

Cazana Weekly Pricing Insight

Week Commencing May 17th

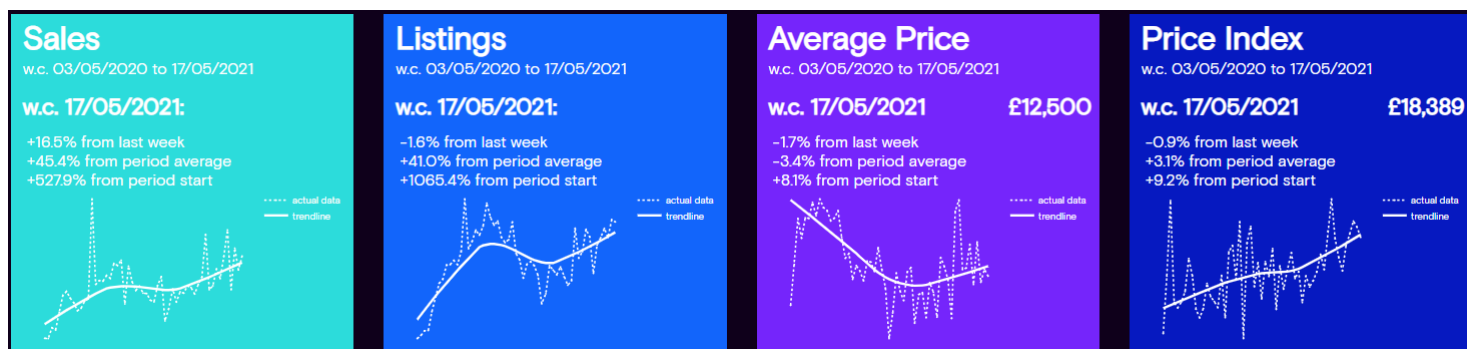
- **Used Car Sales Increase by +16.5% Week on Week**
- **Cazana Used Car Retail Price Index Down by -0.9%**
- **New Retail Advert Listings Drop by -1.6%**

There is no doubt that new and used car sales are right at the forefront of the car retailer's commercial strategy at the moment, as another week of strong sales performance passes by and the retailers continue to make the most of the pent-up buyer demand. New car sales are good, although the restrictions on supply continue to make the headlines, but the release of the new car registration data by the SMMT next week will qualify the real impact of the lack of product.

Used car sales performance is also good with a consistent volume of leads making life a little easier for the sales teams. Online transactions appear to be consistent although for those customers coming to the showrooms, there are reports of a slight reluctance to commit to buy at the point of closing the sale. This is interesting as it perhaps defines the type of buyer that comes to the showroom as being less committed to buying a car or perhaps just more cautious full stop. Whichever the answer, this behaviour is symptomatic of the new normal.

The real issue in the used market right now is vehicle supply and whilst it is evident that the logistics and remarketing facilities are coming up to speed with the market expectations, there are still delays in the defleet and prep supply chains that are hampering vehicle supply. Members of the VRA (Vehicle Remarketing Association) struggle to meet demand on a daily basis under the current challenging social distancing rules that hamper operational efficiency. The resulting sometimes erratic supply of used cars in the wholesale market has seen some quite extraordinary pricing for some used car stock, but the concern is that this enhanced wholesale price is not recoverable by the corresponding increase in the retail price of the car. On a more positive note, it would seem that this behaviour is reasonably limited to those retailers and traders either exceedingly short of stock, or where a car is being bought for a sold order. Both circumstances carry a high level of risk, especially when the retail price can move so much from day to day, and realistically, real-time pricing data is the only way to minimise loss and maximise return.

The charts below qualify the market dynamics during the previous week with the full year trend of the data shown at the bottom of each panel: -

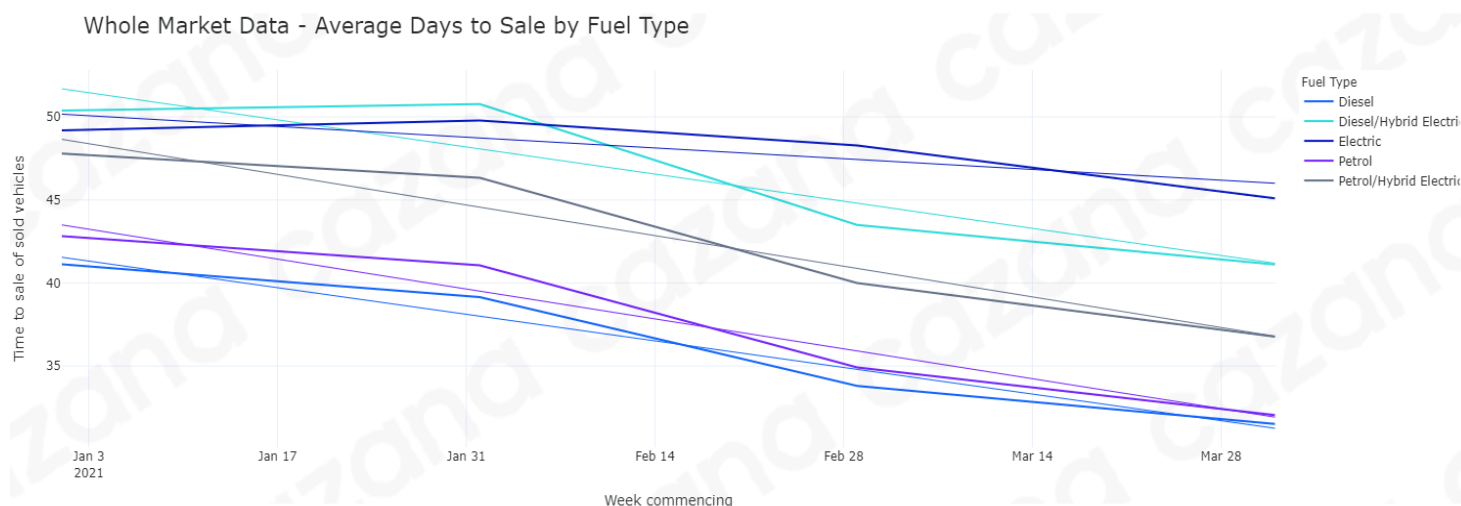


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The charts above show that following the previous weeks drop in retail sales, the week commencing May 17th recorded an uplift of +16.5% in used car sales. The trendline at the bottom of the Sales chart tells a positive story over the full year period but normalises what is actually a pretty spikey journey week on week. It is also worth noting that the number of newly listed vehicles for the week dropped by -1.6%, perhaps a reflection of the difficulty in getting hold of replacement used cars in the last week.

The **Cazana Used Car Retail Price Index** has decreased marginally by -0.9% and although this has dropped slightly for the last couple of weeks, this can be a reflection of the profile of stock in the used car market rather than an indicator that used car prices are falling. Equally, it is worth remembering that the **Cazana Used Car Retail Price Index** has increased by a considerable +9.2% since the beginning of May 2020.

With used car stock selling so swiftly the chart below looks at what has happened to the Average Days to Sale in market: -

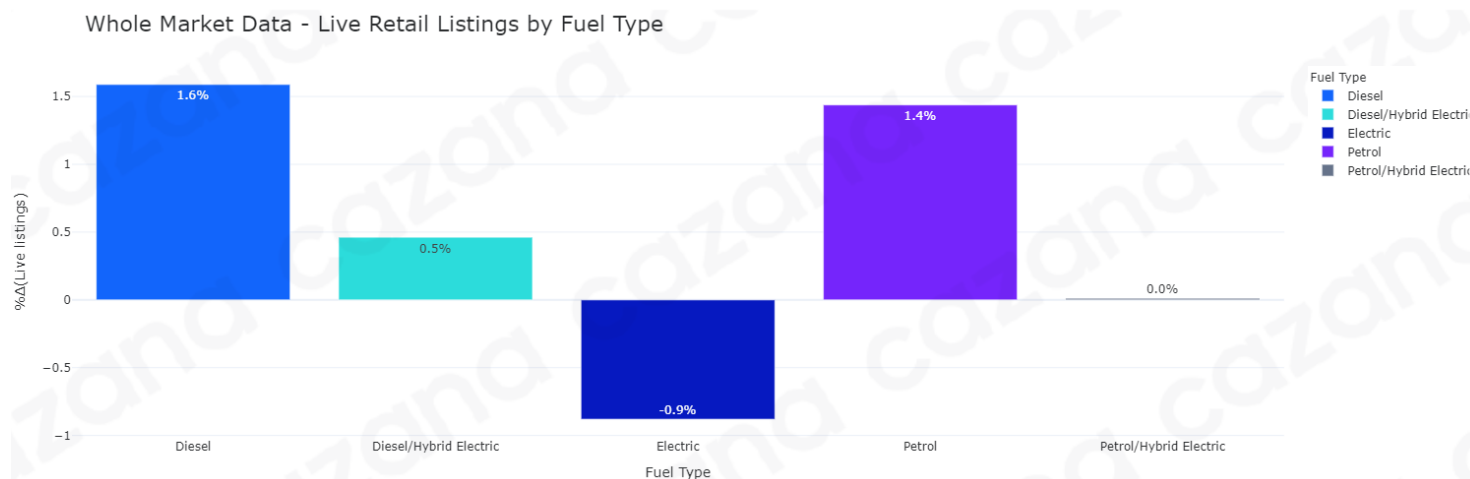


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The chart looks at the average days to sale by fuel type since the beginning of the year to clarify the extent of the market wide acclaim at the improving sales position. Overall, since the beginning of January 2021 the average days to sale has dropped from 42 days to 32 days. This makes a considerable difference to the fortunes of a business. As a guide, a 50 car used car sales pitch would have been on track to sell 435 cars during the course of the year. With the speed of sale at 32 days per car, this has jumped to 570 cars and as such it is not difficult to understand why so many retail groups and independent retailers have seen such an increase in financial performance over recent months and weeks.

Drilling deeper into the days to sale metric is a fascinating exercise and can provide some exceedingly valuable insight. This is particularly relevant in today's market where market conditions change on a daily basis. Of specific note is the data behind the very variable BEV fuel type and is a topic of analysis for another time.

Considering the current speed of sale it is also prudent to look at the volume of retail advertised listings: -



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This data looks at the week on week change in the number of live retail advert listings by fuel type as a percentage. One might have suspected that with so much discussion over the availability of used car stock, the volume of advertised cars in the market would have dropped notably. This chart refutes that and suggests that either the drop in the volume of adverts has already happened or that sourcing stock is not as difficult as may be expected at the moment. It is also key to acknowledge that some individual retail advertising platforms are showing lower volumes of available cars. However, Cazana's unique whole market view shows better stability overall, although this is to be expected given the commercial nature of retail advertising providers.

To conclude, the used car market remains in good health, albeit with some important warning clouds on the horizon. Monitoring sales activity and being aware that big ticket item expenditure over the coming weeks will become more competitive, as the weather improves and travel restrictions are further lifted, is key, and real time data will be the best way to keep in tune with market conditions. Additionally, the concern over used car stock availability and the resulting high auction pricing is cause for concern as this perceived widespread uplift is not translating to the retail pricing. Buying with care and being fully aware of today's retail pricing is essential for commercial success.

Rupert Pontin
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May 26th, 2021