

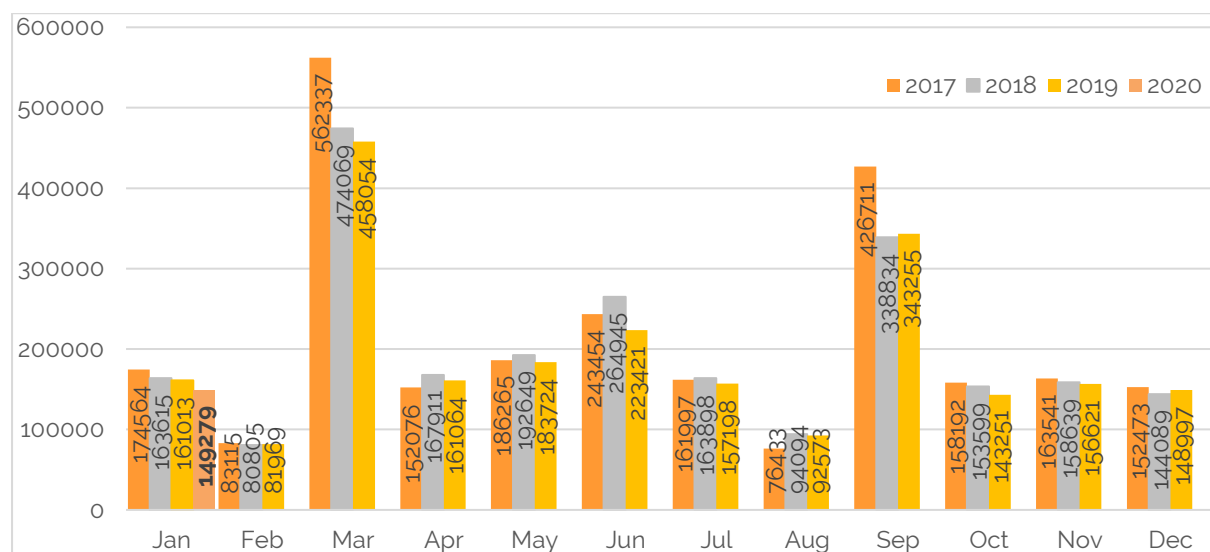
March 2020

# Car Market Overview

## New Car Sales

According to figures reported by the SMMT, 149,279 cars were registered in January 2020, a reduction of -7.3% or -11,734 fewer vehicles when compared to the same month last year. Private registrations also declined by -13.9% or -9,969 units when also comparing to January 2019. Fleet registrations were also down by -2.2% but business registrations actually saw a small increase of +4.2%.

The Ford Fiesta and Ford Focus were the two best selling cars, closely followed by the Nissan Qashqai, Vauxhall Corsa and Volkswagen Golf.



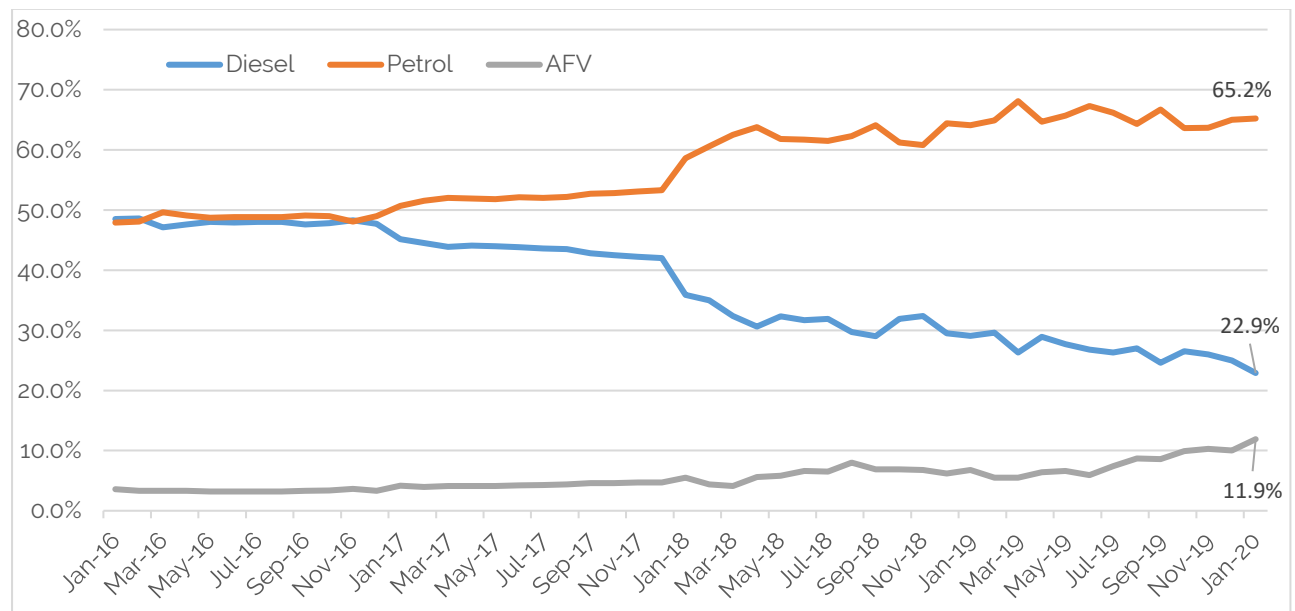
Source: SMMT

Registrations of diesel-powered cars continued to wane following the trend we have witnessed in recent years. January 2020 saw 34,196 diesels being registered compared to 46,823 in January 2019, a reduction of -27.0% or -12,627 units - please note, mild hybrids have been included in these figures as we do not class these as alternatively-fuelled vehicles. 65% of all vehicles that had been registered in the first month of 2020 were petrol powered, although volumes have reduced by -6% compared to the same period last year.

Hybrid Electric Vehicles (HEV's) were up +20.6% or +8,941 units and Plug-in Hybrids (PHEV's) also posted an increase of +111.1% or +2,520 units, compared to January 2019. The popularity of Battery Electric Vehicles (BEV) continued to strengthen as 4,054 units were registered in the first month of 2020, an increase of +203.9%. 2020 should see volumes of alternatively fuelled vehicles (AFV's) increase as consumers look to switch to greener alternatives, due to attractive benefit in kind rates (BIK) for company car drivers, lower national insurance contributions for employers, the introductions of clean air zones (CAZ's) around the UK, and manufacturers requirements to register larger volumes AFV's as they seek to avoid punitive CAFE targets. In addition to this, with the Government announcing their plan to ban sales of internal combustion engines (ICE)

and hybrid vehicles in 2035, this should increase the demand and desirability of electric vehicles to the general public/retail consumer.

The following chart shows the share of the market in each month since the start of 2016, illustrating that petrol cars remain the dominant fuel-type, despite the rise of alternatively-fuelled cars.



Source: SMMT

The start of the year witnessed -9.17% or 1,333 fewer daily rental vehicles registered compared to January 2019 however, the devil as always is in the detail. Ford and Nissan make up the top two spots for vehicles sold in this channel, with both increasing their volumes over the same period last year. According to the SMMT the Nissan Qashqai was the most registered short cycle vehicle in January 2020. Interestingly the volumes already registered year to date for the Qashqai make up 41% of the total volume sold through this channel in the whole of 2019.

### Used Car Retail Activity

February has picked up where January left off with most used car retailers reporting that business has been good with demand remaining high and largely unchanged from last month, which maybe somewhat surprising given the recent inclement weather causing much disruption across the country. With this continuation of high retail demand, the biggest challenges that most retailers currently face are not just sourcing/replenishing sold stock levels, but also trying to retain workable profit margins whilst remaining price competitive. With current trade demand outstripping supply, along with continued strengthening of pricing throughout the month, this has only compounded this issue further. Many retailers are reporting that margin compression is still one of their biggest concerns this year, especially if retail advertised pricing is not increasing in line with current trade and wholesale pricing.

This will be very interesting to see how this plays out longer term and how used car retailers adjust and overcome these ongoing challenges.

### Used Car Remarketing Activity

February has recorded yet another strong month for remarketers with both the trade and wholesale markets continuing to perform well and returning high results in terms of cap performance and sales conversions. This is not unusual to hear at this time of year, and with a general fall in stock inventories across the market place (in the build up to March plate) and the consistently high level of retail demand from so early on in the year, this has further intensified current trading conditions and has led to an extremely vibrant market place.

Auctions halls across the UK have again been awash with buyers this month and competition for stock has been extremely hot. It has been reported that some buyers have now been forced to travel much further afield just to ensure that their 'nets' have been cast as wide possible to increase their chances of buying much needed stock. Car supermarket and independent buyers have generally led the race to the auction halls, but it is also the franchise dealer buyers that are still out in the market and in the hunt for used car stock. Usually at this time of year they tend to hold back and wait for part exchange volumes to filter through, following any new car deals that may have been done. So, March may not deliver this much needed source of used car stock, due to the challenges currently being witnessed within the private new car sector coupled with supply issues facing some manufacturers. This has resulted in some franchised buyers still having to remain active within the wholesale market, which in turn is adding even more competition within the overall market place and at a time when historically the supermarkets and independents have had it more their own way.

Overall, Lease Contract Hire auction cap performance is being reported as being from 98% to often exceeding cap clean, and sales conversions averaging anything from 80%'s to even up as high as 100%'s for some vendors.

Wholesale 'desk' sales activity has also been reported as being very strong with a number of operators saying the market has continued to strengthen throughout the month with no signs of slowing just yet. One wholesaler has even reported that this is the strongest February they have witnessed since 2009!

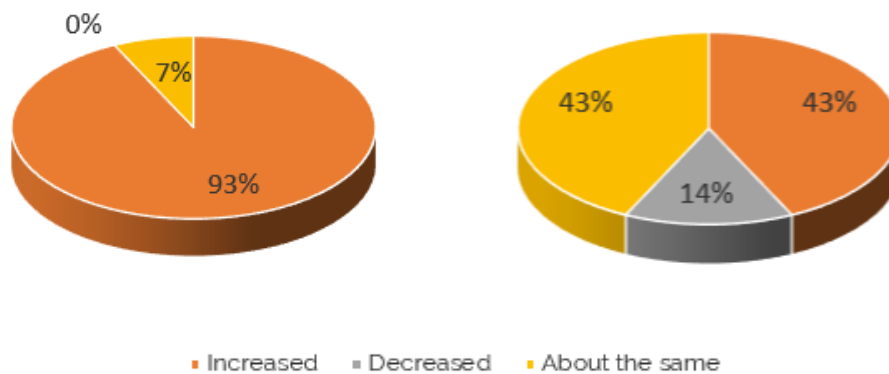
Undoubtedly this will be a very happy time for most auction and wholesale vendors due to being very much a sellers' market!

The February cap hpi auction survey backs up the latest sentiment in the market place.

### How does trade demand compare to the previous month?

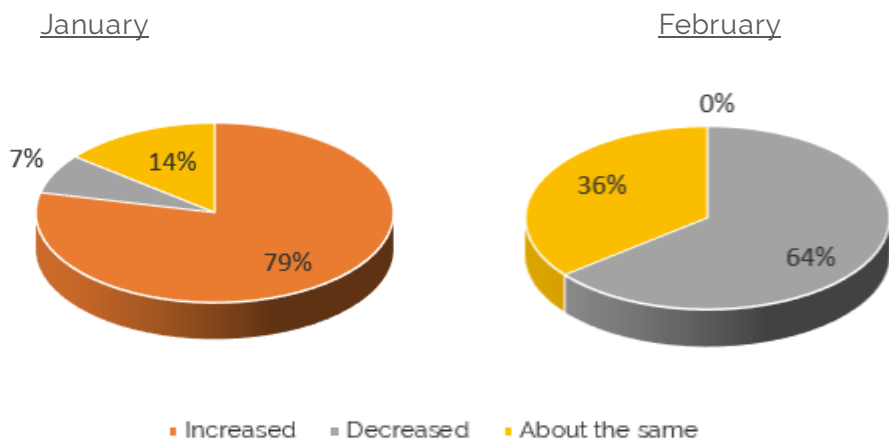
January

February



Trade demand in the auction halls has remained very strong during the month, with only 14% of respondents saying that demand had decreased, with the remaining respondents split at 43% each or 50/50. Given that 93% said that demand had increased in January, it is safe to assume that 43% respondents reporting demand as "About the same" would still indicate that demand is still high.

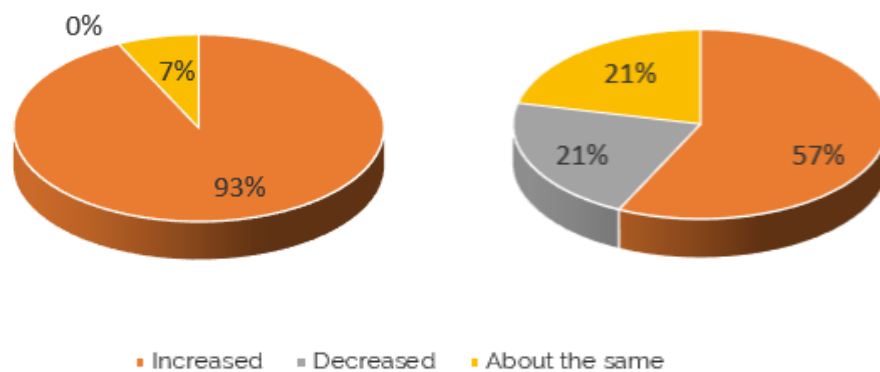
#### How do your current stock levels compare to the previous month?



Stock levels have decreased for 64% of the respondents in February and a further 36% saying it had remained the same with no one reporting any increase in volumes. As we move into March it will very interesting to see when or if stock levels will rise significantly given the current new car supply challenges that some manufacturers are facing.

#### How do conversion rates compare to the previous month?

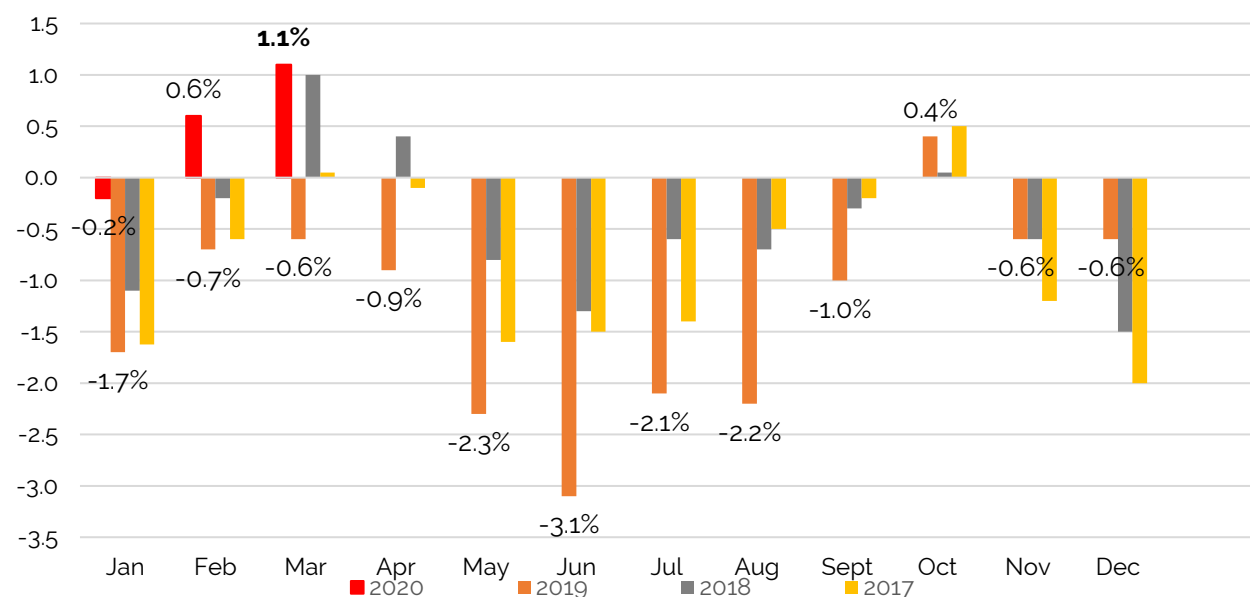
January February



57% of respondents said that conversion rates had increased during the month which again is no surprise given the overall sentiment detailed within this summary.

### Used Cars – Trade Values

Over the last 5 years, prices in the month of February have generally held up well seeing an average movement of +0.2%. Monthly subscribers in March will see an average movement of +1.1% at the 3yr 60k point across all sectors. This overall movement records another strong month for used cars and is a record for March since the introduction of cap Live back in 2012.



Only 5 sectors have witnessed overall reductions this month at the 3yr 60k points – these are Executive -0.1%, Large Executive -1.4%, Luxury Executive -0.6%, Sports -0.8% and Supercar -0.9%.

Particular strength has again been witnessed within the small to medium sized car sectors during the month, with average upward moves for City Car +3.3% or +£163, Supermini +1.8% or +£116 and Lower Medium +1.2% or +£102 at the 3yr 60k points. These vehicles remain very desirable and highly sought after at the right age and price points (sub £10,000-£12,000) and offer real value for money to the retail consumer.

Supermini - strength within this sector has continued as small petrol engine vehicles that hit an attractive price point remain highly desirable. Again, like in previous months, demand for vehicles aged 3 years and above was strong, while nearly new cars came under the most pressure. Top performers were: - BMW Mini Cooper S (18-) +5.1%, Dacia Sandero (13-) +1.3% and Ford Fiesta (08-17) +2.0%

City Cars also continued to see an overall lift in values during February. The popularity of these vehicles fit in well with the current market and dealers are keen to remain stocked up with this price point product. This sector has now seen a lift from December 2019 to February 2020 at the 3yr 60k point of 4.9%. The lift going into March is 3.3% at the 3yr 60k point. Although many models saw positive moves in values, the larger lifts were for Citroen C1 (14- ), Peugeot 108 (14- ), Skoda Citigo (12-19), Smart ForFour (14-19), Toyota Aygo (14-18) and VW Up (12- ). The lift for these models was often up 4-5%, in monetary terms this equates to around £160 to £230.

Executive - sector values for Executive cars remained under pressure although not to the same levels we have witnessed in previous months. Big ticket items across this sector remain a challenge due to the higher price points. There had also been some evidence of pre-registration within our trade data feeds by some manufactures which has impacted some late and low values. Towards the end of the month we did start to see a slight upturn in the performance of this sector with some values starting to see an increase, these were: - BMW 5 Series (16-) Diesel +1% and Merc E Class (18-) Diesel +2.1%

Electric - late plated electric vehicle product have seen the most pressure within this sector during the month, as they can still look expensive when entering the wholesale market, coupled with strong offers on nearly new cars with limited mileage has impacted used values. Late plate values for the Audi E-Tron (18-), Hyundai Ioniq (19-) and Nissan Leaf (17-) all moved back in the month. Strong demand has again been witnessed for older electric vehicles with values for some of the mainstream models moving up. As disposal volumes reduced, especially around vehicles registered in 2017 for the Nissan Leaf (10-18), values have recovered resulting in a positive movement. In addition, values have increased for some of the more niche products that sit within this sector, examples of these are the Nissan ENV200 (14-), Smart FORFOUR (17-19) and Smart FORTWO CABRIOLET (17-)

SUV - overall this sector has performed well and at the 3yr 60k point the movement is +1.1%. Split this into Small (+0.6%), Medium (+1.4%) and Large (-0.4%) then it is a slightly mixed picture. Small SUV's have seen a slight increase in values overall, but medium sized SUV's are clearly most desired within the whole sector, and competition for this size of vehicle has been strong throughout the month. Larger vehicles within this sector have witnessed some significant reductions in value in recent months, but some green shoots of recovery have been evident and although overall larger premium models have moved down, it's not by the same amount as we have seen in previous months.

Upper Medium – this month has been mixed but has remained flat overall. There were some current models that continued to see values drop throughout February and 2020, often down to price, volume or desirability. Alfa Romeo Giulia (16- ) diesel and petrol, BMW 4 Series Coupe (13- ) diesel and petrol and BMW 4 Series Gran Coupe (14- ) could be included in this. The positives during February for the Upper Medium sector was that many cars remained level, maintaining their popularity and some models saw a lift in values. The models lifting significantly more than the overall averages included Ford Mondeo (14-19) diesel, Hyundai i40 (11- ) diesel, Vauxhall Insignia (13-18) diesel and Vauxhall Insignia (13-17) petrol. All models that can be included in the 'popular, price range' bracket.

## What Next?

As we move into March, we are unlikely to initially see any significant increase in return volumes, and if supply and retail demand remains at current levels, then we could see another stable and possibly positive month for used cars.

As the industry turns its attention to the ever-important new car sales month of March, will we see the high registration volumes posted historically? Although this is unlikely, there still could be a small push in March as some manufacturers try to ensure they keep their share of the market. Supply chains of parts and batteries for Alternative Fuelled Vehicles from China could also play a part in lower volumes of vehicles being registered in March, due to some factories being on shut down following the outbreak of Coronavirus.

Historically, the used car market in March is generally a stable one with values only moving down -0.1% since 2015, although 2019's reduction of -0.9% does distort the overall average, with 2019 removed the average move is actually positive at +0.1%.

As ever, the focus on the detail within cap hpi trade and retail valuations is more important than ever, as due to the amount of data we receive and analyse from a variety of sources, our accuracy within our Live products is second to none and customers with Live will be able to monitor and track valuations in true real time through the month.

## Current Used Valuations March 2020 - Average Value Movements

	1 YR/10K	3 YR/60K	5 YR/80K
CITY CAR	3.0%	3.3%	2.7%
SUPERMINI	1.8%	1.8%	1.1%
LOWER MEDIUM	0.7%	1.2%	1.2%
UPPER MEDIUM	(0.4%)	0.0%	(0.1%)
EXECUTIVE	(0.5%)	0.0%	0.1%
LARGE EXECUTIVE	(1.7%)	(1.4%)	(0.7%)
MPV	0.6%	0.8%	0.9%
SUV	0.3%	1.1%	1.1%
ELECTRIC	0.0%	0.5%	0.7%
CONVERTIBLE	0.8%	2.1%	0.7%
COUPE CABRIOLET	0.0%	0.2%	0.0%
SPORTS	(0.6%)	(0.8%)	(1.0%)
LUXURY EXECUTIVE	(0.3%)	(0.6%)	(0.5%)
SUPERCAR	(0.8%)	(0.9%)	(1.1%)
OVERALL AVG BOOK MOVEMENT	0.4%	1.1%	0.8%

( ) Denotes negative percentages



### Notable Movers 1-yr 20k

GENERATION NAME	MIN £	MAX £	AVG £
AUDI A3 (12-19) DIESEL	250	450	355
BMW 1 SERIES (11-19)	200	250	212
BMW 4 SERIES COUPE (13- ) DIESEL	-500	-300	-391
FORD FOCUS (11-18)	200	500	339
NISSAN QASHQAI (13-18) DIESEL	100	300	193
PEUGEOT PARTNER TEPEE (08-18) DIESEL	-250	-200	-210
TOYOTA AYGO (14-18)	175	375	295
VAUXHALL CORSA (14-20)	225	475	330
VOLKSWAGEN GOLF (13- )	-800	-300	-495
VOLVO V40 (12-19) DIESEL	350	450	384

### Notable Movers 3-yr 60k

GENERATION NAME	MIN £	MAX £	AVG £
AUDI TT (14-19)	-800	-500	-610
BMW 4 SERIES GRAN COUPE (14- ) DIESEL	-200	-100	-139
HYUNDAI I20 (14-18)	175	300	231
MERC E CLASS (13-16) DIESEL	-200	-100	-166
NISSAN JUKE (10- )	225	300	245
PEUGEOT 108 (14- )	125	200	172
TOYOTA AURIS (12-19) HYBRID	200	300	231
VAUXHALL ASTRA (15-20)	225	425	291
VAUXHALL CORSA (14-20)	150	325	224
VOLKSWAGEN UP (12- )	150	300	227