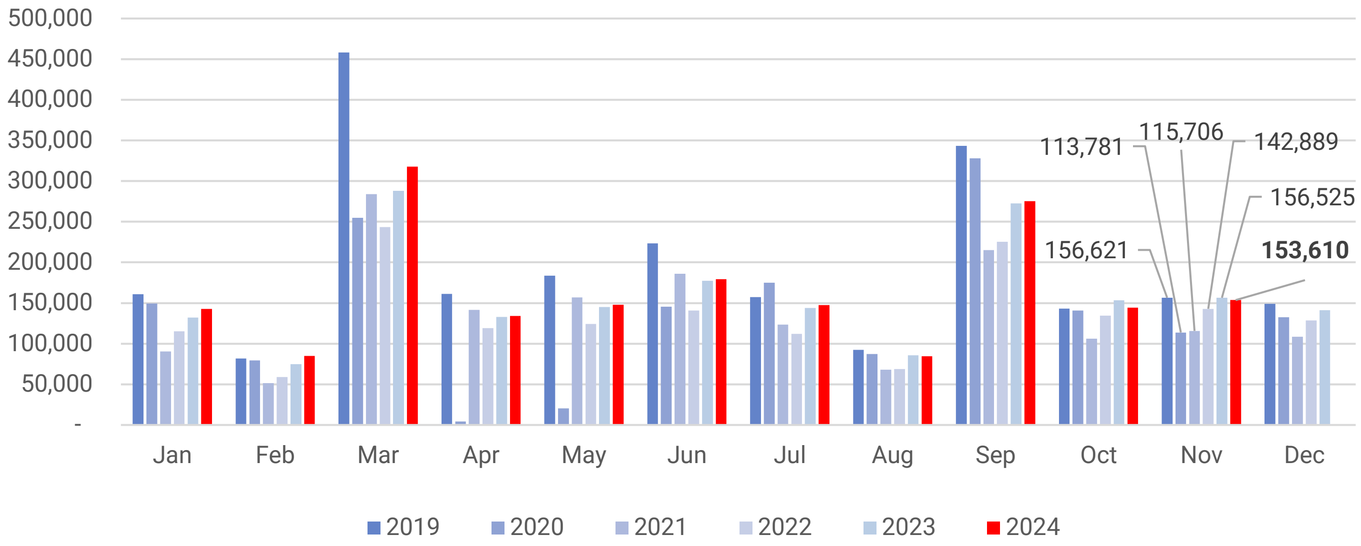
January 2025

Car market overview

This monthly overview provides an update on the current state of the new and used car markets in the UK. We report on new car registrations up to the end of November 2024 and provide insights into used car activity as of the date of writing. All information is correct as of December 19th 2024.

According to the latest data from the Society of Motor Manufacturers and Traders (SMMT), new car registrations in the UK declined by 1.9% in November, with 153,610 vehicles registered. This marks the second consecutive month of decline and the third drop in four months as the market works to meet the UK Government's targets under the Vehicle Emissions Trading Scheme (VETS), previously known as the Zero Emission Vehicle (ZEV) mandate. Compared to November 2019 (pre-pandemic), total registrations reflect a decrease of 1.92%.

New car sales



Source: SMMT

Year-to-date, passenger car registrations have reached 1,811,992, representing a 2.8% increase compared to the same period in 2023. While this year-on-year growth is a positive sign, the market remains 16% below 2019 levels, highlighting that a full recovery has yet to be achieved and may never reach those levels again.

Private buyer interest continues to decline, with November registrations down by 3.3% to 58,496 cars, accounting for 38.1% of all new registrations. Year-to-date, private registrations have dropped by 9.1% compared to 2023, with a market share of 38.7%. When compared to 2019, volumes have fallen by 27%.

Fleet purchases, which make up the majority of the market at 59.9%, declined by 1.1% in November to 91,993 cars. However, demand from the low-volume business sector saw a 5.2% increase, equating to 3,121 cars.

Registration volumes through short-cycle or rental channels remain on track for year-on-year growth, with volumes up by 68% compared to the same period last year. However, volumes remain 50% lower than in 2019. For November alone, registrations were 2% lower than last year and 29% below November 2019 levels.

The SMMT reported notable drops in car registrations by fuel type, with petrol cars down by 17.7% and diesel cars by 10.1%. Despite this decline, petrol remains the most popular choice among drivers with a market share of 45.8%. Among other fuel types, Plug-in Hybrid Electric Vehicles (PHEVs) recorded a decline of 1.2%, while Hybrid Electric Vehicles (HEVs) fell by 3.6%.

BEV registrations continued their upward trajectory in November, marking their eleventh consecutive month of growth. Registrations rose by 58.4% to 38,581 units, capturing 25.1% of the overall market. According to the SMMT, this is the highest market share for BEVs since December 2022. November was also only the second month this year where BEV uptake met the mandated levels under VETS, despite the overall market contraction. Manufacturers are targeting a VETS compliance level of 22% this year. While there are flexibilities within the scheme—such as purchasing credits from other manufacturers or borrowing from the future —the year-to-date market share for BEVs currently stands at 18.7%, falling short of the target.

Used car retail activity

The fallout from the landmark Court of Appeal ruling on 25 October, which mandates full transparency of commission rates paid to dealers by lenders during the sales process, has so far had minimal impact. Financing processes have been updated to comply with the new requirements, resulting in limited disruption to consumer demand or the overall buying journey.

The used car retail market is experiencing its typical seasonal slowdown in December, continuing the trend observed toward the end of November. Feedback from retailers has been mixed; while overall activity has declined compared to last month, opportunities for sales remain. Consumers who are actively in the market are keen to make purchases, underlining the importance of pricing vehicles correctly to capture demand.

As the holiday season approaches, many businesses have reported a decrease in sales volumes compared to November. However, this decline aligns with seasonal expectations as consumer focus shifts toward festive preparations and is not a cause for concern.

As the year comes to a close, many retailers are focused on setting stock-holding targets to effectively manage their inventory. These targets are essential for ensuring the right vehicles are available to meet consumer demand while managing costs. Stocking expenses, including storage, insurance, and depreciation, significantly influence these decisions. Retailers are working to strike a balance between stocking levels and sales forecasts, positioning themselves for a strong finish to the year and a solid start to January. This explains why buyers have been particularly selective throughout December, replenishing stock only when necessary.

Reflecting the seasonal slowdown in consumer demand, a slight increase in average days to sell has been observed in our retail advert database. In November, the average days to sell was 41, rising only slightly to 43 days in December. This indicates that while the market is adjusting seasonally, it remains relatively stable.

Breaking the data down by fuel type, BEVs continue to be the fastest-selling option, with an average of 37 days, closely matching their performance last month. Hybrid Electric Vehicles HEVs follow at 41 days, Plug-in Hybrid PHEVs at 42 days, while petrol vehicles sit at 43 days and diesel at 44 days.

The stability of the retail market is further reinforced by limited repricing activity. Our retail data indicates an average reduction of just -1% compared to November, reflecting the market’s resilience despite seasonal changes.

Throughout 2024, the percentage of retailers advertising BEVs over the past six months has steadily increased. Franchise dealers have seen a 20% year-on-year rise, with nearly 50% advertising a BEV. Car supermarkets have shown the most significant growth, with a 29% increase, resulting in 51% advertising BEVs. Independents have also seen progress, with a 10% increase and 15% advertising BEVs during the same period. As the supply of used BEVs is set to grow in the coming years, it is encouraging to see more retailers gaining confidence in stocking and selling this technology.

Attention now turns to January, with many wondering what the New Year will bring. There is a sense of cautious optimism that January will perform in line with expectations, making it essential for retailers to prepare effectively to ensure a strong start to 2025.

In summary, while retail activity has softened seasonally in recent weeks, the market remains surprisingly resilient, with a generally positive sentiment. This resilience is particularly notable given the broader economic challenges anticipated for 2025, including rising operational costs that are placing pressure on profit margins. Despite these challenges, consumer demand has proven exceptionally robust throughout 2024, and there is every reason to believe this momentum will carry into the New Year.

Used car remarketing activity

In line with the retail market, December's wholesale activity has entered the typical seasonal slowdown, with conversion rates and performance against Cap values gradually declining throughout the month. This trend closely mirrors previous Decembers. While some trade buyers remain active, they are highly selective, focusing only on the best fresh stock offered by vendors. Key factors influencing purchasing decisions include vehicles with clean mechanical and cosmetic condition reports, good specifications, provenance, desirable colours, low mileage, and competitive pricing.

Vehicles requiring mechanical repairs or significant cosmetic improvements continue to pose challenges for vendors. Such stock often requires multiple attempts to sell and typically achieves lower returns compared to Cap Clean values. This trend has been consistent throughout the year, emphasising the importance of accurate vehicle assessments to ensure quick and efficient stock turnover.

At the end of November and into early December, some buyers reported opportunities to secure stock in reasonable volumes, allowing them to meet their purchasing needs early and return to the market only as necessary.

As the market approached the week before Christmas, many vendors opted to reduce fresh stock allocations in anticipation of achieving higher returns in January. This resulted in a significant decrease in car sales as market activity slowed down for the holiday season. However, some buyers are expected to stay engaged, actively seeking desirable vehicles through online platforms right after the Christmas bank holidays. Additionally, reports suggest that many buyers have prearranged vehicle collections to ensure that stock is available and ready for display on forecourts or in preparation compounds during the first week of the New Year.

Sold volumes in early December were approximately 10% higher than the same period last year. Many physical, online, and direct marketers reported average conversion rates of around 60%, with some vendors achieving rates in the 80% range. However, these higher conversion rates may have come at the expense of Cap performance. Nevertheless, this points to a strong finish to the year despite the seasonal nature of the market.

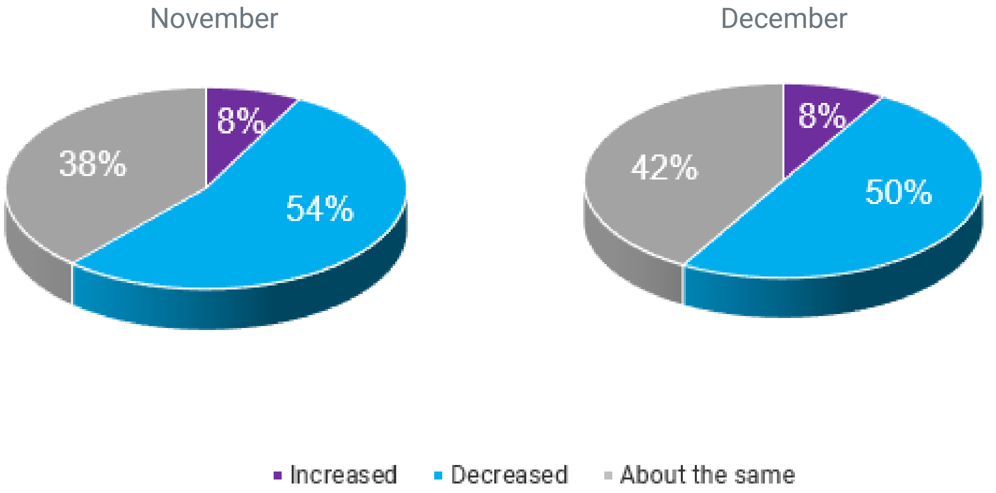
Overall, the wholesale market has demonstrated remarkable resilience throughout 2024. Reduced supply, particularly in the 3 to 5-year-old age profile, combined with consistent consumer demand, has driven this stability. Lower volatility in used car prices has allowed businesses to plan with greater confidence, knowing that vehicles taken into stock will retain their value by the time they are refurbished and ready for sale. Retailers have maintained understocked positions, adopting a "little and often" approach to sourcing vehicles through wholesale channels—a trend that has remained consistent throughout the year.

Car editorial

By cap hpi

Below are the results of December's auction survey:

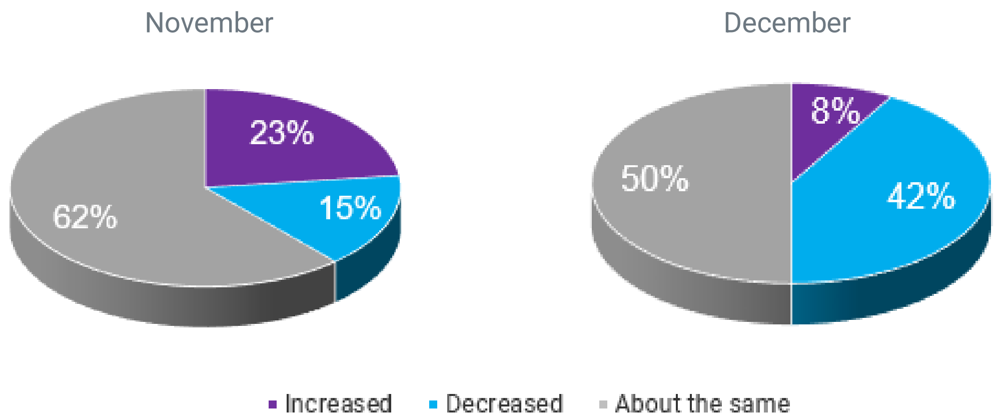
How do your current stock levels compare to last month?



As expected for this time of year, 50% of respondents reported a decrease in stock levels throughout December, continuing a trend observed over the past three months. In the lead-up to Christmas, some vendors opted to reduce allocations of fresh stock, holding back inventory to prepare for a strong start to the new year.

Traditionally, January brings an increase in stock levels. Earlier this year, our survey results indicated that 77% of respondents experienced a rise in stock during the first month of the year, a trend we anticipate seeing again in the coming weeks.

How does your current overall demand compare to last month?

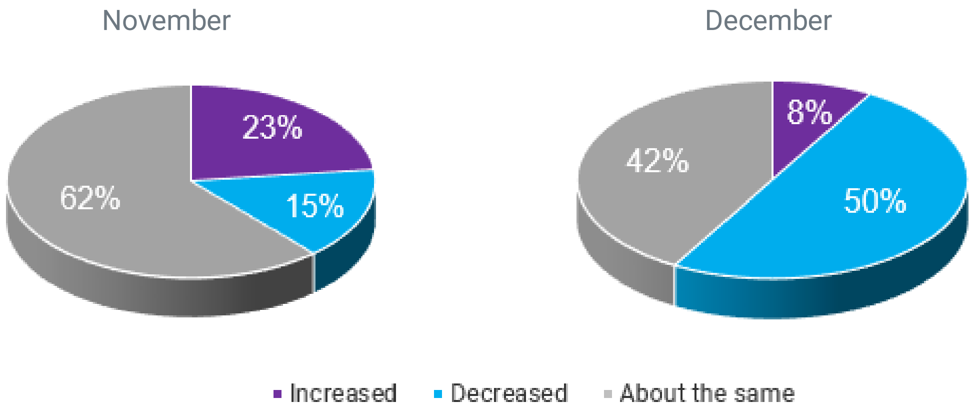


A notable 42% of respondents reported a decrease in demand, a significant rise from the previous month. However, this is not a cause for concern as it reflects the typical seasonal slowdown, with consumers prioritising their spending during the festive season. The proportion of respondents indicating that demand was "about the same" fell to 50%, while just 8% noted an increase compared to November.

Car editorial

By cap hpi

<u>How do your conversion rates compare to last month?</u>



The transition from November to December reveals a noticeable shift in conversion rate dynamics. While November was a relatively strong month, with a higher proportion of businesses reporting increased conversion rates, December has seen a downturn that broadly aligns with seasonal expectations. Many physical, online, and direct marketers reported average conversion rates of around 60%, with some vendors exceeding this and achieving conversion rates in the 80% range. Considering the seasonal context, this performance is viewed positively by many.

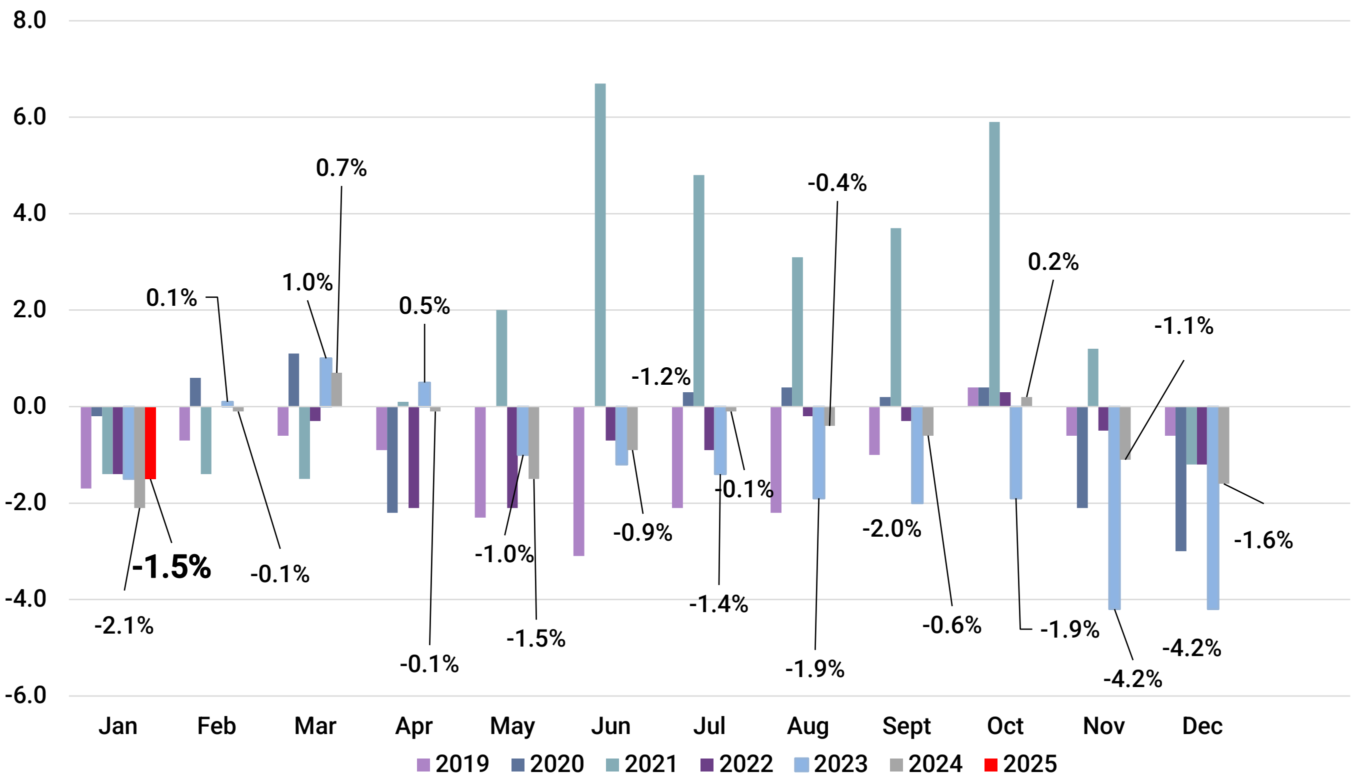
Used cars – trade values

As we approach Christmas and the conclusion of 2024, trading conditions in both the retail and wholesale sectors are characterised by typical seasonal patterns. These conditions have influenced the performance of Cap Live values throughout December. Following trends observed in previous months, values for the benchmark profile of a 3-year-old vehicle with 60,000 miles have recorded an average monthly decrease of 1.5%, equating to approximately £260. Among vehicles at this profile, approximately 60% experienced a reduction in value, 35% remained stable, and 5% saw an increase.

In comparison, this time last year, we reported a drop of 2.1% at the 3-year age point, following two previous months of reductions of 4.2%. This resulted in a cumulative movement of 10.5% over those three months. However, the last three months of this year have demonstrated much greater resilience, despite concerns of a repeat of last year's trends. Fortunately, the cumulative movement for the last quarter of this year stands at a more palatable -4.2%, highlighting the robustness of the market during this period.

The December-to-January movement of -1.5% at 3 years old aligns broadly with seasonal averages since the introduction of Cap Live in 2012. The largest downward movement was recorded in 2015, when values fell by 2.2%, while the strongest performance occurred in 2020, with a minimal reduction of just -0.2%. Over the past 12 years, nine of those years have recorded reductions of 1.4% or more heading into January.

Monthly percentage movements in Live valuations (3-years, 60k miles) – **January 2025 figure depicts December 2024's Cap Live**



At the one-year age point, the average movement stands at -1.3%, equating to a decline of £375. This marks the joint largest monthly decrease at this age point in the past 12 months, matching the reductions observed in May and December. Moving to older age and mileage profiles, values have fared slightly worse. At the five-year point, the average movement was -1.6%, or £190, while at ten years, it was -1.7%, equating to a £70 reduction.

The Coupe Cabriolet sector was the only one to record an increase in values at the three-year point, rising by 0.9%, or £100. This sector's performance was bolstered by the strong results of the Mazda MX-5 RF, which saw a 2% increase, equivalent to £250. Meanwhile, Convertibles, closely linked to this category, experienced a decline of 2.4%, or £370, consistent with the seasonal trends typically observed at this time of year.

At the three-year point, it is surprising to note that City Car and Supermini are the two worst-performing mainstream sectors in terms of percentage, with reductions of 2.4% (£190) and 2.3% (£250) respectively. Despite the expectation that their affordability would limit them from such declines, the ongoing pressure on household budgets and the continued high cost of living have played a role. Nevertheless, both city cars and superminis remain attractive options for buyers looking to downsize or seeking an economical second vehicle, while also providing traders with the opportunity to buy and sell quickly due to their lower tax and running costs. Notable movers in this market include the Ford Fiesta, which has declined by 3% (£250), the Renault Clio with a similar drop of 3% (£269), and the Hyundai i20, which has seen a decline of 4% (£400).

SUVs continue to dominate the market, accounting for one-third of all sales data and rising to 60% for vehicles aged three years or less. As supply remains elevated in some segments, certain models have seen more pronounced declines. Early December data reveals SUV volumes were up 25% compared to the same period last year. At the three-year point, SUVs recorded an average movement of -1.6%, or £300. Large SUVs performed best, with a modest reduction of 0.8% (£115), followed by Medium SUVs at -1.8% (£320) and Small SUVs, which experienced the steepest decline at 1.9% (£220). High supply for Small and Medium SUVs has allowed buyers to remain selective. Notable reductions included the Ford Kuga Hybrid (-3.9%, £680), Hyundai Tucson (-4%, £630), Nissan Qashqai (-4.6%, £700), and Vauxhall Grandland X (-3.7%, £400).

Across other sectors at the three-year point, Lower Medium vehicles saw a reduction of -1.5% (£190), followed by Upper Medium at -1.4% (£270), MPVs at -1.1% (£160), Executive vehicles at -0.9% (£180), Large Executive at -0.7% (£230), and Luxury Executive at -0.1% (£100).

Fuel types showed comparable performances at the three-year point, with petrol vehicles recording the largest decline for the second consecutive month at -1.8% (£270). PHEVs followed at -1.6% (£350), with BEVs next at -1.4% (£280). HEVs and diesel vehicles performed best, both registering declines of -1.2% (£210).

The wholesale BEV market continues to evolve, with encouraging trends throughout 2024 as the market adapts to a shifting landscape. While days to sale have increased on the retail front, auction sales attempts for BEVs are now comparable to other fuel types. This year is set to break records for used BEV sold volumes, marking a 90% increase over 2023 and surpassing the combined totals that we received from 2019 to 2023.

As detailed above, the movement for BEVs at the three-year mark shows a decline of 1.4% (£280). Of all the vehicles we value at this profile, 72% have experienced a decrease in value, 24% have remained stable, and only 4% have increased in value. With supply remaining relatively healthy, we have observed some downward pressure on values. Notable reductions include the Polestar 2 at -5% (£930), the Hyundai Ioniq 5 at -4% (£730), the Tesla Model 3 at -3.9% (£700), and the Tesla Model Y at -3.1% (£775). Among the limited models that did see an increase in value are the BMW i3 at 1.7% (£190) and the Vauxhall Corsa at 0.9% (£70).

In summary, as we near the end of 2024, the used vehicle market has shown typical seasonal trends, with a 1.5% average monthly decrease in values for three-year-old vehicles. However, the market has demonstrated greater resilience compared to last year, and many are hopeful that this positive momentum will carry into the new year. Overall, the current trends suggest a more stable outlook for the market moving forward.

What next?

Last month, our prediction was:

"The average movement from December to January is typically a drop of 1.3% at 3-years-old. Given the steady and consistent performance in the market, we have no reason to believe for anything beyond the usual seasonal decrease in used car values throughout December. In fact, it would not be surprising if we see another month where the adjustments are more favourable than the typical average movement."

The outlook for January, and beyond, is optimistic and largely positive. Low supply will continue to play a key role in maintaining healthy competition and demand for used car stock, while projected consumer demand remains encouraging. Historically, the average monthly movement from January into February has been a -0.2% drop since the introduction of Cap Live in 2012. For January's Cap Live movements leading into February's monthly guide, we anticipate results to closely align with this average—potentially leaning toward a slightly stronger outcome. Dare we say, there is even a possibility of a small positive movement at the 3-year-old age point.

In comparison, last year's movement stood at -0.1%, a marginally stronger result than the long-term average. However, it's important to remember that this followed the significant market correction during Q4 2023, where values declined by approximately -10.5%.

2024 has been a successful year for both vendors and retailers. Reduced used car stock volumes returning to the market, combined with healthy retail consumer demand, have underpinned market stability. At this stage, there is no reason to believe that the first quarter of 2025 will differ significantly in terms of demand and overall stability.

As always, Cap Live remains a vital tool for monitoring the market in real-time and continues to be essential when making informed buying or selling decisions.

Finally, we would like to take this opportunity to wish all our customers a very Merry Christmas and a happy, prosperous 2025!

Current used valuations January 2025 - average value movements

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
City Car	(2.1%)	(2.4%)	(2.3%)	(2.9%)
Supermini	(1.6%)	(2.3%)	(2.2%)	(1.7%)
Lower Medium	(1.5%)	(1.5%)	(1.5%)	(1.7%)
Upper Medium	(1.4%)	(1.4%)	(1.5%)	(1.9%)
Executive	(0.9%)	(0.9%)	(1.6%)	(1.3%)
Large Executive	(0.8%)	(0.7%)	(0.6%)	(1.4%)
MPV	(0.7%)	(1.1%)	(1.5%)	(2.0%)
SUV	(1.4%)	(1.6%)	(1.8%)	(1.4%)
Convertible	(1.3%)	(2.4%)	(1.6%)	(1.2%)
Coupe Cabriolet	2.3%	0.9%	(0.1%)	(1.3%)
Sports	(0.8%)	(0.9%)	(0.9%)	(0.6%)
Luxury Executive	(0.1%)	(0.1%)	(0.1%)	(0.3%)
Supercar	(0.3%)	(0.2%)	(0.1%)	0.8%
Overall Avg Book Movement	**(1.3%)**	**(1.5%)**	**(1.6%)**	**(1.7%)**

( ) Denotes negative percentages

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
MPV Small		1.6%	(0.8%)	(1.3%)
MPV Medium	(0.8%)	(1.4%)	(1.5%)	(2.2%)
MPV Large	(0.6%)	(0.8%)	(1.5%)	(1.9%)
SUV Small	(2.1%)	(1.9%)	(1.6%)	(1.5%)
SUV Medium	(1.6%)	(1.8%)	(2.1%)	(1.6%)
SUV Large	(0.8%)	(0.8%)	(1.0%)	(0.9%)

( ) Denotes negative percentages

Car editorial

By cap hpi

Notable Movers 1-yr 20k

	MIN £	MAX £	AVG £
AUDI Q5 (16-) DIESEL	(800)	(600)	(682)
BMW 5 SERIES (16-24)	(1,700)	(1,000)	(1,218)
FIAT 500 (15-)	(400)	(225)	(357)
MAZDA CX-5 (17-)	(1,100)	(750)	(931)
MAZDA MX-5 (15-)	550	700	630
TESLA MODEL 3	(1,050)	(950)	(1,000)
VAUXHALL CORSA (19-) ELECTRIC	100	150	121
VOLKSWAGEN TIGUAN (16-24) DIESEL	(600)	(450)	(550)
VOLKSWAGEN T-ROC (17-) Diesel	250	450	300
VOLVO XC90 (14-) HYBRID	(2,000)	(1,900)	(1,950)

( ) Denotes negative value

Notable Movers 3-yr 60k

	MIN £	MAX £	AVG £
BMW I3 (13-22)	150	200	190
BMW X3 (17-) DIESEL	200	300	250
FIAT 500C (09-)	(300)	(250)	(272)
FORD FIESTA (17-22)	(350)	(50)	(253)
KIA SPORTAGE (15-22) DIESEL	(750)	(600)	(666)
LAND ROVER DISCOVERY (16-) DIESEL	(800)	(300)	(570)
SKODA KODIAQ (16-24) DIESEL	(1,550)	(200)	(754)
VAUXHALL MOKKA (20-) Electric	(200)	(200)	(200)
VOLKSWAGEN TOURAN (15-22) DIESEL	(400)	(350)	(362)
VOLVO XC90 (14-) HYBRID	(1,300)	(1,150)	(1,233)

( ) Denotes negative value