VRA Market Intelligence and Valuation Sub-Committee

Key insights summary (May 2026)

1. Market dynamics: strong demand at the top, weakness below

The used market is currently **multi-speed**:

- Strong demand persists for:
    - Clean, retail-ready vehicles
    - Sensible mileage stock
    - Well-prepared cars from trusted channels
- Weakness is evident in:
    - Higher mileage vehicles (particularly **40k+ miles, more pronounced beyond 60k**)
    - Vehicles requiring preparation or cosmetic work
    - Lower grade / poorer condition stock

Insight:
Demand is highly selective. Vehicle quality, condition and readiness for retail are now critical factors in achieving strong performance.

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2. Supply pressures building beneath the surface

Strong new car volumes are generating:

- Increased part-exchange supply
- Greater levels of dealer self-supply
- Higher stock volumes within auction channels

At the same time:

- Some vehicles are becoming difficult to place
- Auction centres are under growing **storage pressure**
- Factors contributing include:
    - Unrealistic reserve pricing

    - Operational delays (e.g. V5 processing)

Insight:
While headline demand remains robust, there are emerging signs of **oversupply in lower-quality stock**, creating inefficiencies and margin pressure.

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3. EVs: clear shift into positive territory

Used EV performance has improved notably since late April:

- Faster days to sell
- Strengthening retail demand
- Greatest momentum in **sub-£20,000 price segments**

Notably:

- Lower-grade EVs are also seeing improved demand (contrasting with ICE trends)
- Retail demand is outpacing wholesale in some cases
- Rising fuel costs are supporting the shift

Insight:
EVs have transitioned into a **key strength segment in the used market**, particularly at accessible price points and in the 3–5 year age profile.

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4. Retail vs wholesale: ongoing disconnect

Over recent months:

- Retail prices have remained relatively firm
- Wholesale (trade) values have softened
- This has created a widening margin between the two

There are early signs of correction:

- Retailers beginning to pay more for stock
- Some upward pressure returning to trade values

Insight:
The market has experienced a **temporary disconnect between retail and trade**, with indications that rebalancing is now underway.

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5. Affordability now the dominant driver

Consumer behaviour is increasingly shaped by **monthly affordability**:

- Rising voluntary terminations

- Increased contract returns
- Shift toward lower-cost ownership options

Consumers are:

- Moving away from higher-cost premium products
- Prioritising value and overall cost of ownership
- Reassessing fuel and running cost comparisons

Insight:
Affordability has become the **primary driver of demand**, influencing both new and used purchase decisions.

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6. Structural disruption from new entrant brands

New market entrants are having a growing impact:

- Highly competitive **new car pricing and finance offers**
- Rapid model cycles (vehicles effectively outdated within two years)
- Increasing dealer adoption and consumer acceptance

Potential implications:

- Downward pressure on used values across comparable segments
- Resetting of traditional price hierarchies
- Reduced brand loyalty
- Shorter ownership cycles (potentially 18–24 months)

Insight:
New entrants are **fundamentally reshaping the market**, challenging traditional residual value models and accelerating change in consumer behaviour.

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7. Residual value uncertainty increasing

There is growing concern around:

- Future residual values, particularly for:
    - New entrant brands
    - Competing traditional models

Key risk:

- Aggressive new car pricing could **reset used value benchmarks** across multiple segments

Insight:
Residual value forecasting is becoming more complex, with **greater structural uncertainty than in previous cycles**.

8. Changing consumer behaviour and brand dynamics

Consumer attitudes are evolving:

- Buyers are increasingly **brand agnostic**
- Greater cross-shopping across segments and manufacturers
- Movement from used to new driven by competitive finance offers

Evidence suggests:

- Premium customers trading down
- Used buyers switching into new vehicles

Insight:
The market is shifting from brand-led loyalty to **value-led decision making**, accelerating competitive pressures across all segments.

9. Operational pressures in remarketing

Challenges in remarketing include:

- Lower conversion rates in some auction channels
- Rising preparation and workshop costs
- Reduced appetite for vehicles requiring additional spend

Insight:
Remarketing performance is under pressure from a combination of **cost inflation and reduced tolerance for non-retail-ready stock**.

10. Strategic risks and opportunities

Key risks:

- Residual value volatility
- Oversupply of lower-quality vehicles
- Margin pressure across the supply chain
- Disruption from new entrants and pricing models

Key opportunities:

- Increased volume flow through remarketing channels
- Strengthening EV demand
- Potential growth in total market size
- Recovery in supply after recent constraints

Overall takeaway for VRA members

The market is not weakening overall, but it is **undergoing rapid structural change**:

- Demand remains strong but **increasingly selective**
- EVs are becoming a **core growth segment**
- Affordability is reshaping behaviour across the market
- New entrants are altering **pricing dynamics, ownership cycles and residual value assumptions**

The key risk is not short-term volatility, but long-term structural change across the automotive landscape.