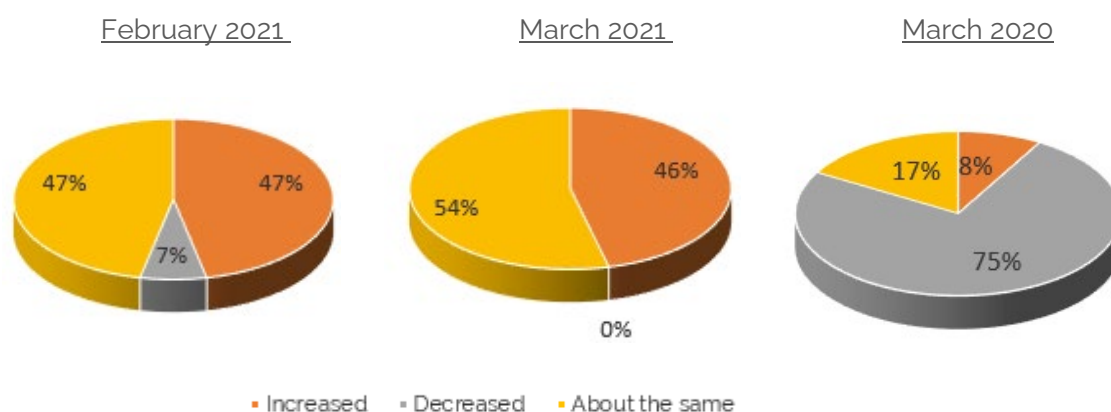
The March cap hpi auction survey certainly paints a positive picture and backs up the sentiment in the industry.

How do your current stock levels compare to last month?



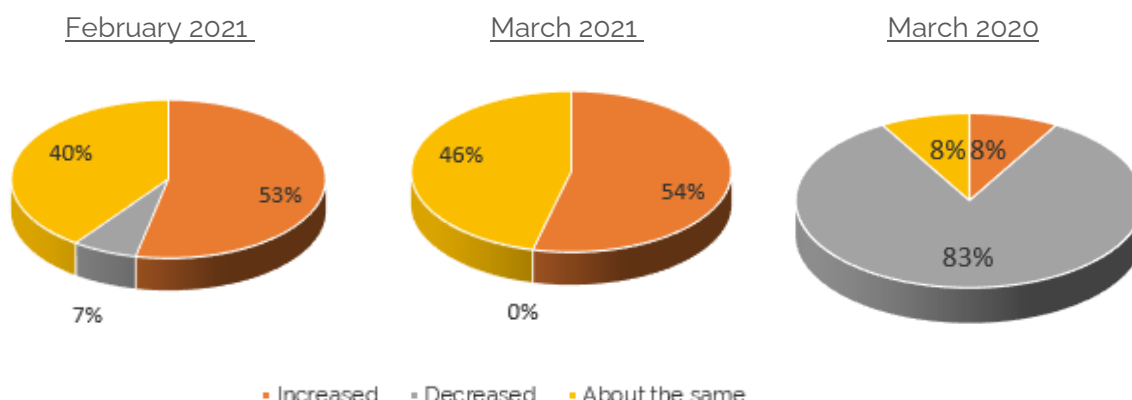
Stock levels are increasing or have stayed static for 85% of respondents, although it is fair to say that they have not been increasing by as much as they would traditionally do in a plate-change month. Those that rely on part-exchanges are not seeing quite such a positive picture as those with fleet and leasing contracts.

How does your current overall demand compare to last month?



There is obviously a stark contrast to the survey at this point last year with regards to demand and thankfully we are in a very different place to those uncertain times. All respondents have either seen demand increase or stay the same – we would expect this theme to continue.

How do your conversion rates compare to last month?



In a very similar vein, conversion rates have also increased or stayed the same – increasing for over half of respondents and continuing to paint a positive picture for the auction industry. We have certainly witnessed a steady increase in this metric throughout March, and again this is likely to continue.

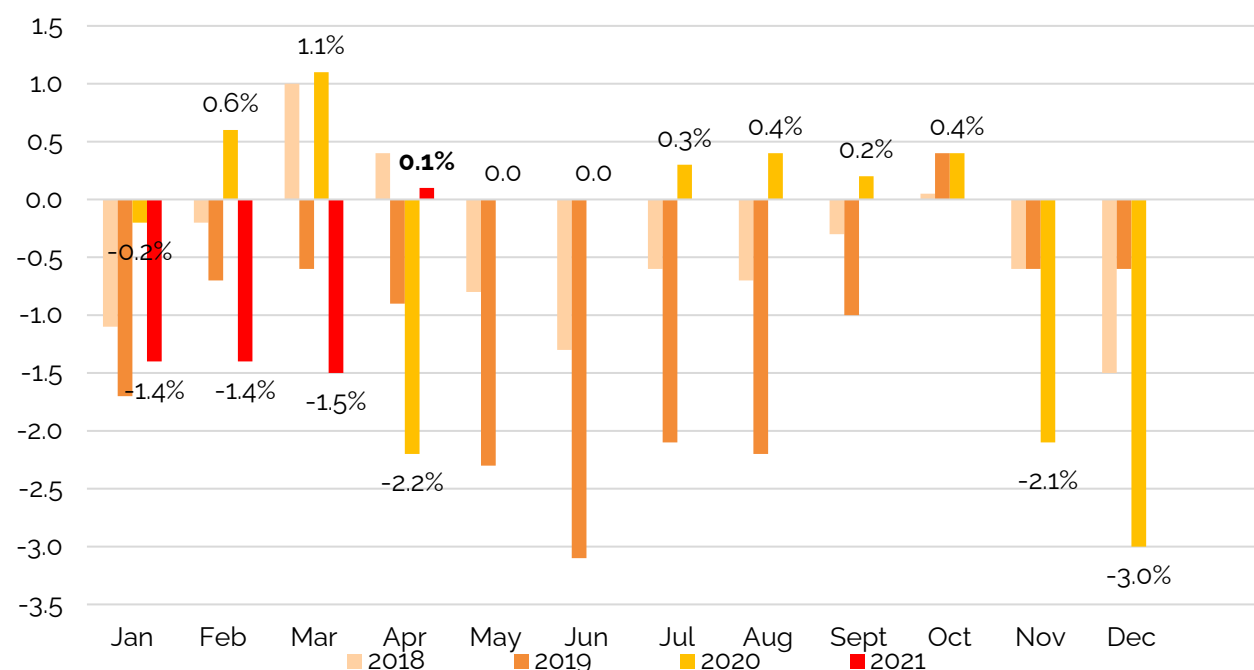
Used Cars – Trade Values

The average movement at 3-years, 60,000 miles during March was a small upward movement of 0.1%, averaging around £40. More so than ever though, this average movement does not paint anywhere near the whole picture.

The end of February and early March saw values weaken in our Live product, continuing what the market had experienced since October – steadily declining values. As demand increased, however, overall values started to turn more positive, so over the 2-weeks preceding this editorial, values have increased overall by around 0.5%, after some drops early in the month.

The picture is quite mixed though and as always, the devil is in the detail.

Monthly Percentage Movements in Live Valuations (3-years, 60k miles)



Perhaps surprisingly, bearing in mind registration reductions over the last year, values at the 6-month and 1-year age point have been under more pressure than older cars, and have reduced by 0.5% on average, equivalent to around £115. There have been some attractive new car offers that are likely to have affected younger used car prices, as well as less used buyers purchasing for stock. We have also witnessed more used cars being sold and advertised at these younger ages, so movements have been made based off both trade and retail evidence. Of course, not all models have been adversely affected, only where the evidence has pointed towards pressure.

At all age points over 3-years, there have been average upward movements in values, increasing in percentage terms as the cars get older. At 10-years old, the average is a 0.9% increase, equivalent to c.£50 per car.

Looking at individual sectors, MPVs have once again been the hardest hit during March, although overall they have not reduced by as much as in previous months. These models remain less popular than SUVs and have been affected by car supermarkets being unable to open physically and being less active in the wholesale market. MPVs may not be so actively sought out online, but when seen in the flesh, they make sense as a pragmatic purchase, so the lack of browsing around a car supermarket has certainly had an effect. With national travel restrictions easing and staycations likely to be on the agenda due to uncertainty of foreign holidays, we may well see an increase in popularity of this sector over the coming months. For now, though, there have been more sizeable reductions amongst the Ford Galaxy and S-Max, Citroen C4 Picasso and SEAT Alhambra, by between c.3-6%. The latter has dropped by over £700 at the 3-year age point.

The polar opposite to this has been witnessed at the aspirational end of the market. From the start of the month prices of convertibles and coupe cabriolets have been rising, and this accelerated in the second half of the month, almost across the board, at levels rarely witnessed before. Older cars where there is lower volume have been the strongest particularly the German brands leading the way. Even where there is volume, such as the Mercedes E- Class (13-17) Diesel and the current BMW 2-Series Petrol increases of upwards of 12% (£1,750 and £1 500 respectively) are rises generally not experienced in a single month. This is even more remarkable when you consider that many convertibles also went up in value last year and have not dropped by the usual amounts over the winter. Indeed, the highest appreciating model of any at the 3-year age point over the last 12-months has been the Mercedes-Benz S-Class Cabriolet, increasing by an incredible 22% or over £8,500 at the 3-year, 30k mile point.

Most other sectors, including those popular superminis, SUVs and lower medium cars and have all been relatively stable on average, with the latter dropping by the most at just 0.3% at the 3-year point, equivalent to just a £25 drop. These sectors all strengthened as the month progressed.

Turning to fuel-type, whilst petrol and diesel car's values have, on average, strengthened slightly (by 0.1% and 0.2% respectively), alternatively-fuelled vehicles have generally reduced in value once more. Electric vehicles dropped on average by 1.4%, equivalent to almost £400 at 3-years old, with plug-in and pure hybrids very similarly affected. Supply continues to outstrip demand and these cars still look expensive compared to internal combustion engine cars. There have also been strong consumer offers on new electric cars and volumes of pre-registered and ex-dealer demos off the back of tactical new car activity in the final quarter of last year. The Volkswagen ID3, Kia Niro Electric and Nissan Leaf all dropped by 3-4% during March.

It is a sad consequence of the pandemic that the private hire market has been badly affected and with it purchasing of certain hybrid models. Cars such as the Toyota Prius and Auris have lost almost one-third of their value over the last 12-months.

What Next?

This section of the editorial overview is slightly easier to write than it was a year ago. At that time, we had made the decision not to move values as the country entered lockdown and online sales in any volume were a pipe-dream. There was simply not going to be the evidence to justify value movements.

One common theme from last year and this, however, was the prediction of pent-up demand. A year ago though, it was unclear when that would be, this time around, we can confidently predict the next few weeks and months for the used car market, although there are still quite a few abnormalities to work through.

It is widely expected that demand will increase during April, particularly after car showrooms reopen, and with this there are likely to be increases in prices, particularly in the wholesale arena. We have already seen buyers returning from furlough and becoming more active with their purchasing. Over most of Lockdown 3, there has been a reticence to replenish for stock or even replace sold orders due to diminished demand, but as we suggested last month, now would seem to be a good time to buy in expectation of strong consumer demand.

Retail values are likely to be more stable – in volatile times, it is always trade values that move first and retail values have not dropped in the same way as trade over the last 6-months.

We are not predicting the market to be as strong as it was post-Lockdown 1, however. With sales so slow during April and May 2020, at around 5% of normal at its worst, although rising slowly through May, there was an extraordinary number of willing buyers in June, added to by those looking to purchase a car to avoid public transport. During this latest lockdown, sales rates were on average at around 65% of normal initially and have since risen to around 90%. Therefore, there are far fewer people that have held off this time around, waiting for the opportunity to visit a showroom or test drive a car. Pent-up demand will be present, but not to such a large degree.

One thing that is likely is that seasonal drops in value are unlikely in the short-term at least. Post-Easter tends to be a difficult period for values, as supply levels increase and demand drops due to focus on vacations and Bank Holidays. In 2021, the subdued March new car market will generate less part-exchanges and fleet returns than normal, meaning less supply, and demand will increase as showrooms open up straight after the Easter weekend in Scotland and a week later in England.

Used car availability will increase as the new car market picks up. Although the supply constraints on semi-conductors may hold back some volume in the medium-term, currently manufacturers do appear to have enough cars to satisfy requirements. Demand is likely to be maintained too – the theme of consumers making aspirational, big-ticket purchases is likely to continue, particularly with uncertainty over holidays this summer. How better to cheer yourself up than buying a new car? It is likely that the strength in the market will remain in place for April and May.

The next few months are likely to be quite volatile and unpredictable. As has been the case in March, there will be a variety of moving parts that affects prices differently – supply volumes by model, demand for different sectors of vehicles, aspirational purchases, desirable older cars and so on. Keeping close to cap hpi's Live valuations is essential in these times and a new report is available to Live subscribers that keeps them abreast of value movements as they happen through the month – we would advise keeping an eye on this daily.

Current Used Valuations April 2021 - Average Value Movements

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
City Car	(0.6%)	0.5%	0.6%	(0.3%)
Supermini	(0.9%)	(0.1%)	(0.3%)	0.1%
Lower Medium	(0.8%)	(0.3%)	(0.2%)	0.1%
Upper Medium	(1.1%)	(0.4%)	(0.1%)	0.6%
Executive	0.2%	0.4%	0.8%	1.7%
Large Executive	(0.1%)	0.6%	0.7%	0.7%
MPV	(0.9%)	(1.0%)	(1.0%)	(0.4%)
SUV	(0.6%)	0.0%	0.7%	1.2%
Convertible	2.3%	3.8%	3.9%	5.6%
Coupe Cabriolet	5.6%	7.1%	7.4%	7.0%
Sports	(0.2%)	1.0%	1.3%	1.9%
Luxury Executive	(1.0%)	1.0%	0.8%	0.4%
Supercar	(0.6%)	1.0%	1.0%	0.0%
Overall Avg Book Movement	(0.5%)	0.1%	0.3%	0.9%

() Denotes negative percentages

Used Car Values April 2021 - Average Value Movements by Size

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
MPV Small	(0.9%)	(1.8%)	(1.8%)	(0.7%)
MPV Medium	(1.3%)	(1.2%)	(1.1%)	(0.6%)
MPV Large	(0.1%)	(0.2%)	(0.3%)	0.5%
SUV Small	(0.5%)	(0.1%)	0.6%	0.0%
SUV Medium	(0.6%)	0.0%	0.7%	1.0%
SUV Large	(0.2%)	0.4%	1.2%	1.9%

() Denotes negative percentages

Notable Movers 1-yr 20k

GENERATION NAME	MIN £	MAX £	AVG £
BMW 1 SERIES (11-19)	350	350	350
DACIA SANDERO (13-20) DIESEL	175	225	210
DS DS3 (15-20)	(350)	(225)	(296)
MERC GLA CLASS (14-19) DIESEL	500	600	575
NISSAN JUKE (10-20) DIESEL	250	275	258
RENAULT CAPTUR (13-20) DIESEL	(200)	(150)	(189)
SKODA CITIGO (12-19)	(200)	(150)	(179)
VAUXHALL ASTRA (15-20)	(575)	(75)	(174)
VOLKSWAGEN SHARAN (10-21) DIESEL	(600)	(150)	(409)
VOLVO V40 (12-19)	(550)	(100)	(338)

() Denotes negative movement

Notable Movers 3-yr 60k

	MIN £	MAX £	AVG £
AUDI Q3 (11-19) DIESEL	100	200	146
BMW MINI COOPER (13-18)	(450)	(125)	(290)
CITROEN C4 GRAND PICASSO (13-18) DIESEL	(200)	(150)	(172)
HYUNDAI I30 (12-18) DIESEL	100	175	133
LAND ROVER RANGE ROVER EVOQUE (11-19) DIESEL	300	400	357
MERC B CLASS (12-19) DIESEL	(250)	(150)	(208)
MERC E CLASS (16-) DIESEL	150	850	462
NISSAN JUKE (10-20) DIESEL	150	250	193
NISSAN LEAF (10-18)	(175)	(100)	(147)
PEUGEOT PARTNER TEPEE (08-18) DIESEL	(350)	(200)	(260)

() Denotes negative movement