

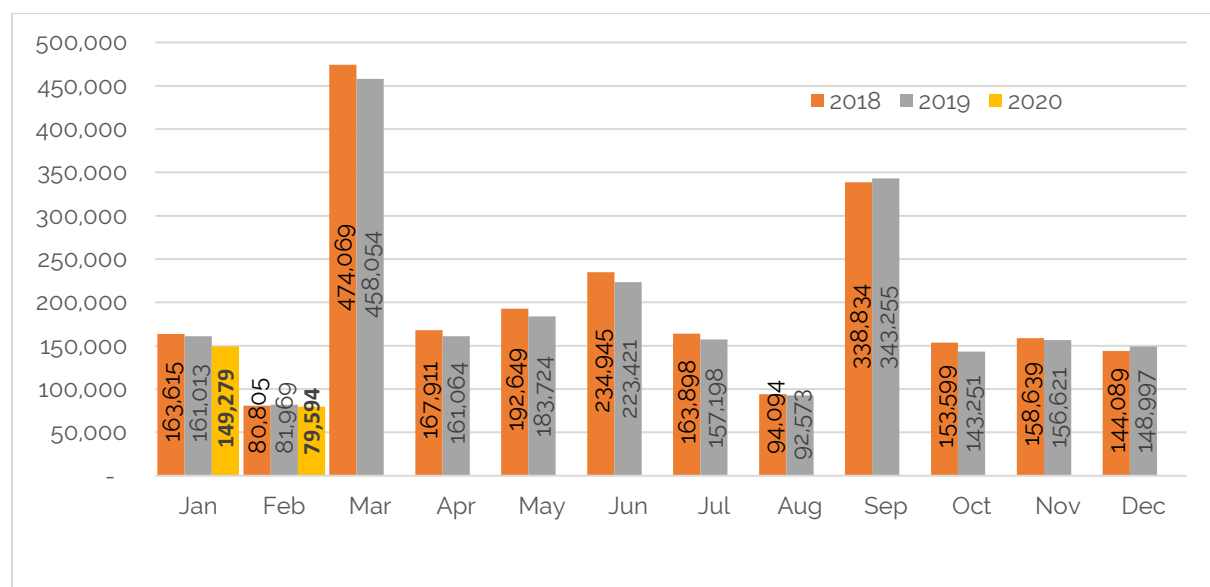
April 2020

Car Market Overview

In these unprecedented and worrying times of the COVID-19 pandemic, we remain committed to keeping the industry updated on the car market. In this overview, we will advise you of the state of the new car market to the end of February and the used car market at the time of writing. The landscape has shifted significantly over the second half of the month, changing daily. All information is correct as of 26th March.

New Car Sales

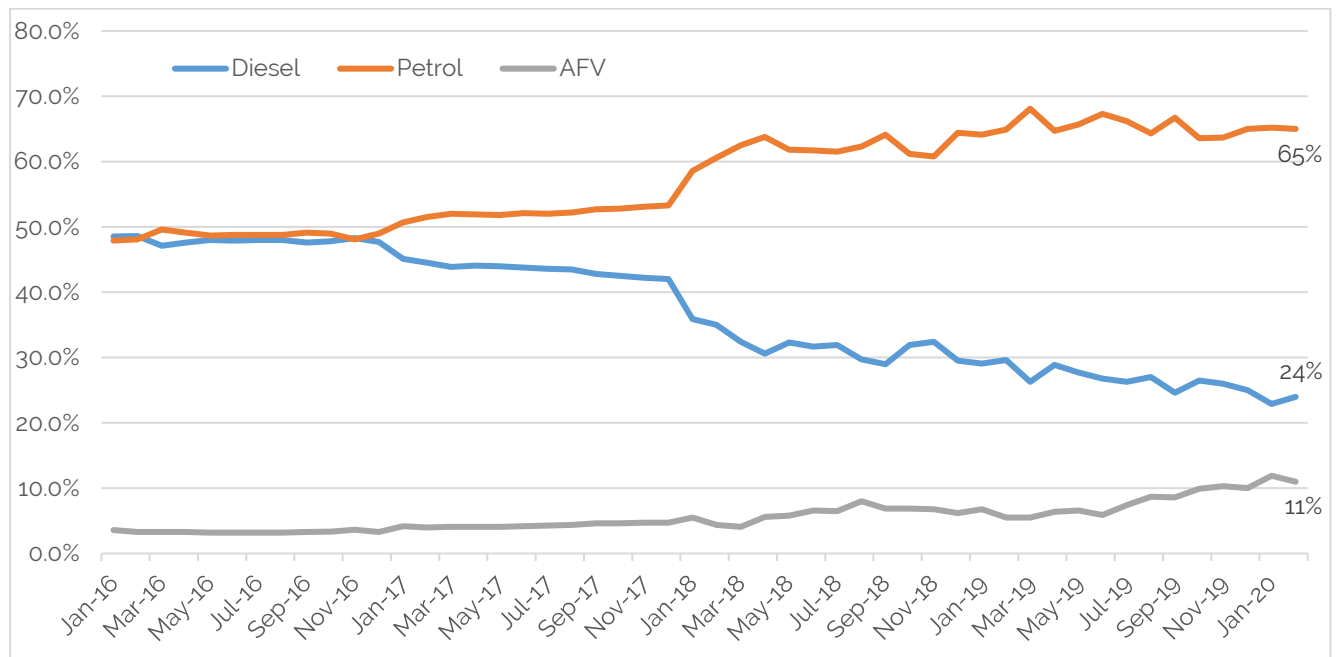
It feels like a long time ago now, but registration statistics from the SMMT reported that February 2020 ended 2.9% down on the same month last year, with 79,594 cars registered compared to 81,969. Year-to-date, the market was down 5.8%, with 228,873 cars registered compared to 242,982 in the same period last year. Private sales have been the worst affected, down 11.7% year-to-date, driven by weak consumer confidence even prior to the COVID-19 crisis.



Source: SMMT

Demand for diesel cars fell again and these are already down 25% year-to-date, with petrol cars down 5%. Mild hybrid cars are included in both of these figures. Alternatively-fuelled cars continue to grow in popularity, however, with battery electric vehicles (BEV) up 218%, plug-in hybrid vehicles (PHEV) up 88% and hybrid electric vehicles (HEV) up 33.5% for the year so far.

The following graph shows the market share of registrations by month for petrol, diesel and alternatively-fuelled cars:



Source: SMMT

February is one of the lowest volume months for daily rental registrations, with 8,180 registrations this time around, according to the SMMT; an increase of 12% over the same month last year. Mercedes-Benz registered almost 20% of these cars, an interesting move a month before the plate change, as cars registered in March on the "20" plate would return a higher residual value.

Year-to-date to the end of February, the daily rental market was tracking a minimal 2% down, the largest volume individual carlines being the Nissan Qashqai, Ford Fiesta, Vauxhall Corsa and Ford Focus. Of course, March is the month where the highest volumes are traditionally registered, as rental companies require cars for Easter and the summer, whilst manufacturers aim to maximise their registrations and market share in the new plate month.

Unfortunately, due to the consequences of the pandemic, the market in March has shifted dramatically and both supply and demand issues will affect registration volumes.

Used Car Retail Activity

Again, it feels like a long time ago now, but the start of March was buoyant for many car retailers. Carrying on from the previous two months, footfall on the forecourts was healthy as was online activity. With cap hpi trade values having increased by 1.7% on average since the start of January, the biggest issue for dealers was maintaining their margins as retail transaction prices remained steady – the difficulty was pushing price increases onto the consumer. During the first week of March, the shadow of COVID-19 was largely still to appear over retail forecourts, despite what was happening in China and Italy at the time. During the second week (commencing 9th), the shadow started to creep over the industry.

There was a sea change in the market mid-month, with retail demand affected over the weekend of 14th/15th as the country accelerated in its realisation of the seriousness of

the situation. From Monday 16th, when the government introduced daily updates and with them measures to counter the spread of the virus, retail demand took a dramatic downturn. Enquiry levels dropped to around half where they had been the previous week and many appointments were cancelled.

Our retail advertised data showed that there was little effect on retail advertised prices at this stage, with the feeling being that it was not prices keeping consumers away.

The situation in the country changed daily from the 16th, with consumer footfall at car retail sites dropping off steadily as the public were urged to limit social contact. The weekend of the 21st/22nd saw further declines, with reports of sales rates down around 60-70% from where they should have been in more normal times. Although these volumes of sales were nowhere near where retailers would have liked, they were still reasonably high considering consumers were being urged to shop for essentials only – obviously, a car purchase would have been seen as this for some.

The evening of 23rd March will be remembered by most who witnessed it for years to come. The British Prime Minister, Boris Johnson, announced what amounted to a lockdown, with all non-essential businesses forced to close. This included car showrooms, indeed many had already taken this decision before it was taken out of their hands, in an effort to protect their employees and customers. Whilst online activity remained for many, this lockdown still had an immediate effect on the industry.

Results from retail advertised pricing analysis on the 25th March, still showed there had been no discernible movement. For the same reasons as a week earlier – reducing prices would not stimulate the market; consumers are not staying away due to prices.

Used Car Remarketing Activity

Unsurprisingly, the car remarketing industry followed a similar pattern to that of retail.

During week commencing 2nd March, footfall in the auction halls was generally high, following on from a healthy February. Buyers were still active, although franchise dealers were noticeable by their absence as they focussed on the new car market. It was business as usual, with the market stronger than at the same point in previous years.

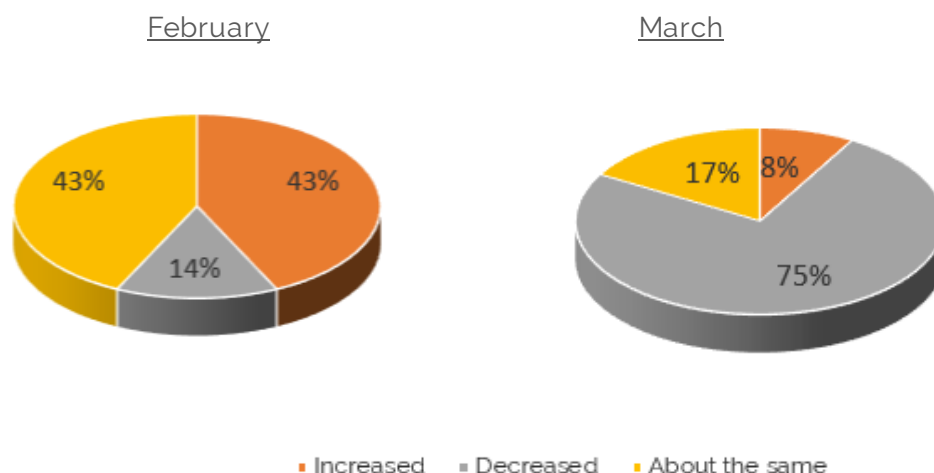
From the 9th March, footfall started to decline and the first signs of the effect of the coronavirus were felt on demand, although some of this decline could also be put down to seasonality – demand does tend to drop the further into March you go and the declines continue into April. At this stage, however, the market was still healthy.

From the 16th March, attendance levels and conversion rates dropped dramatically. With the retail market declining rapidly and many buyers taking the responsible approach to stay away. Many introduced buying bans at this point and activity dropped markedly. Conversion rates dropped to around 20-30%, whereas a week earlier they had been as high as 70% on average.

Needless to say, as demand dropped and supply did not, prices were very quickly adversely affected.

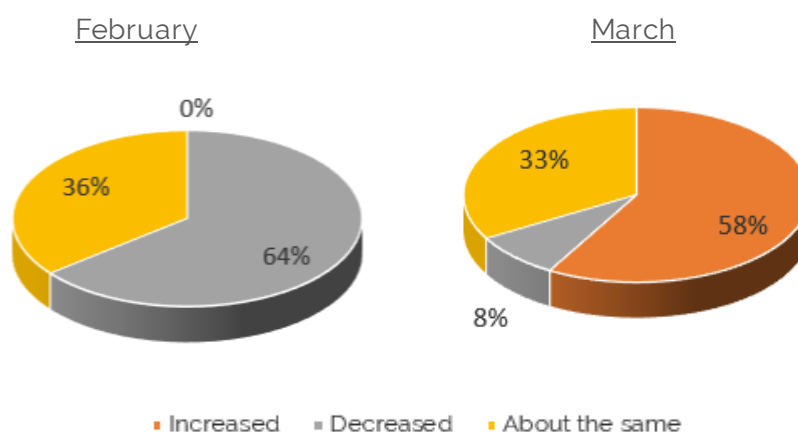
Here are the results of the cap hpi auction survey – a big thank you to the respondents who have taken the time to complete this when there are so many urgent priorities for them to contend with.

How does trade demand compare to the previous month?



Demand for product has reduced for the vast majority, as expected. Surprisingly, not all respondents stated "decreased". This points to those specialising at the lower end of the market, with regards to price. Reports have suggested that consumers are acquiring vehicles at low price points, of sub £3,000, to avoid public transport.

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

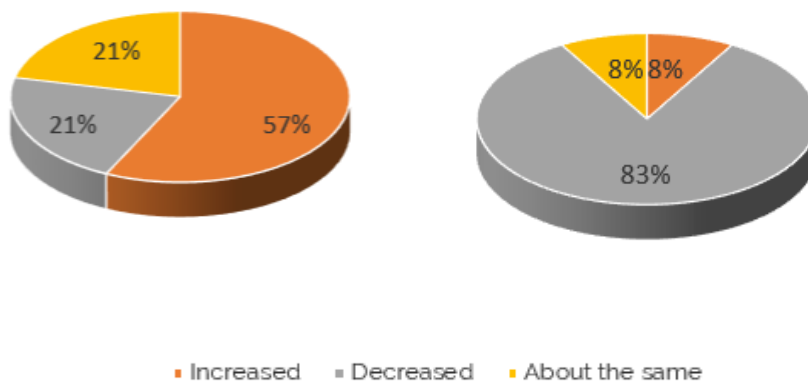


During February, stock levels decreased for the majority. In March, as expected, stock levels returned to higher levels, off the back of part-exchanges and fleet returns from March plate change activity.

How do conversion rates compare to the previous month?

February

March



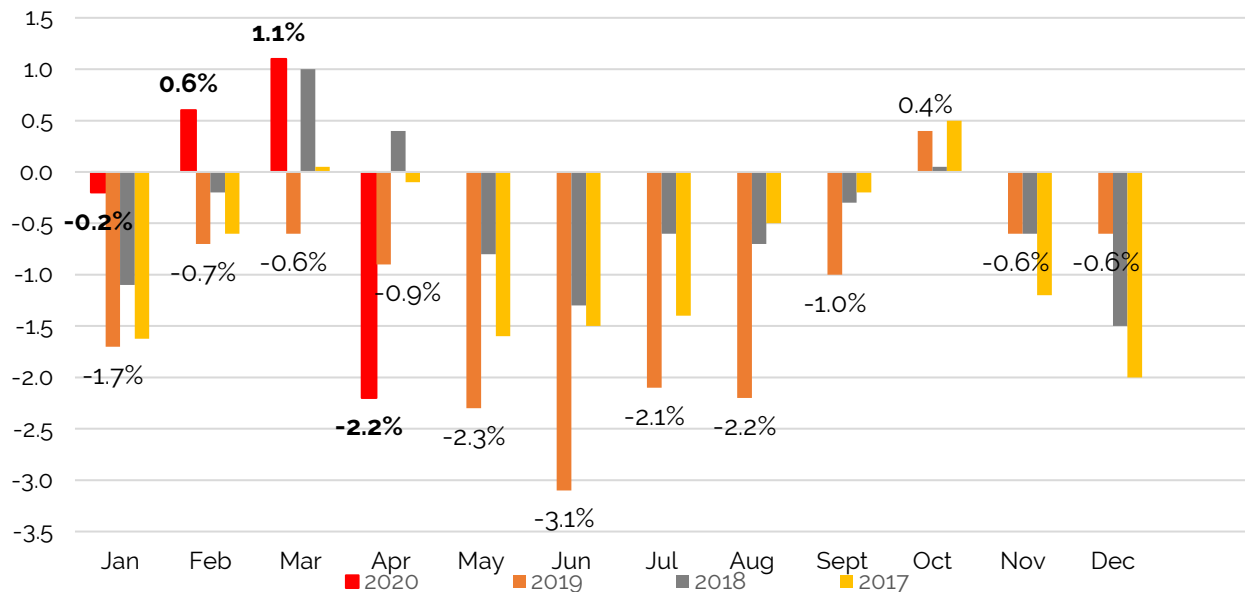
As with the question regarding demand, the vast majority of auction companies reported conversion rates dropping. This would likely to have been the case without the current crisis, as volumes increased, but has without doubt been exacerbated by it.

Used Cars – Trade Values

Trade values in our Live valuations in March were tracking at a -0.3% movement from the previous month by Friday, 13th – reasonably healthy, especially considering values had been going up for the previous two months.

However, in line with retail and trade demand, there was a dramatic effect on used car prices from Monday, 16th. As our data sources illustrated, cars were still selling but in lower numbers – trade data volumes for cars sold on this date were 17% lower than on the previous two Mondays. The quantity of cars sold on Friday 20th was 23% lower than on Friday, 6th and 19% lower than on Friday, 13th; this was still more than enough data for prices to be reflective of the market, however.

The total cumulative Live movement during March, leading to April's monthly values, was an average drop of 2.2% (-£275) at the 3-year, 60,000 mile point, the majority of which happened in the final 10-days of valuing. For newer used cars, the drop was 1.8% (-£425) at the 1-year, 20,000 mile point. Our final day of valuing, before we cut off for the monthly product, was the day after the Prime Minister's announcement of non-essential retail sites closing and informing the public to stay at home, so reflecting pricing movements on Monday 23rd.



In effect, what this average movement has done is reverse the increases, of 1.7%, made this year, minus a further 0.5% (the -0.2% figure for January on the graph is reflecting the market in December 2019 so not included in this calculation).

As would be expected, all of the main sectors have been affected by this decrease in values, as illustrated by the sold trade data. The niche sectors of convertibles and coupe cabriolets, where evidence was lower, have been slightly less affected in percentage terms.

Rest assured, the movements that have been made in March have been reflective and not an over-reaction to feedback or industry "noise". We are aware of reductions by some online car purchasing sites and some remarketers, but our adjustments have been purely as a result of used car transactional data.

What Next?

In the short-term it is clear that both used and new car sold volumes will reduce significantly – we have already witnessed this in the immediate aftermath of the country lockdown.

During this time, cap hpi will be analysing the data as always, but not adjusting used values whilst there is insufficient data. In effect, if vehicles are not selling in quantities anywhere close to normal, we will not be adjusting. No overall market adjustments will be made based off historical data or opinion; outliers and unrepresentative sample sizes will not be reflected. We will be closely tracking retail volumes and prices, but not adjusting any trade values from these.

We feel this is the sensible approach in these unprecedented times – we always have a duty to reflect the market, but at the present time there is not enough of a market to do so accurately.

It is not easy to predict what will happen to the market next. Government support will help, but still these are tough times for the industry, country and indeed world. Factories are temporarily closed so cars are not being produced to any degree in Europe, showrooms are closed and consumers are not buying. All we can hope is that

with sensible public compliance to the government's measures, the country starts to return to normality in a reasonably short period of time.

The situation does seem to change on a daily basis, and we have not yet reached the peak of infections in the UK, so it would be almost irresponsible to predict too much. However, China, where the pandemic started, is slowly emerging from its shutdowns by restarting production at factories and resuming some flights. People are returning to work.

When the car industry does return to anywhere close to normality, there is the likelihood of some pent-up demand, and a shortage of new cars, both which could well be positive for prices of used cars. However, it is likely that consumers will be prudent with their money and some will have lost employment or been on reduced income.

Short-term valuation forecasts are predicting no change to values in the next 3-months. Long-term forecasts have not been adjusted, as more evidence is required and we do not make "knee-jerk" reactions.

Cap hpi editors are available to provide insight into what is happening in the car market during this time. Please contact us should you wish to do so. We encourage you to reach out if there is anything we can assist with in the coming days, and weeks. We remain committed to partnering with you to serve you and your customers.

Please keep safe.

Current Used Valuations April 2020 - Average Value Movements

	1 YR/10K	3 YR/60K	5 YR/80K
CITY CAR	(2.5%)	(2.5%)	(2.7%)
SUPERMINI	(1.8%)	(2.7%)	(2.8%)
LOWER MEDIUM	(2.1%)	(2.5%)	(2.3%)
UPPER MEDIUM	(2.1%)	(2.6%)	(2.7%)
EXECUTIVE	(1.8%)	(2.3%)	(3.2%)
LARGE EXECUTIVE	(3.2%)	(3.3%)	(2.8%)
MPV	(1.2%)	(1.3%)	(1.2%)
SUV	(1.6%)	(2.0%)	(2.5%)
ELECTRIC	(0.9%)	(1.2%)	(1.6%)
CONVERTIBLE	(1.0%)	(0.9%)	(0.6%)
COUPE CABRIOLET	(0.1%)	0.2%	0.6%
SPORTS	(2.2%)	(2.2%)	(2.1%)
LUXURY EXECUTIVE	(-2.0%)	(2.8%)	(3.1%)
SUPERCAR	(-2.9%)	(2.7%)	(2.1%)
OVERALL AVG BOOK MOVEMENT	(1.8%)	(2.2%)	(2.3%)

() Denotes negative percentages

Used Car Values April 2020 - Average Value Movements by Size

	1 YR/10K	3 YR/60K	5 YR/80K
MPV Small	(1.3%)	(1.2%)	(1.0%)
MPV Medium	(1.1%)	(1.2%)	(1.2%)
MPV Large	(1.3%)	(1.5%)	(1.3%)
SUV Small	(0.9%)	(1.3%)	(2.2%)
SUV Medium	(1.7%)	(2.1%)	(2.5%)
SUV Large	(1.9%)	(2.2%)	(2.8%)

() Denotes negative percentages

Notable Movers 1-yr 20k

GENERATION NAME	MIN £	MAX £	AVG £
AUDI A3 (12-19) DIESEL	(950)	(550)	(730)
BMW 1 SERIES (11-19)	(500)	(450)	(462)
FIAT 500 (15-)	(400)	(225)	(329)
FORD FOCUS (11-18)	(600)	(350)	(420)
HYUNDAI I10 (14-)	(275)	(175)	(231)
LAND ROVER RANGE ROVER EVOQUE (11-19) DIESEL	(1,000)	(550)	(747)
NISSAN QASHQAI (13-18) DIESEL	(400)	(250)	(312)
RENAULT CAPTUR (13-) DIESEL	(700)	(450)	(504)
RENAULT CLIO (13-20)	(350)	(300)	(309)
VOLKSWAGEN GOLF (13-) DIESEL	(650)	(300)	(456)

() Denotes negative movement

Notable Movers 3-yr 60k

GENERATION NAME	MIN £	MAX £	AVG £
AUDI A3 (12-19) DIESEL	(650)	(275)	(425)
BMW MINI COOPER (13-18)	(550)	(350)	(446)
FORD FIESTA (08-17)	(325)	(125)	(188)
KIA SPORTAGE (15-) DIESEL	(450)	(275)	(376)
MERC C CLASS (14-18) DIESEL	(850)	(500)	(685)
NISSAN QASHQAI (13-18) DIESEL	(400)	(150)	(226)
SEAT IBIZA (12-17)	(275)	(125)	(179)
VAUXHALL INSIGNIA (13-18) DIESEL	(425)	(275)	(348)
VOLKSWAGEN POLO (09-18)	(200)	(100)	(149)
VOLVO XC60 (08-17) DIESEL	(550)	(150)	(312)

() Denotes negative movement