

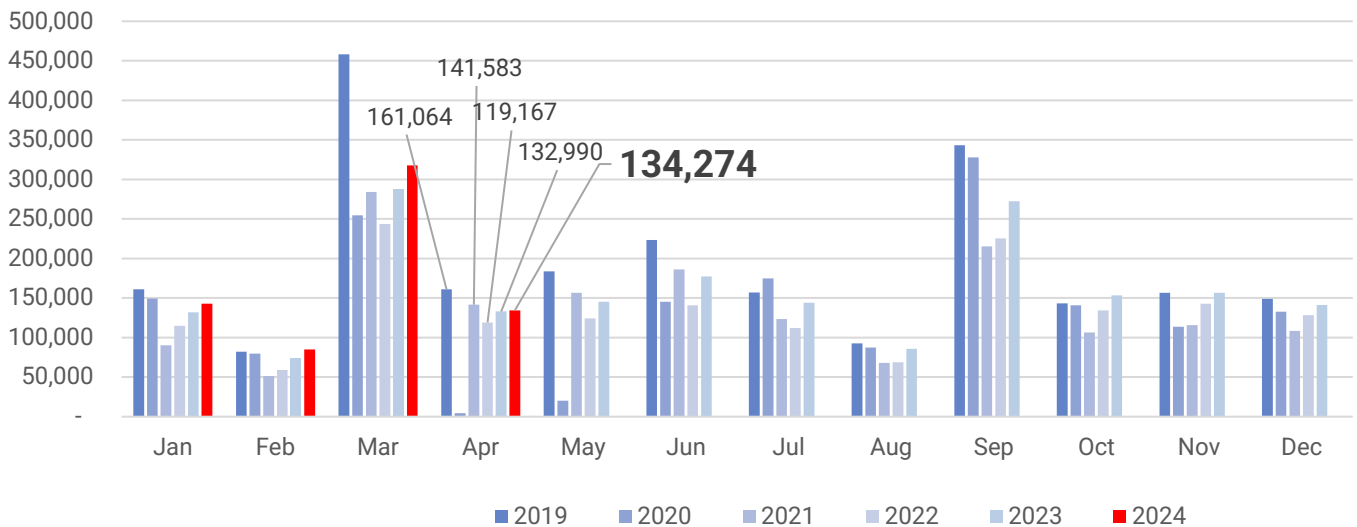
June 2024

# 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 April 2024 and used car activity at the time of writing. All information is correct as of 24<sup>th</sup> May 2024.

## New car sales

The registration figures produced by the Society of Motor Manufacturers and Traders (SMMT) for April 2024 showed a 1.0%, or 267,264 unit, increase over the same month in 2023. This was 26,790, or 16.6%, fewer cars than in pre-COVID April 2019, but still the 21<sup>st</sup> consecutive month of year-on-year growth. Year-to-date, 679,822 cars have been registered, compared to 627,250 in 2023, an increase of 8.4%. As a result, the SMMT has increased its full year 2024 outlook forecast for cars to 1.984m units.



Source: SMMT

Continuing the trend seen through the year so far, the Fleet sector was responsible for the growth in April, posting an increase of 18.5%, with 81,207 registrations, whilst Private retail lagged behind on 50,458 units, a decrease of 17.7% over the same month in 2023. Year-to-date, Fleet registrations sit at 407,661 units, an increase of 26.7% and a market share of 60.0%. Private registrations are down 11.0% with a share of 37.9% for the year so far.

Daily Rental registrations for April were up 58% on last year, but 65% behind 2019 and are 128% up compared to year-to-date 2023 and 58% behind 2019.

Battery Electric Vehicles (BEVs) were up 10.7% in April for a 16.9% share of the market (15.7% year-to-date), with the majority of manufacturers some way behind their Zero Emission Vehicle mandate target. Growth is entirely down to the Fleet sector. Plug-in Hybrid (PHEV) registrations increased by 22.1% in the month (31.4% YTD), with a share of 7.8% for both the month and year. Hybrid Electric Vehicles (HEVs) also increased, by 16.7%, for a share of 13.5% YTD. Petrol remains the majority fuel-type, but did decline by 3.1% in April, market share now sitting at 56.2% in 2024. Diesel registrations continue to decline, down a dramatic 25.3% in the month, for a market share this year of just 6.8%.

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## Used car retail activity

May, in some respects, has continued in a similar vein to April with the more normalised and seasonal sentiment remaining for used retail. With the Easter period now already a distant memory, May has been another good solid month for retailers with consumer demand remaining at least at comparable levels to April, whilst retaining healthy profit margins and at similar days to sell. This continued period of stability has again been very welcome, as May can be a bit of an unknown due to containing two bank holidays and another school holiday.

As we highlighted in April, we have again noted some retail pricing adjustments this month, but this is generally only being applied to overage stock or where vehicles had been purchased behind Cap valuations. Nothing untoward, just normal retail repricing activity where dealers may have looked to move stock on a little quicker.

Fuel-type remains the hot topic across the retail market as dealers continue to buy and operate with what they know they can sell, easily and quickly. So it's no surprise that petrol engine cars and pure hybrids continue to be the most sought after within the market. This correlates with our own internal retail database analysis for vehicles aged up to 7 years old, as petrol sits at 34 days to sell with pure hybrid sat at 35 days.

Retailers have again provided varying feedback regarding the sales performance of used BEVs with many retailers stating the "sweet spot" being sub £18,000. This sentiment is well supported by our own retail dataset, which is starting to show more nuanced insights when analysing average days in stock. Upon reviewing the advertisements for vehicles sold in the past month, we found that the average days-to-sell for all BEVs was sat at 39 days. However, when focusing solely on BEVs up to 2 years old, which typically carry a higher price point, the average increases to 45 days. For context, petrol vehicles at the same age point were sold at an average of 34 days. When then analysing BEVs between the 3 to 5 year age points, which then aligns closely with the desirable retail price point mentioned afore, days-to-sell decreases to 33 days, matching the average for petrol vehicles within the same age bracket. This metric is measured by when a car is first advertised, to when it is removed from the relevant website.

The strong new car offers and heavy discounting that have been widely publicised continue to influence the nearly new used market. This is also evident from the feedback we have received from franchise dealers, who have noted that new cars can often appear much more appealing to consumers due to the lower monthly payments they offer, and therefore, consequently, potentially impacting demand for nearly new used vehicles. With low or 0% APR offerings, high deposit contributions/discounts or large OEM support across new, this is hardly surprising.

To summarise, used car retail has remained stable, if not a little more positive than in April, which in turn has kept stock churning nicely but with still some caution remaining around the nearly new market and current registration and manufacturer activity.

## Used car remarketing activity

With used car retail continuing to perform in line with seasonal expectations, or even slightly better for some, wholesale activity has again remained largely stable throughout the month, but with a continued variation in trade performances when diving into the detail. More on this later. Trade data supply volumes have remained consistent and healthy with mid-month supply tracking around 6% above the same period in 2023, and 10% down compared to pre-COVID 2019.

Auction and wholesale conversions have also remained stable for the time of year, with supply of returned stock aligning well with trade demand, although our very latest data analysis and feedback suggest that conversions are now showing a gradual increase following a usual seasonal decline over the past five or six weeks. This slight upturn in demand could be down to a few more franchise dealers starting to reappear into the used arena to buy stock, following the focus on new car registration activity back in March and April, or maybe the recent rumours suggesting that some manufacturers will start restricting supply of ICE (Internal Combustion Engines) into the UK new car market in order to hit their ZEV targets is starting to ring true? Only time will tell.

The demand for retail-friendly vehicles in good condition and in the most desired fuel types remains as strong as it did in April, and they continue to sell quickly and easily. However, buyers have become more discerning in their

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choices, prioritising desirable and fast-selling stock over potentially depreciating assets that could pose financial risks. Poor condition cars as well as those with missing documentation, no/or little service history and/or showing signs of any mechanical gremlins, can also present significant challenges in the current market. So, in order to ensure swift disposal, it is crucial for vendors to accurately appraise and price all vehicles at first entry in order to keep buyers engaged, as well as churn trade stock efficiently.

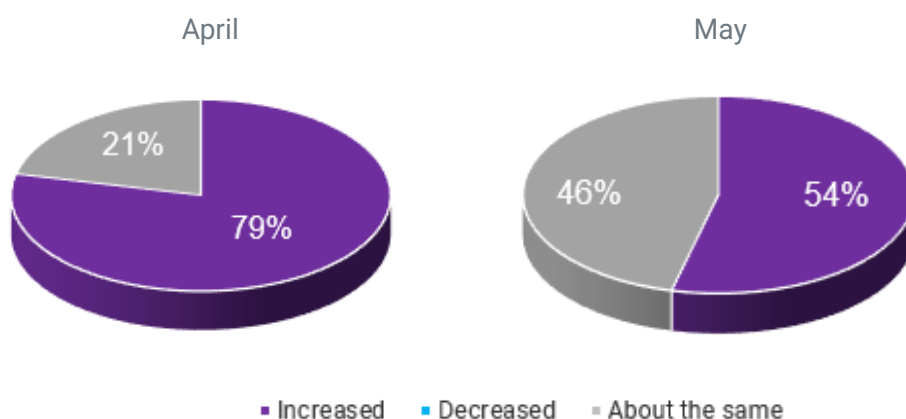
Our wholesale supply of BEV sold data continues to increase month-on-month, and at a phenomenal rate, which has been fascinating to observe. We have already received c.70% of last year's total trade sold volumes in less than 5 months, and April also recorded the highest trade volume of used BEVs sold in a single month - a real positive for both vendors and buyers. However, it is important to highlight the current relationship between sales performance and Cap values, as buyers of BEV product are primarily only interested in procuring stock at prices below Cap trade monthly valuations. As we mentioned last month, this practice of purchasing below Cap valuations can only contribute to a self-fulfilling prophecy, leading to further future drops in BEV values. When will this stop? BEVs can offer superb value within the wholesale market and can be thousands of pounds cheaper than an ICE equivalent, and potentially delivering great profit opportunities for dealers. Maybe now is the time for dealers to start seriously considering stocking electric vehicles, if they haven't already.

The month has been a tale of two halves in some respects with the first half proving to be a bit tougher as values fell similarly to how they did in April, but as soon as we hit around 12<sup>th</sup>, buying activity increased and prices stabilised. Since then our average 3-year 60,000 mile movement has only dropped by a further 0.1% which confirms that the market could be starting to firm up and some green shoots are starting to appear. Time will only tell if this continues in June's Cap Live's movements.

The wholesale market has generally met expectations and maintained a stable trend, and in some cases, even showed slight improvement in conversion rates compared to April. While cautious buying activity persists, overall demand for this time of year remains relatively healthy.

## May Auction Survey Results:

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

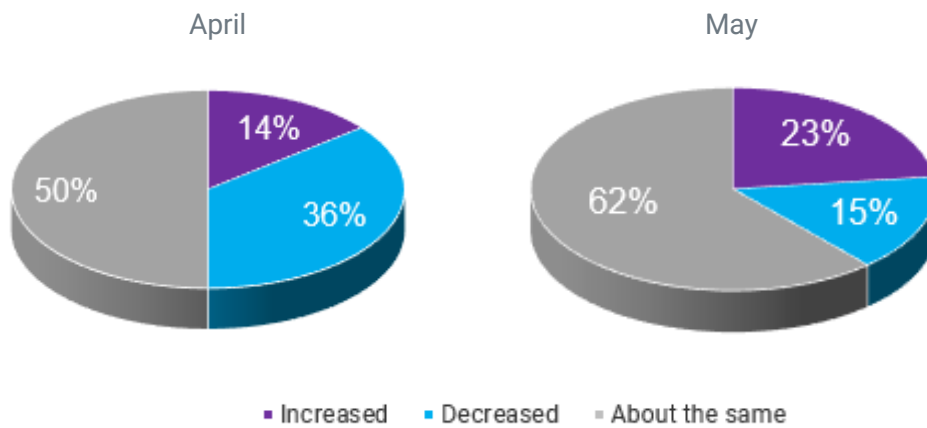


With both March and April now behind us, new registration activity has now returned to more normal levels which is possibly now evident in auction stock levels. There is still a healthy supply of stock returning through the channels, just not as much as in April, with 54% of respondents indicating that stock had increased this month compared to 79% last month.

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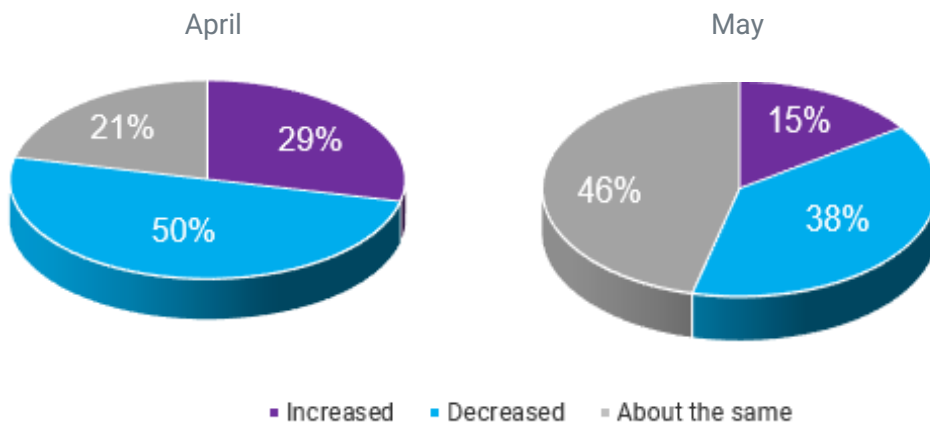
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## How does your current overall demand compare to last month?



Buyer demand remains strong with 62% reporting no change and a further 23% saying it had increased. With only 15% indicating a decrease compared to 36% last month, this confirms that the market continues to be in good health.

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



Conversion rates have also held up well this month when compared to April, with 46% reporting as unchanged and a further 15% stating it had increased. A slightly improved picture over last month confirming the stable sentiment with this market overview.

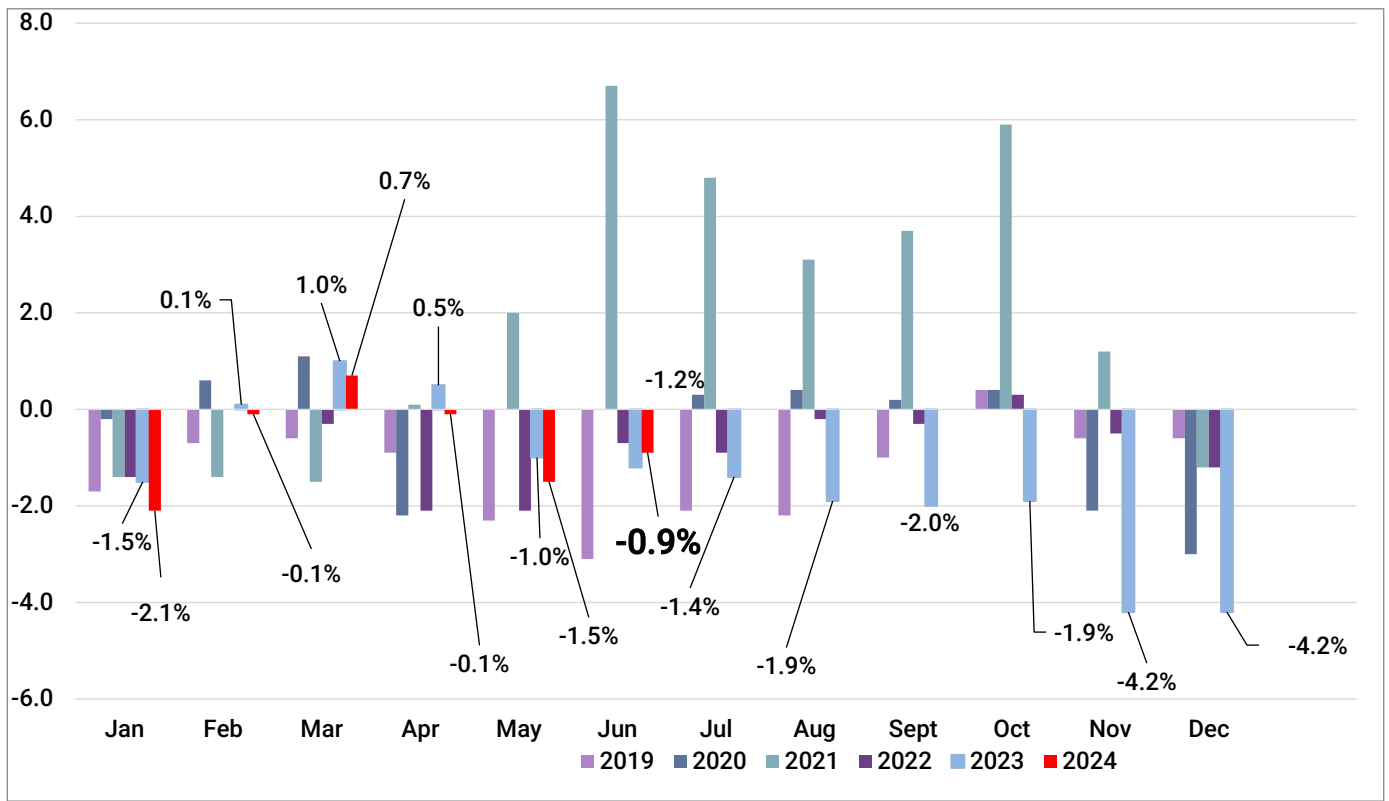
## Used cars – trade values.

So what has this continued period of stability meant for used values? Cap Live values for May have seen an average decrease of 0.9%, or c.£210 at 3-years, 60,000 miles. To put this into context, the average movement in values since 2012, excluding the COVID effected years of 2020 and 2021, was -1.6%, so this equates to being the strongest May into June movement since the introduction of Cap Live, but again, only with the COVID years removed.

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## Monthly percentage movements in Live valuations (3-years, 60k miles) – June 2024 figure depicts May 2024's Cap Live



At the 1-year age point values have also declined, and by a similar amount of 0.8% or c.£325. Again, it's the older end of the market that continues to fall away the most due to there being an abundance of high mileage, poorer condition stock being entered and sold into the market. At 5-years old values have reduced by 1.3% or c.£160 and 2.4% or c.£100 at 10-years.

Moving onto sectors, convertibles and coupe cabriolets continued on their seasonal rise increasing by 0.9% or c.£80 and 2.5% or c.£400, respectively, at the 3 year age point. However, all the remaining sectors did fall in value at the same age point. Supermini dropped by a negligible 0.1%, with Lower Medium (or C Sector) also only dropping by 0.8% or c.£100, meaning that these are the strongest mainstream sectors and highlights the demand for cheaper fast churning stock. SUVs fell overall by 1.1% or c.£270 and when split down by vehicle size, Small SUVs reduced by 0.8% or c.£90, Medium SUVs by 1.0% or c.£190 and Large SUVs by 1.8% or c.£685. Price range SUVs in ICE forms have been most in demand, no surprise there given the price point narrative, it's the larger more expensive models that fall the most, along with Plugin Hybrid and BEV variants.

Now looking at fuel-type, values for used Battery Electric Vehicles (BEVs) have almost mirrored the average performance from last month. Specifically, at the standard measurement of 3 years and 60,000 miles, these values have decreased on average by -3.6% or £785. This has resulted in a continuous decline for 21 consecutive months, and in total, the cumulative decrease in BEV values amounts to approximately 57%, which compared to petrol have only seen a decrease of around -12% over the same period. BEV models that have seen the largest downward movements are Audi E-Tron Sportback c.6% (c.£1,400), Nissan Leaf -c.7% (c.£600), Tesla Model 3 c4.0% (c.£800) and the VW ID.3 6.0% (c.£785). The Cupra Born, Lexus UX and Seat Mii all see values remain level while the Mini Cooper EV is up 2% (c.£225) and is the only BEV to see values increase this month. Of all the BEVs that we value at this benchmark, 89% saw values decrease, 10% stayed level and just 1% increased.

Petrol engine cars also reduced but only by 0.4% or c.£135, and again highlights this as the go-to fuel-type for both consumers and dealers, currently. Diesel again continues to split further away from petrol for the fifth consecutive month and fell by 1.1% or c.£210, along with Plugin Hybrid at 1.1% or c.£285 and pure Hybrid by 1.0% or c.£200.

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## What next?

Last month, our prediction was:

*“Bearing in mind the supply/demand dynamics at the time of writing, with conversion rates and prices continuing to decline at auction in particular, it would not be a surprise to see values continuing to gently dip in Cap Live in May, in what is traditionally one of the more difficult months of the year, with supply still high from swapped cars from March and April new car activity, plus Bank Holidays to contend with. The average movement in values since 2012, again excluding 2020 and 2021 due to the highly unusual used market in those years, was -1.6% and the years from 2012 to 2018 all saw quite similar downward movements. So, if we are returning to seasonal norms, somewhere close to this average would not be a shock.*

*Battery Electric models will likely continue to see mixed value moves. There have been some incredibly large drops this month, which may help stimulate demand, but there could also be some large movements to come for some cars as they continue to find their place in the market”.*

At the beginning of 2024, our team of forecasters predicted a relatively strong year, with monthly valuation movements regularly positively outperforming the historical average. There is no reason to move away from this hypothesis, with both retail and wholesale markets remaining robust.

With the announcement of the General Election now taking place in July, it is not expected to have any significant effect on used car prices, but potential for future government policy to influence demand, especially for BEVs

The average Live movement in June, excluding the COVID affected years of 2020 and 2021, since the introduction of Cap Live in 2012, was a downward movement of 1.2%. It is highly likely that this time around any movement will be a more positive one than that, possibly significantly so. As always, the devil will be in the detail, and some electric vehicles will continue to be volatile. Keeping close to Live values remains imperative.

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## Current used valuations June 2024 - average value movements

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
City Car	0.1%	(1.4%)	(1.4%)	(1.7%)
Supermini	(0.3%)	(0.1%)	(1.2%)	(3.2%)
Lower Medium	(0.4%)	(0.8%)	(1.5%)	(3.2%)
Upper Medium	(0.3%)	(0.9%)	(1.6%)	(2.1%)
Executive	(1.0%)	(1.2%)	(1.0%)	(2.6%)
Large Executive	(1.8%)	(1.8%)	(2.4%)	(1.7%)
MPV	(0.7%)	(1.2%)	(2.1%)	(2.6%)
SUV	(1.2%)	(1.1%)	(1.4%)	(3.2%)
Convertible	0.9%	0.9%	1.0%	0.8%
Coupe Cabriolet	3.7%	2.5%	2.9%	2.6%
Sports	0.2%	(0.9%)	(0.3%)	0.0%
Luxury Executive	(0.5%)	(1.4%)	(1.4%)	(1.5%)
Supercar	(1.5%)	(1.5%)	(2.0%)	0.1%
<b>Overall Avg Book Movement</b>	<b>(0.8%)</b>	<b>(0.9%)</b>	<b>(1.3%)</b>	<b>(2.4%)</b>

( ) Denotes negative percentages

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
MPV Small		(5.5%)	(4.8%)	(3.6%)
MPV Medium	(0.4%)	(1.1%)	(2.2%)	(2.7%)
MPV Large	(1.0%)	(1.1%)	(1.4%)	(1.3%)
SUV Small	(0.8%)	(0.8%)	(1.2%)	(3.1%)
SUV Medium	(1.0%)	(1.0%)	(1.4%)	(3.5%)
SUV Large	(1.7%)	(1.8%)	(1.7%)	(1.9%)

( ) Denotes negative percentages

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## Notable Movers 1-yr 20k

	MIN £	MAX £	AVG £
AUDI Q5 (16- ) DIESEL	(800)	(600)	(685)
BMW 5 SERIES (16- ) DIESEL	(700)	(450)	(606)
BMW I3 (13-22)	(550)	(450)	(500)
FIAT PANDA (12- )	425	550	486
FIAT TIPO (16- )	(800)	(575)	(716)
JAGUAR XF (15- ) DIESEL	(550)	(400)	(466)
LAND ROVER RANGE ROVER VELAR (17- ) DIESEL	(2,000)	(1,500)	(1,775)
MAZDA MX-5 (15- )	300	350	325
MERCEDES-BENZ E CLASS (16-24) DIESEL	(900)	(600)	(688)
VOLVO S90/V90 (16- ) DIESEL	900	1,000	950

( ) Denotes negative value

## Notable Movers 3-yr 60k

	MIN £	MAX £	AVG £
AUDI Q5 (16- ) DIESEL	(700)	(400)	(503)
BMW 2 SERIES CONVERTIBLE (14-21)	350	500	396
DACIA SANDERO (13-21)	(450)	(250)	(360)
FORD FIESTA (17-21) DIESEL	200	300	253
HYUNDAI I10 (14-20)	(200)	(125)	(160)
MERCEDES-BENZ E CLASS (16-24) DIESEL	(700)	(350)	(478)
MINI COUNTRYMAN (17-21) DIESEL	(1,000)	(750)	(900)
TESLA MODEL 3	(900)	(700)	(816)
VOLKSWAGEN GOLF (13-21)	(300)	(200)	(240)
VOLVO XC90 (14- ) HYBRID	300	300	300

( ) Denotes negative value