

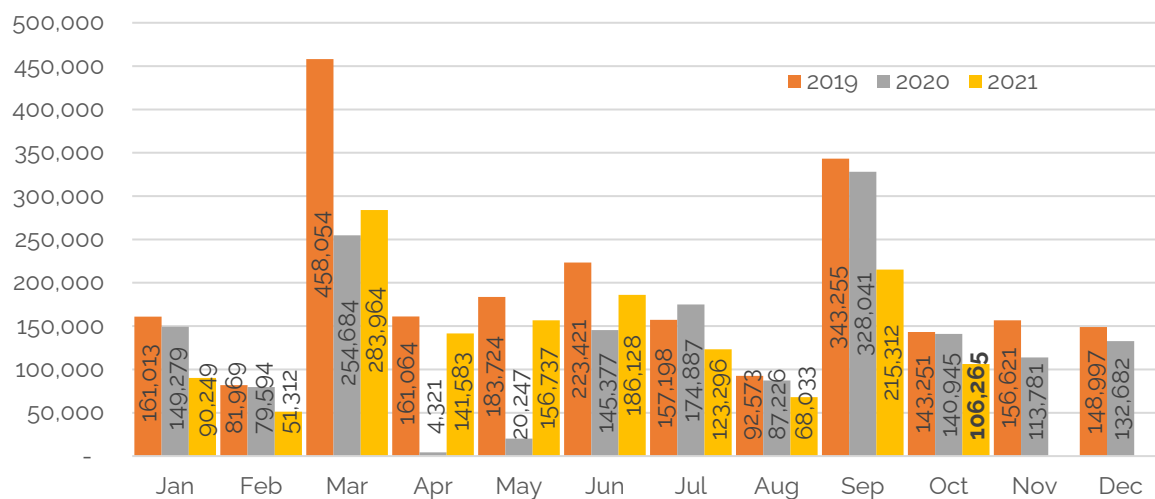
December 2021

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 October and used car activity at the time of writing. All information is correct as of 25th November 2021.

New Car Sales

According to the figures produced by the Society of Motor Manufacturers and Traders (SMMT), 106,265 cars were registered in October 2021, a 24.6% decrease on the same month last year and the lowest volume in October for 30-years, as the semi-conductor and other component shortages continued to heavily impact new car supply. Year-to-date, 1,422,879 cars were registered to the end of October, a small, 2.8%, increase on the COVID-hit 2020.



Source: SMMT

Registrations to fleets were the heaviest affected in the month, down 40.4% on last year and accounting for just 43.4% of volumes, as manufacturers diverted available vehicles to more profitable, retail channels. On this theme, Daily Rental registrations were down almost 75% on both of the two previous Octobers, and over the last 2-years, c.250,000 less cars than would reasonably have been expected have been registered to this channel.

Alternatively-fuelled vehicles continue to increase in volume and share, with consumer consideration higher than ever. Battery Electric Vehicles (BEVs) increased by 73.1% for the month and 86.0% for the year, now taking a share of 9.9% YTD (15.2% in October). Plug-in Hybrids (PHEVs) have also increased, by 7.5% in the month and 89.8% for the year, with a year-to-date share of 6.7% (7.9% in October).

Used Car Retail Activity

November has seen a reduction in retail demand from consumers. This has posed a number of questions to retailers. Is this a sea change after months of high demand? Is the market about to crash? Do I need to reduce advertised prices of my stock to stimulate demand? Or, is this a normal seasonal occurrence in the run up to Christmas?

Of these questions, the only one that needs to be answered as an affirmative is the final one. Yes, footfall and enquiry levels *have* declined but the last few months, since car showrooms reopened in April, have been extraordinary. There are no signals that this is anything other than normal seasonal activity in the final quarter of a highly unusual year, as consumers focus attention and spending on the Christmas period, with many putting big-ticket purchases on the backburner for now.

Indeed, a number of retailers remain particularly positive. It is not a valid comparison to compare to this time last year, as the country was in the midst of the second COVID-19 lockdown, but when considering activity versus previous Novembers, 2021 generally compares favourably for most. The market is not as good as in the last few months, but it is better than at this time in the last few years. The month has also been a little mixed, with some weeks and weekends better than others, but with a clear downturn apparent.

The theme has been a follow-on from October, with retailers reacting more in line with how they normally do, with some reductions in prices of the cars that have been in stock for the highest number of days, which has tended to include the more seasonal cars such as sports cars and convertibles. Overall though, retail advertised prices have remained relatively strong.

When analysing the advertised data from a number of different sources, it becomes clear that, whilst there has been some plateauing of prices, overall they are still a few thousand pounds ahead of where they were a few months ago, and they are not heading downwards particularly. Retailers are generally holding their nerve.

Used Car Remarketing Activity

The seasonal drop-off in consumer demand has manifested a similar picture in the trade world, with some larger retailers taking a pause in their purchasing, using the opportunity to get cars prepared for sale a few weeks from now. Many of these larger outlets have used their deep pockets and considerable buying power to purchase large volumes of cars over the last few months – particularly since September – with at least one eye on post-Christmas retail activity.

With these larger companies taking a step back, and only buying selectively where they saw an opportunity, it has allowed some of the smaller independents the chance to purchase again, due to a reduction in the level of competition. Whilst the number of on-line and physical attendees at auction has therefore remained reasonable, there has been a marked reduction in conversion rates. It should not be forgotten though, that these rates have been in excess of 90% for much of the period since April, and that is not the norm. A reduction to between 55-60% at this time of year is to be expected.

When reviewing sold data from non-auction sources, those remarketers that sell direct into the dealer network, two things are abundantly clear – volumes have been declining since April and the percentage of “cap clean” achieved has been on a steep downward trajectory since the mid-to-end of September. Weekly volumes are at around one-third of where they were in April, as manufacturers have been unable to satisfy new car demand for these businesses or indeed their own demonstrators and company cars, meaning fleet returns have been scarce in the used market. Some of the eye-watering percentages of monthly cap

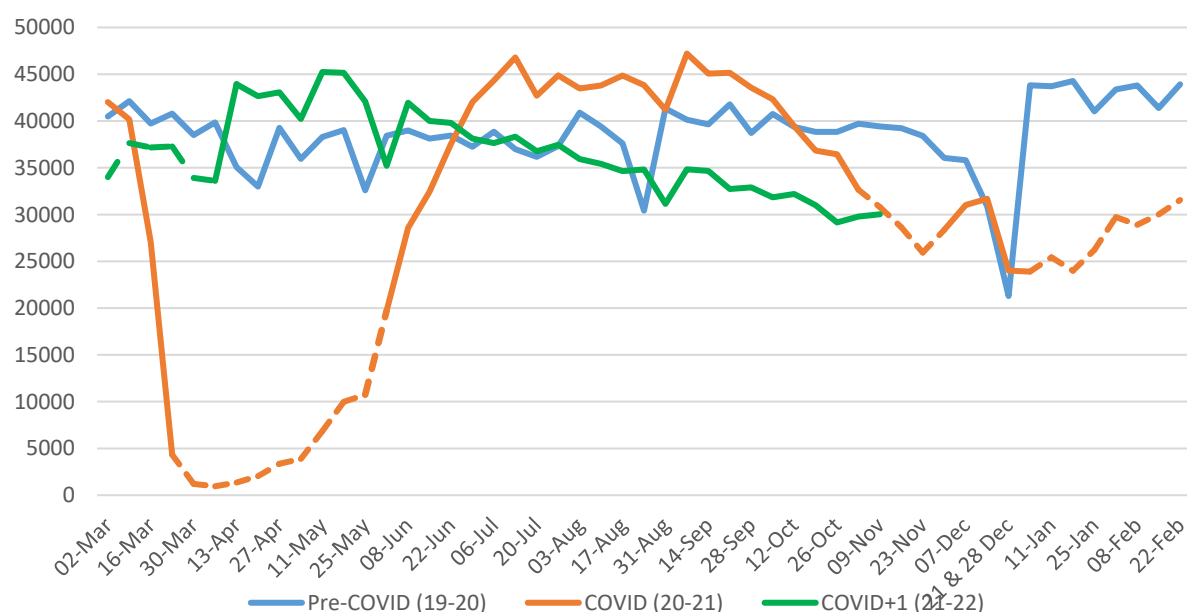
have now come down to a far more reasonable level. At their peak, they averaged 112% but towards the end of November the average was 101% for these non-auction vendors. Obviously as is the case with averages, some were selling well in excess of 112% at various times in the last few months.

Again, these pricing reductions have given opportunities for buyers to purchase at more palatable rates. The market is currently very price led, with cars around £10-£12,000 sought after, but more expensive cars not quite so popular. Cars in good condition with good specification have sold well, whilst lower-graded examples have struggled – a return to more normal times, compared to the last few months when pretty much anything has sold for strong money.

However, there has still been a degree of caution and a number of retailers have checked in with our editorial team to discuss how the market was looking. With retail demand only likely to drift away further in the run up to Christmas, was it wise to purchase now or was a price crash coming? More on this in the final section of this overview.

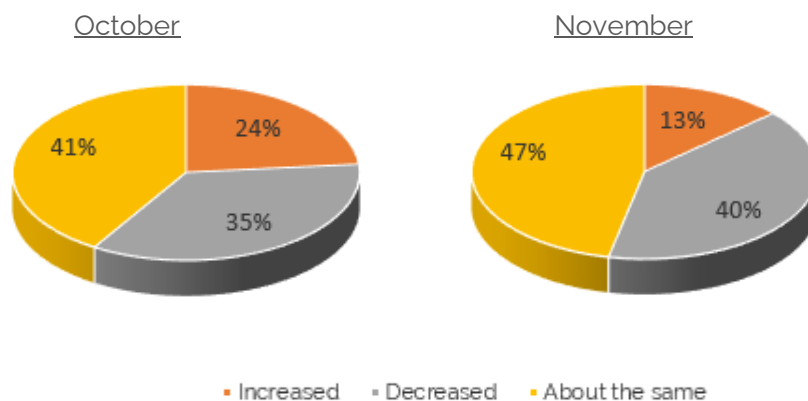
The chart below shows volume from all trade sources, and whilst there has been a downward trend, it has stabilised during November.

Wholesale Volumes since initial lockdown, comparison to previous years



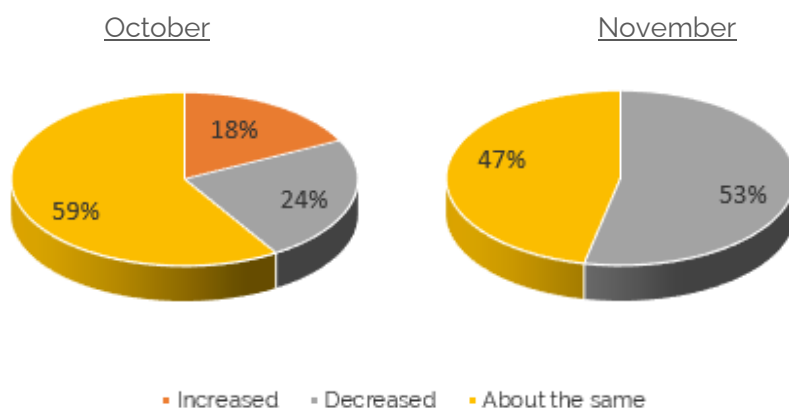
The results of the cap hpi auction survey illustrate both the reduction in stock and a drop off in demand.

How do your current stock levels compare to last month?



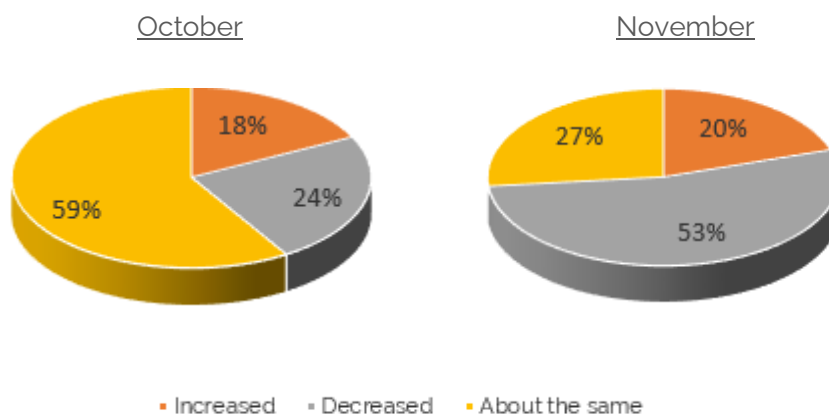
This month, almost 90% of respondents have reported either similar amounts of cars or slightly less in stock. However, one thing to note, those that stated stock levels had increased were some of the larger auctions.

How does your current overall demand compare to last month?



There was almost an even split between those auctions stating that demand had stayed the same and those stating it had decreased – no respondents stated an increase, but that is to be expected for the time of year.

How do your conversion rates compare to last month?



Conversion rates, perhaps somewhat surprisingly, have increased for some. Bearing in mind the responses to the previous question though, this has been due to lower stock rather than increased demand. Over half of respondents confirmed conversion rates were down, whilst just over one-quarter were seeing a similar story to October.

Used Cars – Trade Values

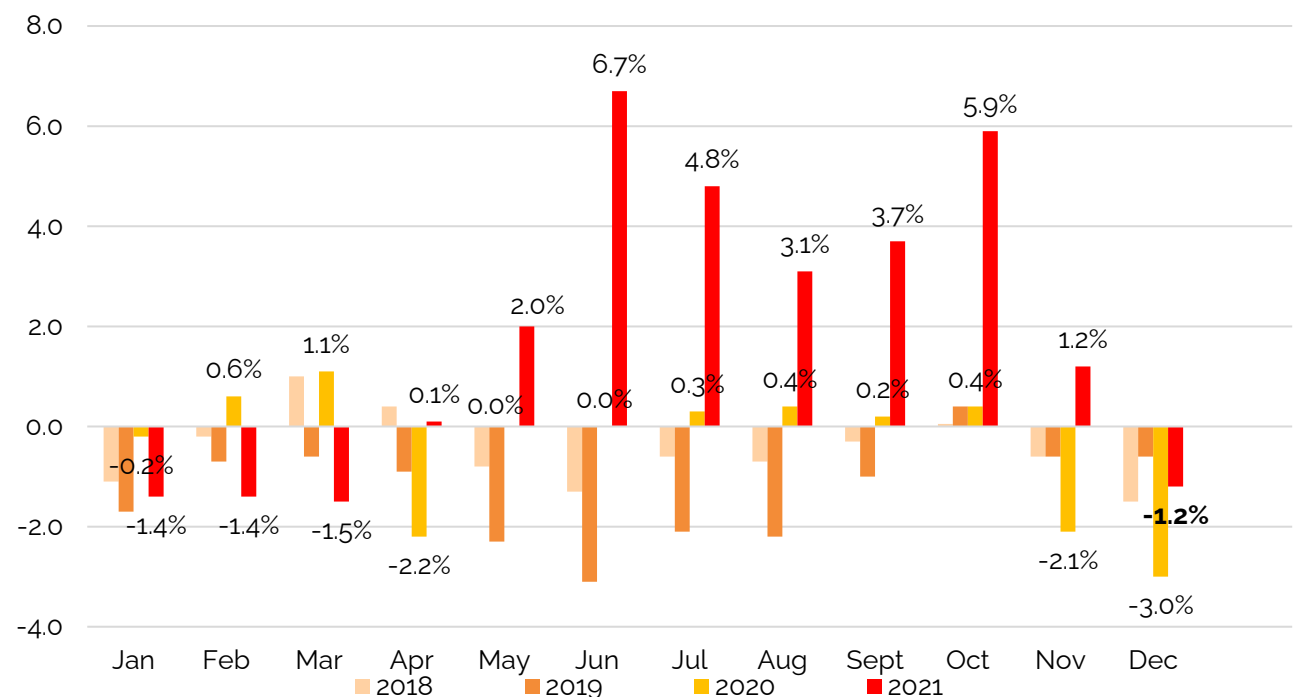
So, what has this seasonal drop-off in demand meant for Live values during November?

After 8-months of price increases, adding up to 27.5%, but a much smaller increase during October (for November monthly values), we have finally seen prices reduce during the month. At the 3-year, 60k mile point, average values have dropped by 1.2%, equivalent to -£235.

There are a number of different ways of construing this movement. Yes, it is the first average drop in Live values since February, but it is just similar to the *increase* last month and the second strongest move in November since we introduced Live values in 2012. The most positive move in this month was in 2019, of -0.6%, off the back of some heavy drops earlier in the year, and the average since 2012 is -2.1%. So, one strong argument is that the market remains strong and there is no cause for concern; values have always dropped at this time of year.

After 8-consecutive months of used car values rising, the movement going from November to December will act as a reminder to many in the industry that, what has gone on in the past few months is very much not the norm, and values for cars do in fact decrease.

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



Looking at other ages of cars, 1-year olds have dropped by just 0.8%, or c.£160, helped by their scarcity in the market. Older cars have performed even better, particularly witnessed by those in good condition with good provenance – cars at the 10-year point have actually seen an average increase, of 0.6%, equivalent to just £12 but an increase nonetheless.

Within all of these averages, we have seen a more mixed picture than during those months of high increases.

MPVs have been the strongest sector, although not to the same degree as recently; these cars have witnessed some of the biggest increases over the past few months. Average values were level at the 3-year age in November. This sector came from a very low point pricewise with values dramatically reducing pre-March of this year. Trade buyers still see cars in this sector as good value and are paying strong money, being able to continue to add a decent margin and make the cars look a prudent purchase for consumers, particularly compared to most SUVs.

SUVs have been interesting this month, with a very mixed picture. Small SUVs have reduced by 2.8%, or almost £500 on average. A number of these mainstream cars look expensive in the used market following months of price increases and a number of younger used cars cost more than the list price of the new model. Reductions could also be due to some of the larger buyers being less active for what has previously been prime stock. Examples of some small SUVs that have dropped in value this month are the current Ford Ecosport, down 4.1% for the petrol variant and 3.0% for the diesel (c.£500 and £365 respectively), the Hyundai Kona Petrol, down 3.0% or c.£400 and the Mercedes-Benz GLA Class Petrol, down 3.4% or c.£700.

Large and medium SUVs have been particularly mixed in their fortunes in November's Live values. Whilst the average drop was 0.4% or just £50, for large and 1.6% or almost £300 for medium, some models have moved down by more this month, such as the Ford Kuga Diesel, down 6.3% or c.£1070, Nissan Qashqai, down 3.0% or £470 and the Peugeot 3008 Diesel, down 3.9% or c.£725.

A few SUVs have bucked the trend though, and values have moved up this month. Examples are the Lexus NX Hybrid up 2.0% or c.£565, the Mitsubishi Shogun Sport up 2.1% or c.£400 and the Volvo XC90 up 4.0% or c.£1,300.

Traditional seasonally-affected sectors, namely convertibles, coupe cabriolets and sports cars saw the biggest average drops, by 4.0% (£850), 5.9% (£1,100) and 2.2% (£730) respectively.

Looking at fuel-type, whilst average values of petrol and diesel cars have dropped, Battery Electric Vehicles continued to see values increase on average in November, by 2.2% or c.£560. Some of this can be attributed to the fact that values have not increased by as much as internal combustion engine vehicles over the past months, therefore, still leaving room for values to increase. We may well also look back at 2021 as the year where we started to see consumer demand for used EV product turn a corner as more and more motorists consider the ownership of an electric vehicle. Some notable increases have been apparent for the Jaguar i-Pace, Nissan Leaf and Hyundai Ioniq, up 4% (£1,400), 8% (£900) and c.3% (£425) respectively.

All values and percentages quoted are at the 3-year, 60k mile point.

What Next?

As we enter the final month of 2021, it is important to highlight that cars will end the year being worth almost 30% more than they were at the start of 2021, and values have risen in eight of the twelve months. No one would have predicted this, but at least values have been increasing and not decreasing.

Last month we correctly predicted:

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.

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.

There is no reason to sway from the longer-term view for 2022. In the run up to Christmas, however, we are likely to see more of what we have witnessed in the last few weeks. Consumer demand will continue to drift away in December, but there may be more trade buyers actively looking to stock up for the anticipated post-Christmas improvement in the retail market. It is unlikely that this will be sufficient to push many prices up however, despite the stock shortages that remain.

We are likely to see another small drop in values during December. The average drop since Live was introduced is 1.4%, but this was slightly skewed by a particularly strong December in 2019, when values fell by just 0.2%. It would not be a surprise to see values drop this time around by close to this seasonal average, with a more stable-to-strong January expected.

Of course, sold prices in the market will dictate the average cap movements and there will once again be many moving parts in the month. Keeping a close eye on the details within our Live values remains vital for vendors and buyers alike.

The next free cap hpi industry webinar is on 2nd December at 2pm where we will share further up-to-date market insight. Please find us on social media to sign up.

Current Used Valuations December 2021 - Average Value Movements

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
City Car	(0.1%)	(0.7%)	(0.6%)	2.6%
Supermini	(1.2%)	(1.5%)	(0.7%)	2.5%
Lower Medium	(1.4%)	(1.4%)	(1.1%)	1.3%
Upper Medium	(0.1%)	(0.4%)	(0.3%)	1.0%
Executive	0.2%	(0.1%)	0.1%	(0.3%)
Large Executive	0.4%	0.0%	0.5%	(0.9%)
MPV	(0.3%)	0.0%	0.5%	1.6%
SUV	(0.5%)	(1.7%)	(1.7%)	0.1%
Convertible	(3.1%)	(4.0%)	(4.1%)	(4.1%)
Coupe Cabriolet	(4.5%)	(5.9%)	(5.0%)	(3.9%)
Sports	(1.3%)	(2.2%)	(2.2%)	(0.5%)
Luxury Executive	0.5%	(0.6%)	(1.2%)	(0.9%)
Supercar	0.2%	(0.8%)	(1.0%)	(0.8%)
Overall Avg Book Movement	(0.8%)	(1.2%)	(1.0%)	0.6%

() Denotes negative percentages

Used Car Values December 2021 - Average Value Movements by Size

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
MPV Small	1.2%	1.2%	1.6%	2.4%
MPV Medium	(0.5%)	(0.0%)	0.4%	1.6%
MPV Large	(0.2%)	(0.1%)	0.2%	1.2%
SUV Small	(2.0%)	(2.8%)	(2.6%)	1.0%
SUV Medium	(0.6%)	(1.6%)	(1.5%)	0.2%
SUV Large	1.1%	(0.4%)	(0.8%)	(0.7%)

() Denotes negative percentages

Notable Movers 1-yr 20k

GENERATION NAME	MIN £	MAX £	AVG £
ALFA ROMEO GIULIETTA (10-) DIESEL	250	300	262
FORD FIESTA (17-)	(700)	(200)	(382)
HYUNDAI I10 (14-20)	275	500	380
JAGUAR F-PACE (15-21) DIESEL	(2,400)	(600)	(1,308)
KIA SPORTAGE (15-)	(650)	(500)	(595)
MERCEDES-BENZ S CLASS COUPE (14-)	600	600	600
SEAT ALHAMBRA (10-20) DIESEL	250	350	307
SEAT LEON (13-20) DIESEL	(450)	(300)	(353)
TOYOTA PRIUS+ (12-21) HYBRID	900	1,050	966
VOLKSWAGEN GOLF (13-21)	(1,300)	(450)	(597)

() Denotes negative percentages

Notable Movers 3-yr 60k

GENERATION NAME	MIN £	MAX £	AVG £
AUDI A3 (12-19) DIESEL	100	250	160
BMW 1 SERIES (11-19)	(1,400)	(1,300)	(1,362)
CITROEN C4 GRAND PICASSO (13-18) DIESEL	200	300	250
FORD KUGA (12-20) DIESEL	(1,250)	(900)	(1,063)
KIA CEED (12-18) DIESEL	225	350	296
LAND ROVER RANGE ROVER EVOQUE (11-19) DIESEL	(950)	(550)	(725)
MERCEDES-BENZ A CLASS (12-18) DIESEL	(750)	(350)	(563)
NISSAN QASHQAI (13-18) DIESEL	(600)	(450)	(514)
TOYOTA AURIS (12-19) HYBRID	400	500	429
VAUXHALL ZAFIRA (12-18)	200	250	221

() Denotes negative percentages