

November 2021

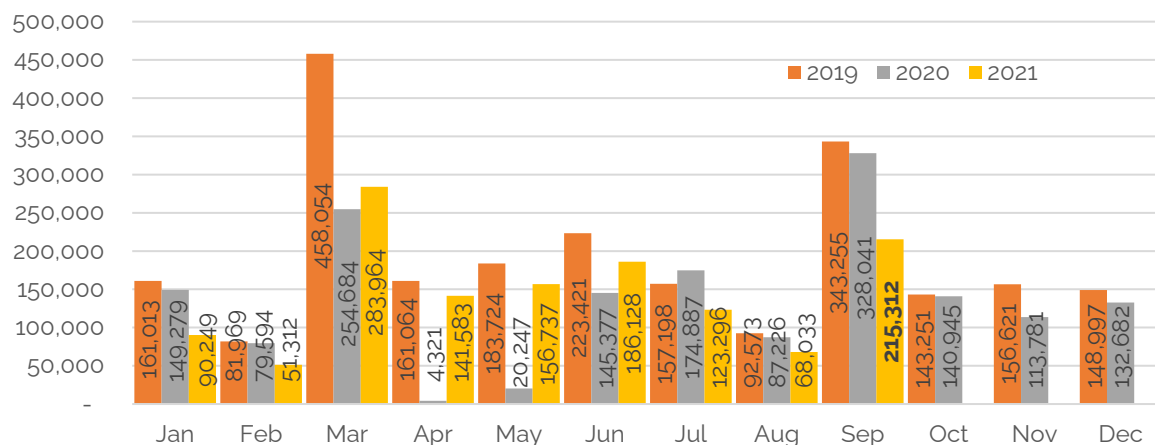
Car Market Overview

This monthly overview provides an update on the current new and used car markets in the UK. We will report on new car registrations to the end of September and used car activity at the time of writing. All information is correct as of 26th October 2021.

New Car Sales

September's registration figures are always of keen interest to the industry and a pointer to manufacturers supply, demand and tactical activity. This year, the month was always going to prove even more pivotal than usual, due to the semiconductor and other component shortages and global logistics issues leading to a dearth of new cars.

According to the figures produced by the Society of Motor Manufacturers and Traders (SMMT), 215,312 cars were registered in September 2021, a reduction of 112,729 or 34.4% on the COVID hit same month in 2020. Compared to the ten-year average, registrations were 44.7% down and it was the weakest September since 1998, a year before the two-plate system was introduced.



Source: SMMT

Year-to-date, 1,316,614 cars were registered to the end of September, compared to 1,243,656 last year, an increase of 5.9%. 2020 was severely hit by the initial lockdown, and subsequent fallout, from March to May, when the nation and automotive industry ground to a halt. Compared to 2019, registrations are 37.3% down.

There were some interesting figures posted by manufacturers in September, highlighting just how much supply issues have affected different brands. Ford, traditionally the market leader, sat in 7th place for the month, down 62% on last year and behind Toyota, Kia, Volkswagen, BMW, Audi and Hyundai. Mercedes-Benz (down 63%) and Land Rover (down 53%) were, and are, also affected. Lead times for many models stretch well into 2022. MG and Tesla were the biggest winners and the only brands of significant volume to post increases compared to September 2020.

Private registrations were down 25.3%, taking a 56% share, and fleet down 43.1% as manufacturers prioritised more profitable retail channels. Unsurprisingly, Daily Rental registrations were heavily curtailed, down around 85% on both of the previous Septembers.

Year-to-date, versus the last "normal" year of 2019, over 100,000 less cars have been registered in this channel.

One area of success in the month was for Electric Vehicles, taking 15.2% share in the month, with 32,721 cars registered – the highest ever. Plug-in Hybrids and Hybrids also increased their share, meaning one-third of cars registered in the month were alternatively-fuelled.

Used Car Retail Activity

The general theme in the retail market in October is that, overall, retailers are still enjoying good times. Consumer demand may well have slowed for some, after the record-breaking months since April, but in reality, it is still as good as ever compared to this period in previous years. It is difficult to compare to this point in 2020, as the nation was preparing to enter the second national lockdown, so sales figures will look good in comparison, but this October also fares well in comparison to more normal years.

With this month-on-month slowdown has come a small increase in the volume of cars undergoing a pricing realignment. After the market buoyancy since April, it feels as though the market is returning to more normal times and behaviour. Stock turn has slowed, although it is still relatively healthy, and those cars that have not sold quickly have been adjusted downwards by more retailers – a practice that had become obsolete for many for a number of months both last year and this, particularly as it was almost impossible to replace them with similar cars, certainly at palatable prices.

A number of large retailers have paid high market prices in the trade over recent weeks and stocked up – realising that availability is going to be an issue for some time to come. The prices that they have paid have made it difficult for smaller retailers to compete, when they compare what they have to pay trade and what the internet suggests they can retail the car for. Once again, it has been a time to be brave and push retail prices up – those retailers that have done so are reporting healthy margins and profit. There may be less cars out there, but they can still make good money on what they can source.

A number of cars remain above their original new car price, which feels alien, certainly when you consider what they are. 1-year old Dacia Duster and Sandero, Mini Cooper, Volvo XC40 and Ford Puma are models with many variants above the new car prices. Of course, when getting a new car within an acceptable timeframe is so difficult, a used one becomes appealing and the new price an almost irrelevant benchmark or comparison.

One of the biggest issues that has been facing retailers over recent months has been preparing enough cars to cope with the huge demand for used cars. Good technicians and other backroom staff are difficult to find, although the fact that many retailers have been forced to carry less stock than normal, due to the supply issues caused by the new car market, has helped alleviate some of this problem. One thing not to overlook though, is that car values have gone up so much in the last 7-months that the amount of money tied up in stock is as high as ever.

Overall, October has been another strong month for consumer demand, but has slowed slightly from what we dubbed the "summer of strength" in the market. A fairly normal, small seasonal slowdown would be a reasonable summary.

Used Car Remarketing Activity

The frenzy in the wholesale market has also cooled over the last few weeks. There has been a noticeable downturn in conversion rates, but important to remember that they have been above 90% and even at 100% at various times over the last few months. September saw some astonishing highs so October was always likely to drop away in comparison.

With some large retailers feeling comfortable with their stock levels after their purchasing purge, some took a slight pause for breath at times in October, a chance to see what happens to prices during the month. Whilst this had an impact on conversion rates, it also allowed some of the smaller independents more of an opportunity to purchase.

It is important to remember and put into context that as we enter the final quarter of the year, traditionally we would expect the market to slow. Following the manic sales in September, it was evident very early in the month that those highs would not be matched again. Conversion rates have been closer to 75% or 80%, which is still good for this time of year.

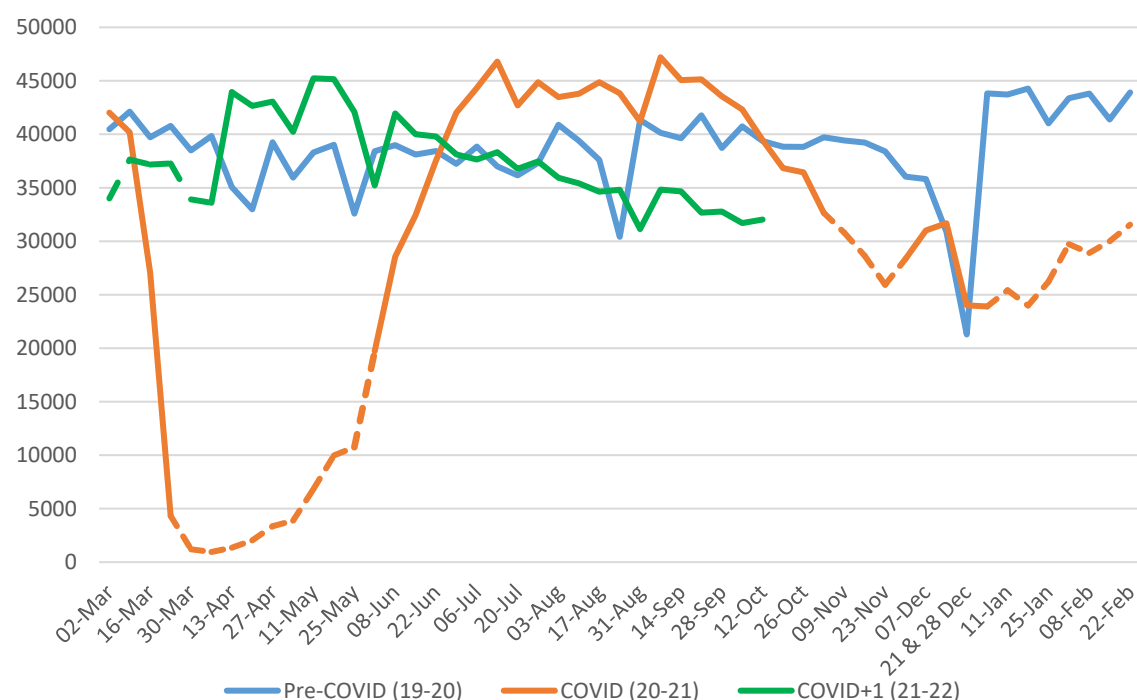
Auction houses reported that buyers had become more selective on the condition of vehicles, as there was less of an appetite to buy vehicles requiring work – as mentioned staffing has become a concern and getting cars on forecourts optimally is always a priority. The reopening of more physical auction sites in October will certainly help the poorer condition cars sell more quickly, as buyers tend to have more faith in what they are purchasing if they can view them in person.

Volumes of vehicles sold in the trade market have continued on the downward trajectory that they have been on since May, although this has stabilised to a degree in recent weeks. Unsurprisingly, there has not been an influx from September's new registration plate activity, with volumes of fleet returns lower than normal and many retailers keeping hold of as many part-exchanges as possible, to retail rather than trade.

Overall, volumes are around 20% lower than in the previous 2-years at this time with auction sold volumes being at their lowest level since March, and only a small recent increase from some contract hire and leasing sources. Manufacturer and rental company defleets are at an all-time low.

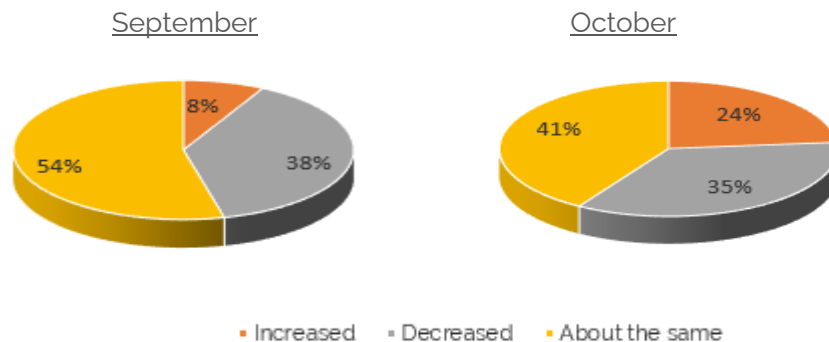
The chart below illustrates the overall sold records, with each point on the lines being a weekly volume.

Wholesale Volumes since initial lockdown, comparison to previous years



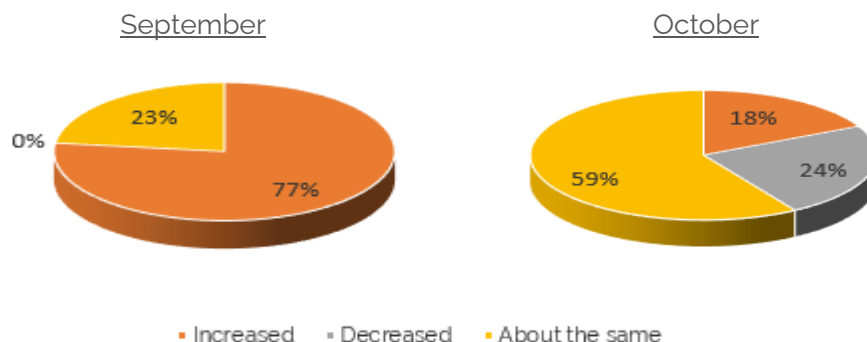
The results of the October cap hpi auction survey shed further light on the wholesale market.

How do your current stock levels compare to last month?



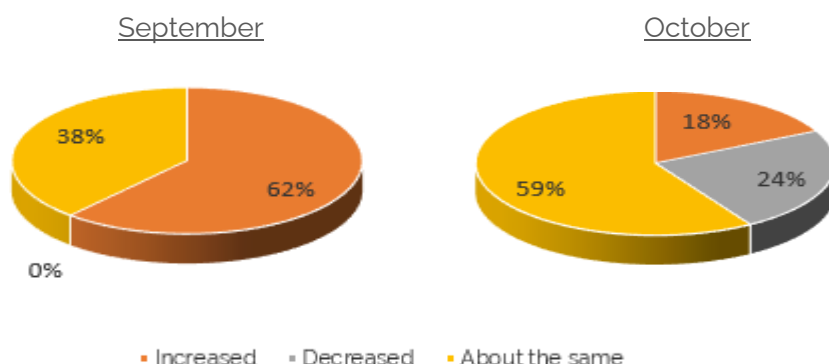
At this time of year we would normally expect stock levels to have increased as September's new car activity led to used cars hitting the market in volume. As you can see from the survey results, whilst almost a quarter of respondents did see higher volumes than last month, over one-third actually saw decreases. When you add this to the responses in September, you can see that there has not been an influx of stock over the last 2-months.

How does your current overall demand compare to last month?



There is a far more stable picture for demand in October compared to September. Last month, the market was on fire, buyer demand at an all-time high and pushing prices up and up. In October, only a small number of respondents stated demand had increased and this seems to have been some of the smaller auctions. In general, demand has stayed similar for most, with almost one-quarter stating it had dropped. Anecdotally, it feels that attendance numbers may be high, but many are watching and less are buying.

How do your conversion rates compare to last month?



Conversion rates responses have returned an exact replica of the demand graph in October, although it is not necessarily all of the same respondents posting the same answers to the two questions. For most, conversion rates have remained steady, with again a few smaller auction sites stating they had improved. Some mid-size and larger auctions have seen conversions drop in October.

Used Cars – Trade Values

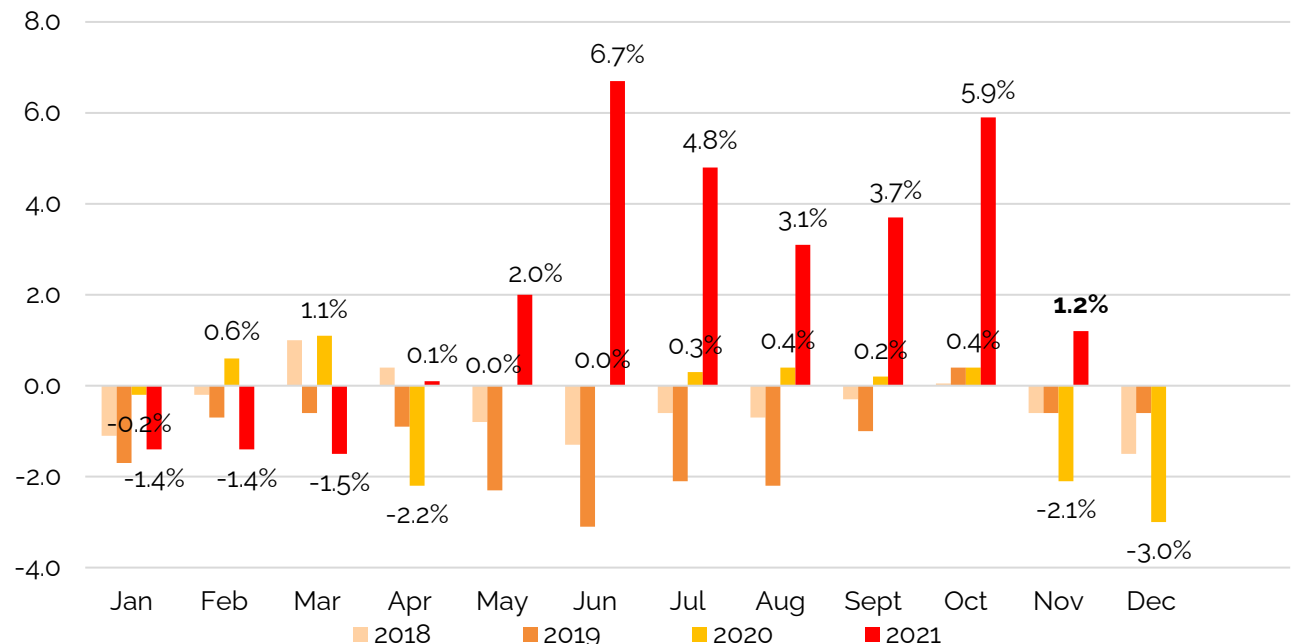
It has been another fascinating month for used car values in October. For the first time in 3-months, values have not increased to the same degree as in the previous month.

Having said that, average values *have* still increased.

It was always going to be difficult to match what happened in our Live product during September, when values went up by 5.9%, equating to £862 on average – the highest monetary increase ever in a single month.

October has experienced a 1.2% average increase in Live values at the 3-year, 60k mile point, equivalent to £145. Whilst this is the smallest increase since car showrooms reopened in April, after the winter lockdown, it is important to note that excluding the unparalleled increases in each of the previous 6-months, this 1.2% increase is the biggest upward movement in a single month since we introduced Live values in 2012. Values invariably drop in "normal" times and even in 2018, dubbed the year of the used car, the biggest increase we saw in a single month was a 1.0% increase, during February. Let us not forget either, that this increase in October is 1.2% of an unbelievably high figure, following those months of increases.

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



Having put all the caveats around this smaller than previous increase, it does feel as though the market has plateaued somewhat, as we predicted would happen, and the value movements have been far more mixed than in the last few months when upward movements have been almost across the board. There has also been a notable slowdown and indeed stabilisation from the middle of the month, with much of the 1.2% increase being in the first half of October and a levelling off since.

Looking at the different ages of cars, the increase has been very similar in percentage terms: 1.0% at 6-months old, 1.1% at 1-year old, 1.3% at 5-years old and the biggest move at 10-years old, of 2%, although of course in monetary terms this is the smallest increase. Those percentages equate to c.£340 at 1-year and under, c.£100 at 5-years and c.£40 at 10-years. Certainly a lot more stable than the crazy increases in September.

Currently, more so than ever over the course of 2021, the detail behind the averages has highlighted a more mixed picture. Better value MPVs have increased by the most, posting an upward movement of almost £500 on average, or 3.6%. Increases have been pretty much across the board in this sector, with the Citroen Berlingo Multispace Diesel increasing by over 8% or almost £1,000 at the 3-year point. The Ford Galaxy also stands out, increasing by over £1,100 or 7% at the same age.

Other mainstream sectors such as City Car, Upper Medium and Lower Medium have followed MPV, but some way behind, increasing by 2.4% (£160), 1.7% (£260) and 1.4% (£150) respectively. These sectors continued to have the biggest opportunity to increase, coming from a lower base in the first place due to volume and desirability dynamics.

SUVs and Superminis have been more stable – the former increasing by an average of 0.6% (c.£110) and the latter by 1.1% (c.£80). There have been a few models that have dropped in value at the 3-year age point this month, such as the Nissan Qashqai, Peugeot 3008 and Jaguar F Pace; a slight reluctance by the market to pay the high prices that have materialised over the last 7-months.

There have also been some models that increased in the early part of the month, but have since dropped in our Live product, meaning that they end the month slightly up on where they were in September, but on a small downward trend, for now at least. Some examples of these are the Citroen C3, Ford Fiesta and Vauxhall Crossland X.

There have also been some sectors that have seen average values drop in October. Convertibles, Coupe Cabriolets and Sports cars have all declined this month although considering how long the strength has continued for, it is only seasonality that has applied pressure to values this month. Volumes remain low which is why the movements were not more severe. Demand has not dropped off a cliff but is not where it was, and there is a reluctance to pay high prices as we enter winter.

Turning to fuel-type, compared to internal combustion engine vehicles, all alternative fuelled cars performed well in October, as used consumer demand for these eco-friendly vehicles is going from strength to strength. We continue to see strong price performance of vehicles aged between 3 and 5 years old, mainly due to the lower and more palatable price point when compared to the nearly new vehicles currently on offer. With the current high fuel prices for petrol and diesel, coupled with the recent fuel shortages from panic buying, there has been a positive impact on consumer demand for EVs. The recent increases in values are also encouraging against the backdrop of increased used car supply. Year-to-date, compared to the same period last year we have seen disposal volumes increase by 100% and by 159% when benchmarked to 2019.

What Next?

Whilst the market has certainly slowed in the last few weeks, average values have overall continued to increase so it should not be viewed as a negative situation. Simply put, the unprecedented summer of high demand could not continue unabated and at some point there was going to be a push-back on paying such high prices by the trade.

A plateauing situation for values, rather than dropping off a cliff as some have predicted, may stimulate the market somewhat and encourage the trade to buy with confidence.

Consumer demand is likely to drop away as we head through November and into the festive season, but that is normal and overall it remains stronger than in many previous years. Although there are more negative headlines in the press and some economic uncertainty now.

Even with demand dropping away, however, the semiconductor and other component shortages and logistics issues are not going away anytime soon. New car supply will continue to be affected well into 2022, potentially for *at least* the first half of the year. The feedback from manufacturers and dealers on supply seems to ebb and flow from positivity to negativity and back again, and the only consistency is uncertainty. This will keep used car supply constrained.

Last month we correctly forecast:

"Once again, we are predicting values to keep increasing, but not to the same degree as the last 2-months. At some point, values will have to level off, but as things stand that may not be quite yet."

There will continue to be a mixed picture in November, with further drops likely for the more seasonally affected vehicles such as convertibles and sports cars. Mainstream sectors are likely to witness further plateauing, overall, but within the averages there is likely to be an increased number of models that will drop in value, whilst others may continue to see small increases.

Once more, as has been the case throughout the pandemic, Live values are key to decision-making for buyers and sellers alike, particularly as we enter a more uncertain period than we have seen over the last few months.

Current Used Valuations November 2021 - Average Value Movements

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
City Car	2.8%	2.4%	2.8%	6.5%
Supermini	0.8%	1.1%	1.8%	3.9%
Lower Medium	1.4%	1.4%	1.5%	3.4%
Upper Medium	1.5%	1.7%	1.5%	2.3%
Executive	1.7%	1.3%	1.0%	0.0%
Large Executive	0.9%	0.9%	1.0%	0.9%
MPV	3.3%	3.6%	3.6%	3.9%
SUV	1.1%	0.6%	0.4%	1.0%
Convertible	(2.0%)	(2.3%)	(2.5%)	(3.6%)
Coupe Cabriolet	(1.7%)	(1.9%)	(2.6%)	(4.5%)
Sports	0.1%	(0.5%)	(0.8%)	(0.1%)
Luxury Executive	0.1%	(0.4%)	(0.3%)	0.3%
Supercar	0.2%	(0.2%)	(0.6%)	(0.1%)
Overall Avg Book Movement	1.1%	1.2%	1.3%	2.0%

() Denotes negative percentages

Used Car Values November 2021 - Average Value Movements by Size

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
MPV Small	3.9%	5.1%	4.7%	5.3%
MPV Medium	3.7%	3.6%	3.7%	4.1%
MPV Large	2.5%	3.1%	2.8%	2.6%
SUV Small	0.6%	0.4%	0.3%	0.6%
SUV Medium	0.9%	0.7%	0.5%	1.3%
SUV Large	2.2%	0.5%	(0.0%)	0.1%

() Denotes negative percentages

Notable Movers 1-yr 20k

GENERATION NAME	MIN £	MAX £	AVG £
AUDI TT ROADSTER (18-)	-1,400	-800	-982
BMW 2 SERIES GRAN TOURER (15-) DIESEL	800	1,100	945
FORD GALAXY (19-) DIESEL	1,700	2,050	1,890
FORD MONDEO (18-) DIESEL	850	1,400	1,195
LAND ROVER RANGE ROVER EVOQUE (18-)	1,000	1,800	1,500
MERCEDES-BENZ AMG C CLASS COUPE (18-)	-1,900	-1,300	-1,628
PEUGEOT RIFTER (18-) Petrol	900	1,000	950
SKODA KAROQ (17-)	850	1,300	1,035
TOYOTA PRIUS+ (12-21) HYBRID	1,100	1,200	1,133
VOLKSWAGEN SHARAN (10-)	1,300	1,500	1,416

Notable Movers 3-yr 60k

GENERATION NAME	MIN £	MAX £	AVG £
ALFA ROMEO STELVIO (17-)	500	700	600
BMW 6 SERIES CONVERTIBLE (11-18) DIESEL	-800	-750	-775
BMW I3 (13-)	350	900	741
BMW M3 SALOON (14-18)	-500	-300	-380
FORD GALAXY (15-20)	1,050	1,400	1,175
PORSCHE MACAN (14-19)	-500	-300	-380
SEAT ALHAMBRA (10-20) DIESEL	900	1,700	1,229
SKODA SUPERB (15-19)	400	800	606
VOLKSWAGEN GOLF (14-20) ELECTRIC	600	600	600
VOLVO XC60 (17-) HYBRID	850	1,000	916