

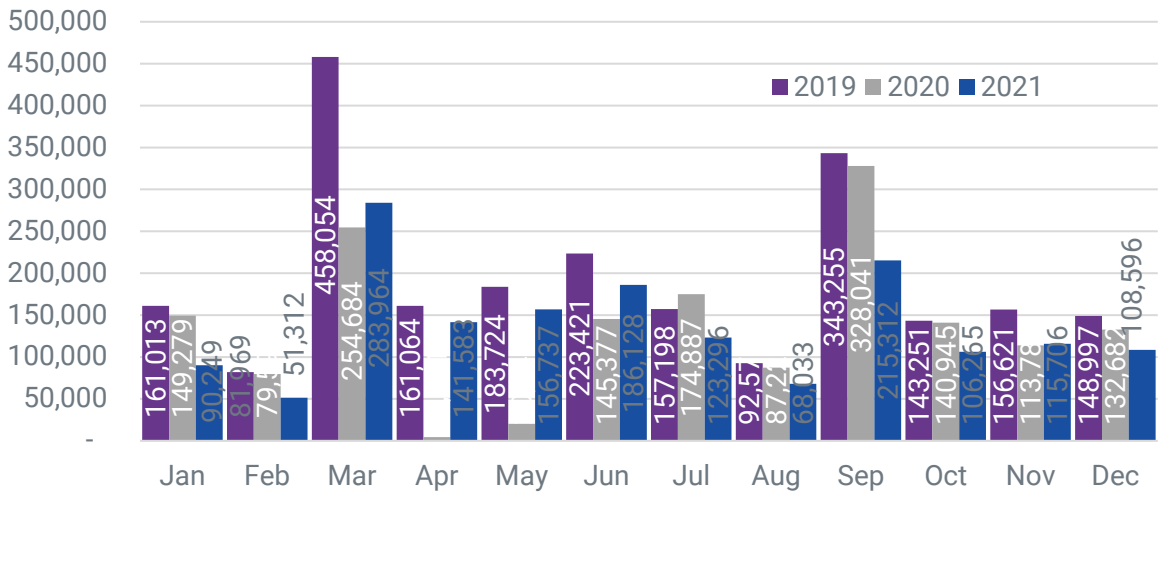
February 2022

# 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 December 2021 and used car activity at the time of writing. All information is correct as of 26th January 2022.

## New car sales

According to the figures published by the Society of Motor Manufacturers and Traders (SMMT), 108,596 cars were registered in December 2021, a reduction of 18.2% on the same month in 2020. Fleet business bore the brunt of the reduction, down 40.4%, with private retail up 19.9%. Manufacturers continue to prioritise more lucrative retail business as the shortages of various components, particularly semi-conductors, plus logistics problems, still hit hard. Interestingly, Tesla illustrated how they are less affected by supply issues than others, by topping the sales figures charts in December.



Over the course of the whole year, 1,647,181 cars were registered, up just 1.0% on the pandemic-ravaged 2020 and down 28.7% on pre-Covid levels.



Source: SMMT

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By cap hpi

Ford was knocked off the number one spot for the year, dropping to fourth, after five decades of dominance, with Volkswagen, Audi and BMW taking up the top three places. Vauxhall dropped to the seventh highest volume manufacturer, but highlighted the importance of and reliance on its Corsa carline, with this taking the number one spot for individual models.

Fuel-type was the big story of the year, with Battery Electric Vehicles accounting for 11.6% market share, almost double what it was in 2020 (6.6%). Hybrids (8.9% versus 6.7%) and Plug-in Hybrids (7.0% versus 4.1%) also increased their share meaning that alternatively fuelled vehicles accounted for over a quarter of all registrations, whilst diesel registrations languished some way behind with a share of just 14.2%. Just 7-years ago diesel accounted for half of all registrations.

Rental registrations continue to be heavily affected by manufacturers de-prioritising that sales channel, down 65% compared to pre-pandemic 2019.

## Used car retail activity

The post-Christmas period got off to a slow start retail-wise, causing relative concern for dealers that it was going to be a difficult few weeks, particularly as the Omicron variant of COVID-19 was spreading exponentially. This malaise continued for the period in between Christmas and New Year and into the first week of January. However, as that week progressed there were signs of retail demand picking up.

From the weekend of 8<sup>th</sup>/9<sup>th</sup> January and then the first full week back at work for most, demand gradually increased and continued to gently do so for the remainder of the month. There were reports of it not quite being a "normal" January, with business levels estimated at around 80% of that pre-COVID benchmark for many.

More so than over the last few months, some retailers felt the necessity to adjust some prices downwards, either by reducing advertised prices, offering an over-allowance on a part-exchange, a money-off sale or aftersales offers. This was the first time many had done this for some time – most of 2021, certainly from April onwards, was a halcyon period for used cars, and even when demand dropped in the final quarter, this was recognised as a seasonal dip. When January is slow however, this does cause some angst, particularly if holding stock that was purchased at high trade prices around September or October, before values dipped slightly.

Many price realignments were selective though, on those cars that had been in stock for too many days to be palatable, or that simply looked too expensive compared to some peer vehicles. At the cheaper end of the market, cars between £7,000-12,000 were in higher demand, but once you get to around £15,000-20,000 and above, there was more of a reticence to buy at those prices. Whilst consumers are more and more aware of the extraordinary price increases in the used car market, when it comes to buying, if they wish to pay similar prices to what they paid last time they changed their car, they are now looking at an older one with more mileage. Of course, some of this pain is eased by how much their part-exchange has increased by too.

Some retailers did hold their nerve, however, reaping the benefits once demand picked up. Even with some prices realigned, margins remain at record levels – as high as double what they were again in those more normal times. This is much needed though with some selling far fewer cars than they were doing before the new car volume reductions.

Off the back of these margin increases, some realignment of cap retail values has taken place this month.

Overall, retail activity in the month would best be described as steady and slowly improving.

## Used car remarketing activity

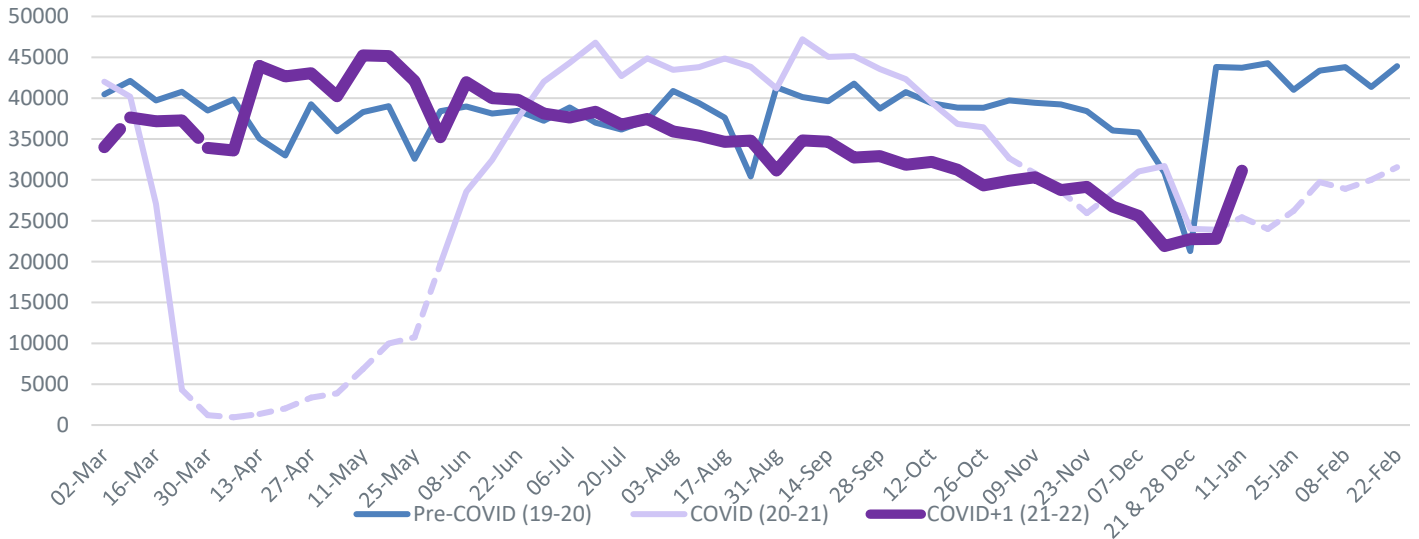
The landscape for the wholesale arena in the period between Christmas and New Year has changed from days gone by, with the dominance of online sales meaning no trip out is required to purchase stock. However, with the shadow of Omicron hanging over the country, large dealers being well-stocked and retail demand slow, there was little requirement to replenish stocks this year, even from the comfort of home or office. Sold volumes were slightly behind 2020 and very close to pre-pandemic levels at this time.

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As the chart below illustrates, however, there was a healthy increase from the week commencing 11<sup>th</sup> January, with buyers becoming more active again, conversion rates increasing and fresh stock hitting the market rather than unsold cars from December. There was still plenty of selectivity, however, and demand for the more expensive cars was muted. Values in our Live product dropped, on average, in those first 2-weeks as the month struggled to take shape price-wise. Volumes remain somewhat behind the pre-COVID period, shown by the blue line below, but ahead of the same period last year.

Wholesale volumes since initial lockdown, comparison to previous years (dotted lines denote lockdowns)

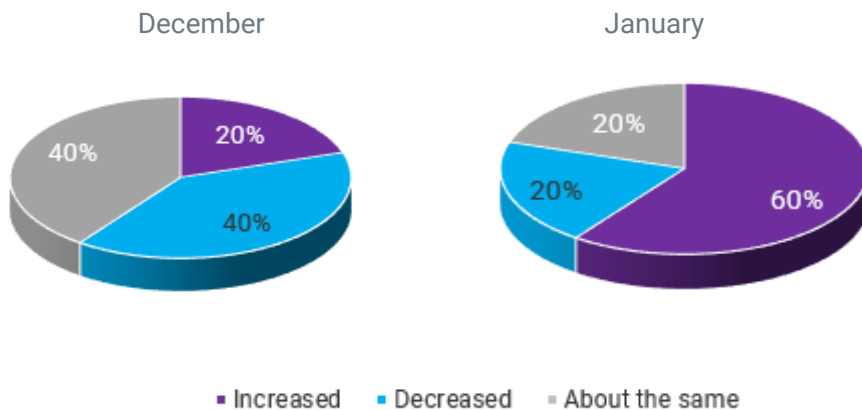


There remains a shortage of ex-fleet stock entering the used market – unsurprising considering new car activity is centred on retail. Younger used cars, generally from rental sources and manufacturers, has also been in low supply. The share of the volume within our trade sold data has declined for all ages of cars below 6-years old.

Overall, the wholesale market was slow to get going but picked up towards the middle of the month.

The auction survey again saw a fantastic response rate and posted some interesting results.

**How do your current stock levels compare to last month?**

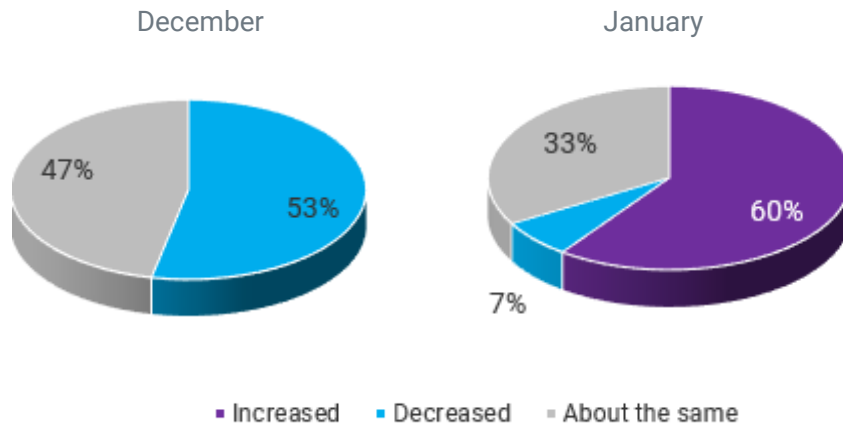


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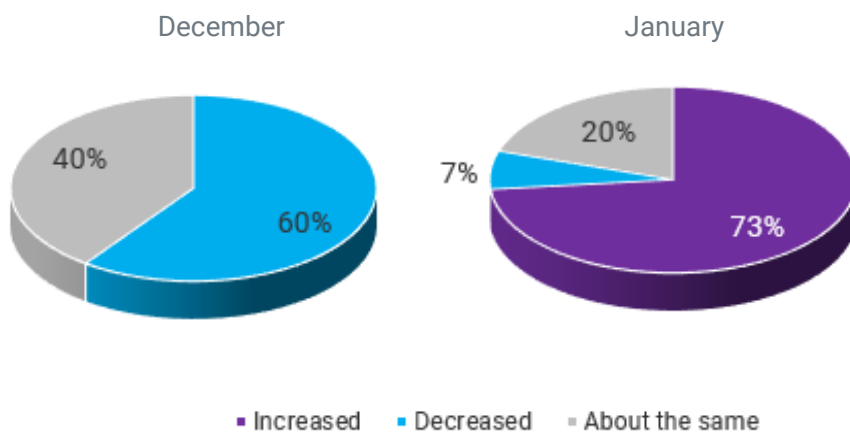
In December, stock levels were steady or decreasing for 80% of respondents, with only a minority stating they were increasing. In January, it has been reassuring to see this flip around and that volumes are increasing for 60% of respondents, with a further 20% being stable. One eye will certainly be on March to see if new car supply will improve and generate fleet returns and part-exchanges in higher volume.

## How does your current overall demand compare to last month?



Demand has also improved in January. The seasonal downturn in December was no surprise and nor is the pick-up in January. Over 90% of respondents were either on a par with last month or ahead.

## How do your conversion rates compare to last month?



Conversion rates were also on the rise, a far rosier picture than over the last couple of months. Over 70% were seeing these increase in January, a small number were not seeing it quite yet and a small minority had not made a great start to the year, unfortunately.

## Used cars – trade values

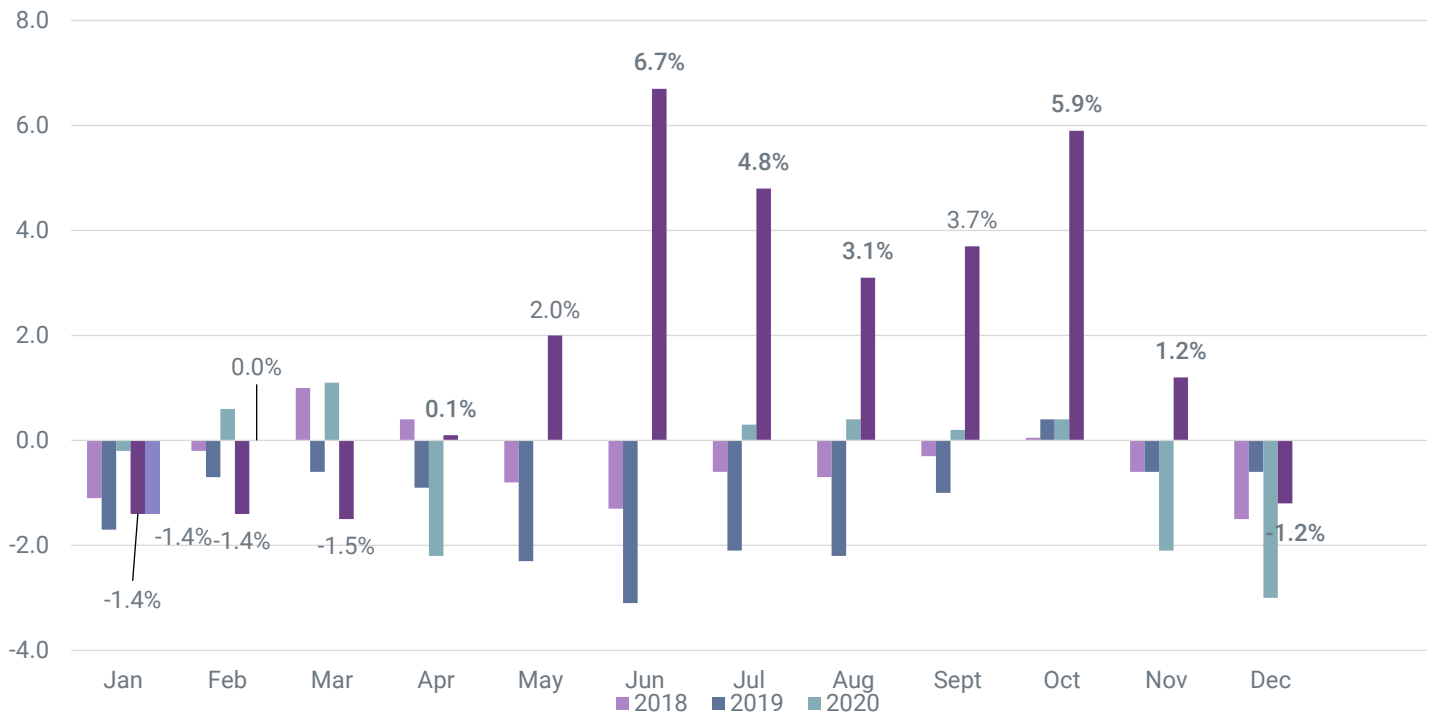
January was particularly mixed for used car values, and as stated previously, values dropped in the early part of the month. For some models there was a recovery, whilst others have not picked up in time for the monthly cut-off.

The average figure at 3-years old was actually 0% - no movement. This of course does not tell the whole story, but it does put a halt to the last 2-months of average drops, following the previous 8-months of increases. A steady month, as we predicted.

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## Monthly percentage movements in Live valuations (3-years, 60k miles)



Older cars have performed the best during the month, an illustration of that stronger demand for lower price point vehicles. At the 5-year age, values increased by just 0.5% (c.£15) but at 10-years old they increased by 2.9% (c.£90). Some of the more traditional cars saw an increase, such as certain Vauxhall Insignias increasing by 10% or over £300, Subaru Outback up 4% or c.£500 and Skoda Octavia up c.6% or almost £200 on average.

At younger ages, where there is a shortage of cars, the 0.1% (c.£50) decline points towards a reluctance to pay high prices, even when there is a real dearth of product. This should be a reasonable pointer for the next few months.

Delving into specific sectors, SUVs had an interesting month, dropping overall by the most of any mainstream sector (0.6% or £130 at 3-years old). Again, this does not paint the whole picture, however, as small and large SUVs performed stronger than medium ones. Medium-sized vehicles have been relatively well supplied into the market, demand has not been overly high and therefore replenishing this type of stock has been easy to do. Following price increases last year, there is no desire to overpay where supply is steady. Looking deeper into the data, the majority of internal combustion engine medium SUVs have dropped in value – any strength is mainly for hybrids and electric cars. Examples of some medium SUVs that have dropped by more than the average are the BMW X1, Jaguar E-Pace and the Vauxhall Grandland X.

This downturn for SUVs did affect the average value somewhat, particularly as there are now so many of this type of vehicle within the data. Other sectors performed better and city cars, superminis, lower medium and MPVs all posted modest average increases.

Again, the picture was really mixed, but some notable increases were posted for some diesel MPVs once again, including the Fiat 500L, Ford C-Max, Toyota Verso and Vauxhall Vivaro Life. These all increased by between 2-4.2% at 3-years, equivalent to between £230 and £430. Significant, bearing in mind increases last year. Prices certainly strengthened as the month progressed.

Moving to fuel-type, as already alluded to when looking at SUVs, Electric Vehicles have increased in value on average during January. 12 months ago, we saw increased levels of pre-registered EVs enter the used market as manufacturers tried to mitigate against emission fines at the end of 2020 – this impacted negatively on used values. Fast forward to today and we have seen a strong showing for late-plate vehicles as values have increased this month. This is due to the impact of long new car lead times, increased consumer demand and less pre-

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registration activity. Demand is slightly outweighing supply for both new and used EVs for now and it will be interesting to see if this continues throughout 2022, as we do expect to see an increase in used supply. Even EVs were slightly mixed however, as cars like the Tesla Model 3, Peugeot 2008 and Kia Soul did all drop in value.

## What next?

Last month, our prediction for January, despite Omicron being in its unknown and early stages was:

*We still expect January to be a strong month for used car retailers, despite the risk of restrictions.....*

*It will be particularly interesting to see how the early weeks of the year go, but with new car supply to continue to be highly constrained by component shortages, used car volumes will not be to their usual levels for a number of months. Values are likely to stay stable, or even increase slightly during the first quarter of the year.*

Historically, February Live values can tend to be the strongest of the year, with the obvious exception of last year when the country was in lockdown and there followed that unbelievable and well-documented strength.

In the 8-years between Live values being introduced and the COVID-19 outbreak, values increased on 6 occasions during February, with the only drop being slight in 2019 (-0.9%) and a level average in 2017. It is traditionally a buoyant month and there is no reason to predict anything other in 2022.

New car supply issues may be improving very slightly, but there are likely to be plenty more bumps in the road. Omicron has not yet taken hold in China and the Far East and could still have an impact on the production of semi-conductors and other components. It is highly unlikely that February will see any large influx of used stock and with consumer demand likely to increase, retailers will need to replenish their forecourts.

We could well see a continuation of the strengthening market from the middle of January. It is unlikely that values will go up dramatically – there is simply not the headroom to do so following last years close to 30% increases and many newer used cars still being over new car prices, but they are likely to remain high or increase slightly.

As this month has shown, the averages are no real gauge of the market – there have been many model's values moving in different directions. Cap Live will continue to be vitally important, reflecting sold prices on a daily basis.

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## Current used valuations February 2022 - average value movements

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
City Car	(0.3%)	0.7%	0.8%	3.8%
Supermini	0.4%	1.0%	2.1%	5.1%
Lower Medium	0.4%	0.5%	1.1%	4.0%
Upper Medium	(0.1%)	(0.1%)	0.2%	4.1%
Executive	0.1%	(0.0%)	0.0%	2.7%
Large Executive	0.3%	(0.1%)	(0.5%)	(0.7%)
MPV	(0.0%)	0.2%	0.1%	1.3%
SUV	(0.3%)	(0.6%)	(0.4%)	0.6%
Convertible	(1.5%)	(0.7%)	0.0%	0.5%
Coupe Cabriolet	(0.8%)	(0.4%)	(0.3%)	0.3%
Sports	(0.2%)	(0.2%)	(0.4%)	(0.1%)
Luxury Executive	(0.1%)	(0.2%)	(0.2%)	0.1%
Supercar	0.2%	0.4%	0.4%	0.6%
<b>Overall Avg Book Movement</b>	<b>(0.1%)</b>	<b>(0.0%)</b>	<b>0.5%</b>	<b>2.9%</b>

( ) Denotes negative percentages

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
MPV Small	1.0%	1.3%	0.9%	3.8%
MPV Medium	(0.2%)	0.2%	0.0%	1.1%
MPV Large	0.3%	(0.0%)	(0.0%)	0.2%
SUV Small	0.3%	0.1%	(0.0%)	4.4%
SUV Medium	(0.6%)	(0.9%)	(0.5%)	0.8%
SUV Large	(0.1%)	(0.3%)	(0.5%)	(0.9%)

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## *Notable Movers 1-yr 20k*

	MIN £	MAX £	AVG £
BMW 4 SERIES COUPE (13-20) DIESEL	(700)	(400)	(520)
DACIA SANDERO (13-20) DIESEL	950	1,000	975
FIAT PANDA (12- )	(750)	(375)	(592)
FORD FIESTA (17- )	300	700	474
JAGUAR XE (14-19) DIESEL	(1,000)	(750)	(925)
NISSAN JUKE (10-20)	(200)	(200)	(200)
SEAT LEON (13-20) DIESEL	550	800	678
SKODA OCTAVIA (13-20) DIESEL	150	250	200
VOLKSWAGEN GOLF (13-21) DIESEL	150	550	296
VOLKSWAGEN UP (12- )	100	300	143

( ) Denotes negative value

## *Notable Movers 3-yr 60k*

	1 YR/10K	3 YR/60K	5 YR/80K
AUDI Q3 (11-19) DIESEL	450	650	533
BMW 1 SERIES (11-19)	150	200	187
DACIA DUSTER (13-19) DIESEL	225	300	275
FORD C-MAX (10-19) DIESEL	250	350	297
HYUNDAI TUCSON (15-19) DIESEL	(250)	(150)	(210)
KIA CEED (12-18) DIESEL	225	400	317
KIA SPORTAGE (15- ) DIESEL	(1,000)	(600)	(852)
LAND ROVER RANGE ROVER EVOQUE (11-19) DIESEL	(550)	(350)	(454)
NISSAN X-TRAIL (14-19) DIESEL	(1,000)	(800)	(876)
SEAT LEON (13-20) DIESEL	400	600	481

( ) Denotes negative value