

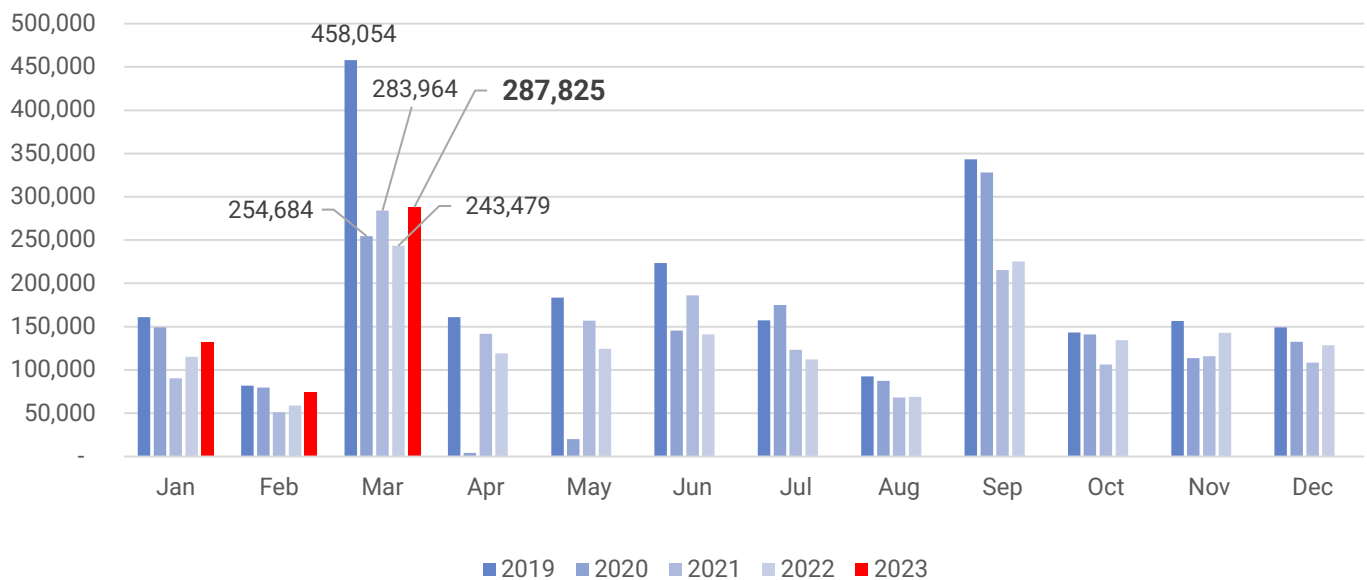
May 2023

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 March 2023 and used car activity at the time of writing. All information is correct as of 25th April 2023.

New car sales

According to the figures produced by the Society of Motor Manufacturers and Traders (SMMT), 287,825 cars were registered in the crucial plate-change month of March 2023, an increase of 18.2% over the same month last year. This was the eighth consecutive month of growth, as supply issues continue to ease. Compared to March 2019, which was of course pre-COVID, volumes were 37.2% down, however.



Source: SMMT

Year-to-date, the first quarter experienced the largest volume since 2019, with 494,260 car registrations compared to 417,560 in the first 3 months of 2022, an increase of 18.4%. In 2019, 701,036 cars were registered in the first quarter, so 2023 remains some way (-29.5%) short of previous “normality”.

Fleet registrations saw the largest growth, up by 40.9% for the month compared to last March (an increase of 40,651 units) and up by 40.7% (+73,205 units) for the year so far. Private registrations were up by 1.4% for the month and just 0.4% for the year. Within the fleet sector, Daily Rental registrations increased by 73% over last March, but this was 84% below 2019. Year-to-date, the percentage comparisons are similar, 66% above 2022, but 83% below the last year that was unaffected by the pandemic. Some manufacturers posted some large increases over last March, but still some way below 2019.

Petrol vehicles remain the most-registered fuel-type, taking 56.3% of the share for the month and 56.8% for the quarter, with diesel registrations now taking up just 8.3% and 8.1% respectively (figures include mild hybrids). Battery Electric Vehicles had their largest ever registration month, with 46,626 registrations, for a share of 18.6%, more than double that of diesel. Year-to-date they sit at a share of 15.4%. Hybrid Electric Vehicles held a share of 12.9% in March, increasing by an impressive 34.3% over last March, with a year-to-date share of 13.3%. Plug-in Hybrids saw a 6.2% share in March, with 6.4% for the year so far.

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By cap hpi

Used car retail activity

The first two weeks of this April encompassed the Easter school holidays, which can traditionally be a difficult period for retailers, with many consumers taking vacations causing footfall to drop. Whilst that has happened to a certain degree this year, the vast majority of retailers were quietly satisfied with how they fared, with regards to demand and sales. It has felt relatively “normal” for the time of year, perhaps even slightly more positive. The post-Easter weeks also posted some healthy results. This has continued the positivity amongst retailers that has been a notable feature of the market since the turn of the year.

Margins, which have been under slight pressure, seem to have stabilised and remain healthy. Retail advertised pricing has continued to be stable, with generally only cars that have sat in stock for an unpalatable time being reduced. There has been some disconnect between trade and retail advertised prices visible for a number of months now, on certain models, with trade prices moving by more, or earlier, than retail ones.

Battery Electric Vehicles have continued to be a fascinating area of the market. Consumers remain interested in cars of this propulsion, particularly as they are the ones being constantly advertised by manufacturers in the new car market, however there is still a reluctance by many to take the plunge to actually switch to an EV. Even with used trade prices plummeting over the last 8 months, some retailers have been reluctant to reduce retail advertised prices, having paid strong money for the cars bought a number of months ago and not willing to take a loss. Some have also been supported by sale-or-return offers from the leasing companies or manufacturers that they purchased the cars from, so are in no particular rush to discount. It does feel that there is an inevitability about the action they must take, however, as new levels of retail prices for some models of EVs are becoming more and more apparent, with trade prices having dropped considerably, those that have continued to buy recently can advertise them more cheaply now.

Certainly more retailers are dipping back into buying EVs, with the ability to now buy at more reasonable prices and therefore advertise them accordingly. Cars such as the Tesla Model 3 and Jaguar I-PACE have definitely felt some severe pain on prices since September of last year, but now look appealing to the consumer. With both having reduced in price by around 30% or £13,000 (at the 3-year, 30,000 mile age point) over that period, they can now be seen to be commonly advertised between £20,000 and £30,000. These models remain aspirational and are having an effect on cheaper cars, which have not dropped by as much in monetary terms, thus the gap is potentially a reasonable walk-up in price for many consumers. For example, the Nissan Leaf, of which there are plenty available in the market due to its longevity and success, has reduced in price by c.£8,000 over the same period. Whilst that is still an eye-watering amount, it does mean that the Tesla and the Jaguar are around £5,000 closer to the Leaf in price now. Put monthly payments into the equation and the consumer can walk away with a more aspirational car than they expected to be able to afford.

So, overall, a positive April for the majority of retailers, with a more seasonal feel to it than in the last two or three years, but electric vehicles continue to dominate the discussions around price and demand.

Used car remarketing activity

Similar to the retail market in April, the trade arena has also felt very seasonal. The Easter period can see a drop off in demand, with consumers and retailers’ buyers taking time away. Demand and conversion rates have dropped, but only as would normally be expected, and they have not dropped off a cliff.

Indeed many used car dealers and car supermarkets did remain active throughout the month, but not to the levels of previous months this year. A drop-off in trade sold volumes has been apparent, skewed of course by Bank Holidays and remarketing companies not working, at least not to full capacity, over the Easter weekend. Compared to previous Easter holidays though, volumes were just 7% below pre-COVID 2019, and around 7% above last year.

It has been apparent during this seasonal decline in demand that, with more volume entering the market from March plate-change activity, and the generating of fleet returns and, to a lesser extent, retail part-exchanges, buyers have been able to be more selective. As a result, cars of the best quality, requiring less refurbishment to get them retail-ready, have been in demand, and poorer quality cars, with engine management lights on, or other mechanical or cosmetic defects, sat on the shelf, either not selling, or requiring multiple attempts or a drop in price before they do sell. Older, higher mileage examples have also proved difficult to move on.

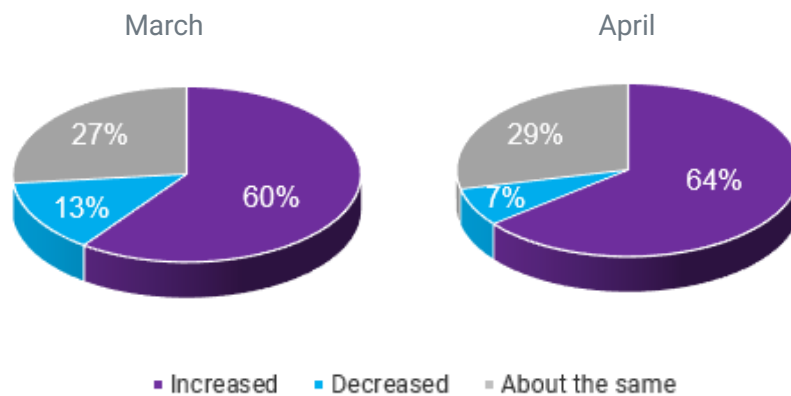
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Battery Electric Vehicles *are* selling in the wholesale market, but there is a lack of consistency around prices and indeed speed of sale for different models. It is difficult to summarise the overall “EV market” because of this, with certain cars selling relatively well and prices stabilising, whereas others remain very difficult, looking expensive versus petrol counterparts and versus those that have dropped significantly in price already. We have, however, seemingly seen an end to the “fire sales” that were apparent in previous months from certain vendors. The EV wholesale market remains inconsistent and can be difficult to gauge for vendors. There are certainly more and more of these entering the used car market, and in the first quarter of 2023, cap hpi received 40% of the entire volume of EV trade sales received in the full year of 2022, and that despite conversion rates being far lower than for internal-combustion engine cars.

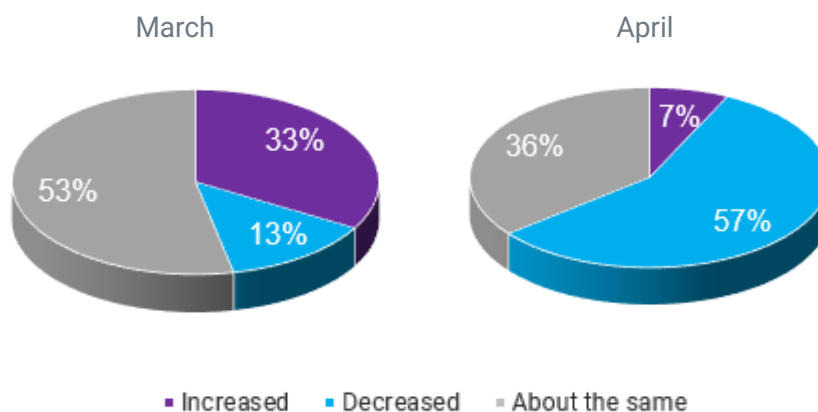
The cap hpi auction survey continues to be an excellent gauge of the wholesale market:

How do your current stock levels compare to last month?



Almost two-thirds of respondents advised that stock levels increased in April, with a further 29% seeing parity with March. Only a small minority saw a decrease. Increases in stock are certainly to be expected with March registration volumes almost four-times that of February, so more part-exchanges and fleet returns hitting the trade market. Last year, in the April survey, only 23% of auction companies reported an increase in stock levels, with the new car market nowhere near as positive as it is now, supply being the main issue.

How does your current overall demand compare to last month?

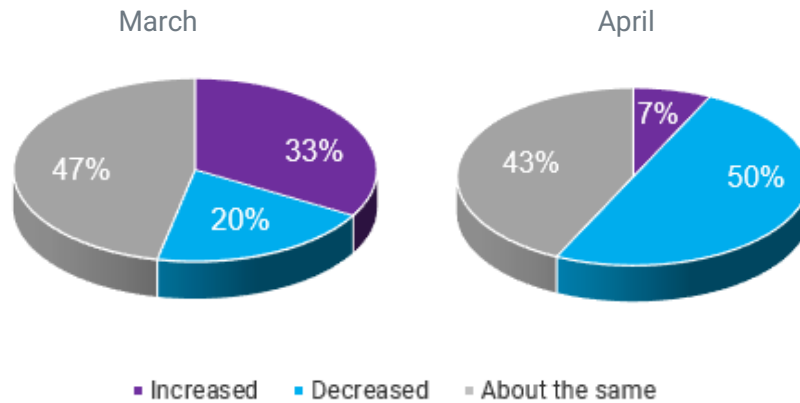


As would be expected for the month of April and the Easter period, over half of respondents stated that month-on-month demand dropped, with over one-third seeing a stable picture and a small minority reporting positivity. Last April, there were no positive responses and almost two-thirds reporting a negative position, so the market is stronger than a year ago.

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How do your conversion rates compare to last month?



Unsurprisingly, conversion rates dropped for many, with exactly half of respondents seeing a decline. The majority of the remainder saw a similar picture to March, with the same respondents seeing demand increase also reporting conversion rates improving. Last year, despite less volume in the market, almost 70% of replies stated a negative picture for this metric.

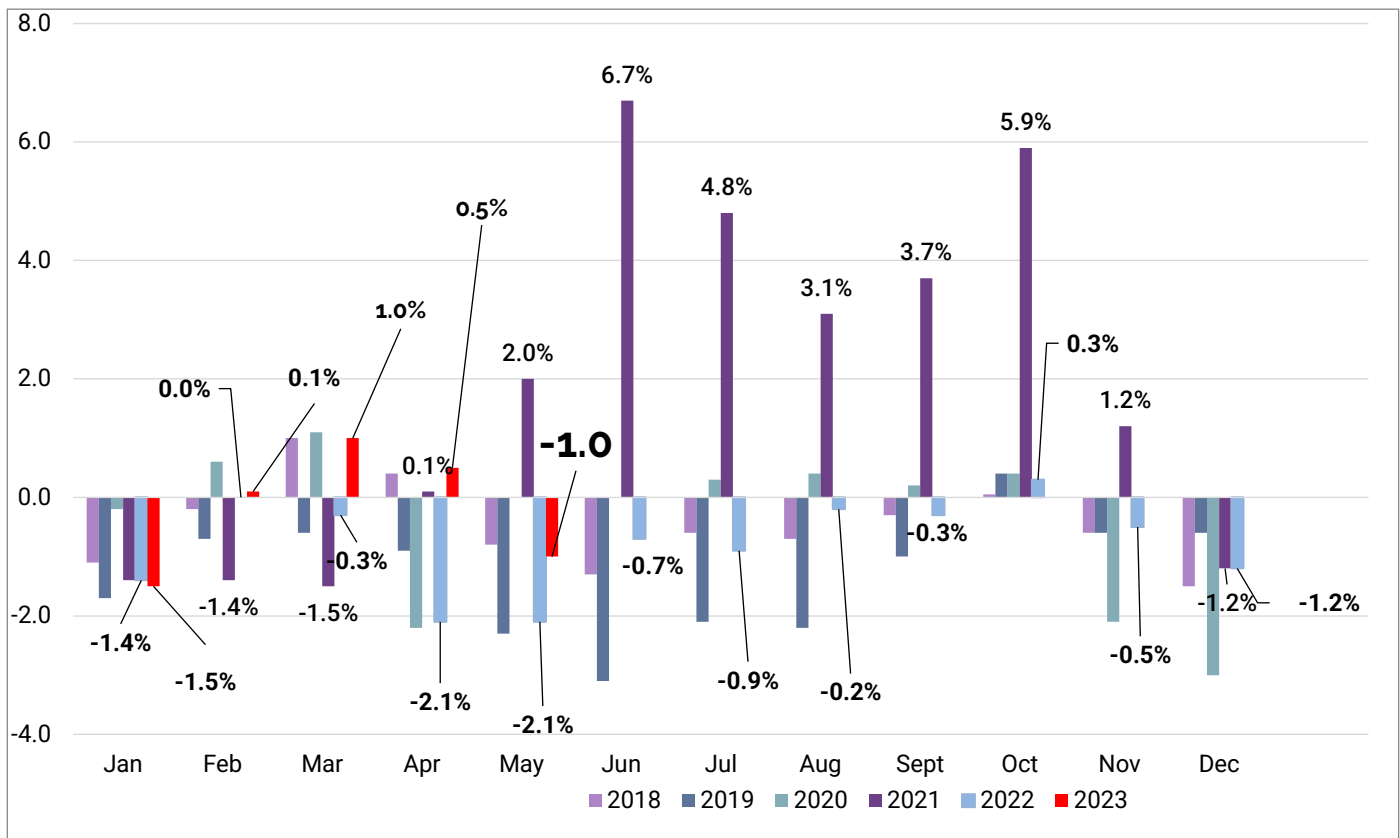
Used cars – trade values

So, what has this return to more seasonal patterns meant for cap hpi's used car values? For the first time in 2023 Live values dropped during a month. At the benchmark 3-year, 60,000 mile point, values fell by an average of 1.0%, equivalent to c.£200. It is important to remember at this point, that used car values do traditionally drop – increases used to be unusual, but have become more of the norm since new car supply was affected by the COVID-19 pandemic. This 1.0% drop is actually on the strong side for April Live movements, that form May's monthly values. Excluding 2021, when values saw an extraordinary 29.2% rise over the whole year, and 2020 when values did not move due to the initial COVID lockdown, this year is actually the second most positive movement in April since cap Live was introduced in 2012. The most positive year was 2018, when values dropped by just 0.8%. That year, values had increased by 1.2% in the three previous months, whereas this year they improved by 2.5%, so cumulatively this year is stronger (+1.5% versus +0.4% excluding any adjustments for new plates).

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



Value drops across the age-bands have been quite consistent in April, with average 1-year old values dropping by 1.1% (c.£370), and the same for 5-year old values (-1.1% or £140) with 10-year old values dropping by slightly more in percentage terms (-1.9% or c.£90). The older end of the market is the most heavily affected, for the reasons stated previously, but not dramatically so.

Looking at sectors, city cars have dropped by the most in percentage terms, on average, with a 1.6% decline at the 3-year point, equivalent to c.£150. It is of little surprise that values have dropped for these smaller cars, as over the twelve month period to the end of March, they have increased by an average of 8.8%, and were the strongest performing sector over that period. Values simply could not continue to increase and look reasonable for buyers. Superminis were the second weakest sector in April, dropping by 1.4% or £165. This sector had also witnessed inflation (+3%) over the previous twelve months.

SUVs dropped by an average of 1.1%, or c.£260, at 3-years old, on average in the month, but smaller SUVs dropped by the highest percentage, 1.4% or c.£210. Whilst this average was affected adversely by electric vehicles, there were also some sizeable drops for some traditional fuel-type cars, with the Dacia Duster Diesel down c.6% (c.£625), Ford Puma down 3% (c.£475) and the Vauxhall Crossland X Petrol and Diesel down 3% (c.£350) and 2% (c.£200) respectively.

Battery Electric Vehicles continue to underperform the overall market on average. Values dropped by 4.7% at the 3-year point, equivalent to c.£1,050, and by 3.8% at the 1-year point, which equates to over £1,300 decline. This is the eighth consecutive month of deflation for EVs, with a cumulative movement over that period an incredible 34.6% drop. As a comparison, petrol values since October last year have only moved back by -1.1%. If you are looking for a positive for EVs, it is that not so many models are dropping in value by as much as they were previously, and this average drop in values in April was not as severe as in the three previous months, which saw 6.6%, 5.5% and 5.4% declines.

When looking at price-points for EVs, those under £20,000 have been the worst affected in April, with those between £15,000 and £20,000 (trade), dropping by 6.6% or c.£1,350. Part of this is due to more volume being available in the

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market for this price range of car but we are now also witnessing a trend in that some of the cheaper and mid-priced EVs are coming under more pressure, a direct impact from the realignments we have recently seen on product like the Tesla Model 3, which as stated in the retail section of this editorial, now has retail adverts starting in the early £20,000s. Competing around this retail price point are cars that have dropped considerably in value this month, such as the Vauxhall Corsa Electric (-c.9% or c.£1,500), Volkswagen ID.3 (-5% or c.£1,270), Kia E-Niro (-7% or c.£1,660), Hyundai Kona Electric (-10.5% or c.£2,450) and Fiat 500e (-9% or c.£1,500). Figures quoted are at the 1-year, 10,000 mile point. Models such as the Model 3 and I-PACE have dropped in value again, but by less than previously, dropping by between 2 and 3% at the 1-year point – this is still equivalent to just under £1,000, however.

In summary, whilst average values have dropped, April Live movements can be seen as on the strong side for the time of year for internal combustion engine cars at least. The exception, once again, are Electric Vehicles, which in general remain under pressure. Hybrids and Plug-in Hybrids dropped by 2.0% (c.-£360) and 1.6% (c.-£460) respectively, so are not as strong as ICE cars, but not as weak as EVs, with consideration higher amongst the consumer than for pure Battery Electric Vehicles.

What next?

Last month, our prediction was:

“As March closes and we enter the Easter school holiday period, we are likely to see an end to the three consecutive months of average increases at the 3 year age point. The older end of the market has already turned, albeit slightly, and this can be a pre-cursor for the rest of the market. There will be increased volumes of used cars arriving into the market, particularly from fleet returns, with cars replaced in March. However, stock is required by retailers, so they will continue to buy, but maybe not at the same prices as previously, with more cars available, and particularly as trade values remain high and margins under pressure. Important to note though, that new car registrations over the last three years have been well shy of pre-COVID times, and compared to 2019, there are cumulatively over two million less cars in the market than there would otherwise have been. This will continue to keep values relatively high, overall, with only small decreases from current values likely.

For electric vehicles there will continue to be realignment as models jostle for position on price. Where does the cheaper end of the EV market sit now that more expensive, aspirational cars have reduced in price? Does that gap need to widen?”

The used car market generally remains in rude health, despite suffering a small, seasonal dip in April. Consumer demand remains healthy and retailers are seeking out stock. May 2023 is a bit of an unknown quantity, with three bank holidays and a school half-term break. Many retailers are upbeat that this could bring out more visitors to their forecourts and showrooms, whilst others are wary that consumers may head off on holidays in higher numbers than usual.

It is likely that we will see more of what we have seen in April, with relatively gentle drops in value. Prices do remain high from increases over the last three years, and deflation is a normal fact of the used car market, so some small declines from high levels are to be expected.

For Battery Electric Vehicles, volumes are only going to increase going forward, as it was 2020 when we really started to see new car registrations for EVs increase significantly, according to the SMMT 108,070 EVs were registered in 2020 a big increase from the 36,444 registered in 2019. It would be a fair assumption that many of these vehicles would have been written on 3-to-4-year contracts and are now due to come off contract in the short-to-medium term. Demand needs to improve, but prices are now more reasonable, so drops in values will likely not be as severe as they have been. The devil really is in the detail for these vehicles at the moment, however.

Live values remain of vital importance as we enter a difficult period to predict for used values, with monthly ones quickly becoming out of date.

Finally, we will shortly be launching Option Values within our web-based Valuation Anywhere product. Keep an eye out for announcements. This will enable subscribers to value the actual factory-fit specification of vehicles, as well as the traditional way of valuing a base vehicle.

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By cap hpi

Current used valuations May 2023 - average value movements

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
City Car	(1.7%)	(1.6%)	(1.7%)	(1.2%)
Supermini	(1.5%)	(1.4%)	(1.3%)	(2.0%)
Lower Medium	(1.1%)	(1.2%)	(1.4%)	(2.2%)
Upper Medium	(0.4%)	(0.5%)	(0.9%)	(2.5%)
Executive	(1.2%)	(1.5%)	(1.9%)	(2.0%)
Large Executive	(1.7%)	(1.2%)	(1.2%)	(1.0%)
MPV	(1.6%)	(1.0%)	(0.9%)	(1.8%)
SUV	(1.2%)	(1.1%)	(1.1%)	(1.1%)
Convertible	(0.3%)	0.1%	0.4%	(0.5%)
Coupe Cabriolet	1.0%	0.1%	(0.4%)	(0.8%)
Sports	(0.3%)	(0.2%)	(0.1%)	(0.0%)
Luxury Executive	(0.5%)	(0.6%)	(0.7%)	(1.5%)
Supercar	(0.0%)	(0.0%)	0.1%	(0.3%)
Overall Avg Book Movement	(1.1%)	(1.0%)	(1.1%)	(1.9%)

() Denotes negative percentages

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
MPV Small	(1.9%)	(0.9%)	(0.8%)	(1.2%)
MPV Medium	(1.2%)	(1.3%)	(1.0%)	(1.8%)
MPV Large	(2.0%)	(0.5%)	(0.6%)	(2.1%)
SUV Small	(1.8%)	(1.4%)	(1.2%)	(2.3%)
SUV Medium	(1.2%)	(1.1%)	(1.1%)	(1.0%)
SUV Large	(1.0%)	(1.1%)	(1.2%)	(1.2%)

() Denotes negative percentages

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Notable Movers 1-yr 20k

	MIN £	MAX £	AVG £
BMW I3 (13-22)	(1,150)	(900)	(1,050)
JAGUAR XF (15-) DIESEL	(1,250)	(900)	(1,093)
LAND ROVER RANGE ROVER VELAR (17-)	(1,600)	(1,000)	(1,308)
MERCEDES-BENZ E CLASS (16-) DIESEL	(1,000)	(600)	(766)
MINI COUNTRYMAN (17-)	(400)	(150)	(244)
PEUGEOT 2008 (19-) Electric	(1,450)	(1,250)	(1,365)
SKODA KODIAQ (16-) DIESEL	(800)	(700)	(768)
SUZUKI S CROSS (13-22)	(650)	(300)	(475)
VOLKSWAGEN TIGUAN (16-) DIESEL	(600)	(450)	(560)
VOLKSWAGEN UP (12-)	(300)	(200)	(256)

() Denotes negative value

Notable Movers 3-yr 60k

	MIN £	MAX £	AVG £
AUDI Q7 (15-20) DIESEL	(900)	(600)	(688)
BMW 1 SERIES (11-19)	(900)	(850)	(875)
FIAT 500 (15-)	(350)	(175)	(273)
HONDA JAZZ (15-20)	(550)	(375)	(462)
HYUNDAI IONIQ (16-20) ELECTRIC	(1,150)	(1,150)	(1,150)
MAZDA 2 (14-20)	(600)	(250)	(352)
NISSAN JUKE (10-20)	(550)	(150)	(327)
RENAULT ZOE (13-20) ELECTRIC	(675)	(575)	(633)
SEAT LEON (13-20) DIESEL	(450)	(275)	(379)
VOLKSWAGEN GOLF (13-21)	(350)	(175)	(270)

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