# Five Minute Briefing

November 2021

## WHAT ARE THE KEY REMARKETING TRENDS YOU HAVE SEEN IN 2021?

### RETAIL AND WHOLESALE VEHICLE SOLUTIONS

**Philip Nothard** Insight and Strategy Director

Cox Automotive

2021 has been one of the most unusual years, not just in remarketing but the whole automotive sector, that we at Cox Automotive have ever seen. Widely-reported semiconductor and raw material shortages have decimated new vehicle manufacturing worldwide. This undoubtedly has had a knock-on effect on used vehicles causing a supply and demand imbalance. Consequently, Manheim Auctions has seen record increases in value and mileage of used vehicles nearly every month this year, as reported in our monthly market trackers, quarterly AutoFocus issues and our recent annual Insight Report. Meanwhile, there's been a noticeable shift favouring a more digitally driven wholesale ecosystem, and an acceleration towards electrification and new consumer usership models.

### VEHICLE VALUATIONS

**Derren Martin** Head of Valuations

cap hpi

Looking back over the course of 2021, January and February saw a continuation of falls in values seen in Q4 2020, not helped by the nation being in its third lockdown. With showrooms closed until April, activity was more muted than usual for the few months of the year. However, the real story of the year has been since that point in time, with values increasing by over 27%, an unbelievable 'black swan' moment. Consumer demand was strong from day one of reopening, driving prices up and although supply was initially reasonable, well-documented new car supply issues mean it has become harder to source. It's worth noting that some of the increases have been driven by dealer uncertainty over stock acquisition in the future. For now, cap Live values have plateaued, but volumes remain well below normal times and many used cars are priced above new list prices.

### VEHICLE LOGISTICS

**Gary Xuereb** Commercial Director

DMN Logistics

The COVID-19 pandemic has had ongoing, knock-on effects for the vehicle logistics sector. A partial recovery after the last government lockdown ended in April proved to be short lived and, quite rapidly, the widely-acknowledged supply chain issues affecting production led to a reduction in orders.
In addition, the well-publicised shortage of drivers has caused capacity issues. However, aside from these challenges, 2021 has been the year that EVs have really broken through into the mass market and we can all be excited about embracing the changes that this will create. Our belief is that there will be an increased need for transported logistics and that the driven delivery – alongside a professional handover - will definitely retain its place in the industry, perhaps even becoming more important.

Vehicle Remarketing Association

## VEHICLE VALUATIONS

**Jayson Whittington** Chief Car Editor
Glass's

Despite the supply of new cars in the UK being a major issue throughout 2021, demand remains strong, and those consumers unwilling to wait the long lead times necessary to take delivery of a new car are turning to the used car market instead. Ordinarily, demand would focus on younger used cars in this scenario but, due to the impact of the pandemic last year, the volume of short-cycle business was severely reduced and newer used examples are in very short supply. Consumers are therefore turning to slightly older cars, increasing demand on a supply of used stock already under pressure. As a consequence, used car values in the UK have risen significantly. Glass's average residual value for a 36-month-old car in October was 25.6% higher than last year according to data published by Autovista24.com.

## ONLINE RETAIL

**Jon Davies** Head of Strategy and Insight
Auto Trader UK

There have been a number of key trends that we have seen emerging this year that are of note at Auto Trader UK. Firstly, customers are increasingly willing to carry out more of the car buying journey digitally – with 72% now prepared to buy online. Secondly, limited supply and strong demand has driven extraordinary retail used car pricing increases with 19 months of consecutive pricing growth. We believe that the fundamentals also look good for the next year. Finally, demand for electric vehicles is sky rocketing – 1 in 5 new car ad views by consumers are now for battery electric vehicles, which is up from 1 in 20 last year. However, our view remains that  progress towards electrification remains fragile – and we need incentives, investment and information to succeed on the road to 2030

## AUCTIONS

**Cliff Deller,** Remarketing Consultant
Aston Barclay Remarketing and The Car Buying Group

I've been in this industry many years and never experienced a market like 2021's. Even after a significant rise in monthly guide values, 'auction sold' prices achieved still exceeded the CAP clean industry benchmark month-after-month. as everyone struggled to fulfil new car orders. Used car retailers, whether physical or online, have all had to adapt to this shortage, rethinking their pricing and stock turn strategies. The stock shortage has also encouraged retailers to sell further down the value chain resulting in older and higher mileage vehicles being presented for sale at auctions. Values have started easing back now but this is probably a seasonal effect that will not lead to any kind of fall in the short-medium term, and the supply and demand imbalance will continue well into 2022.