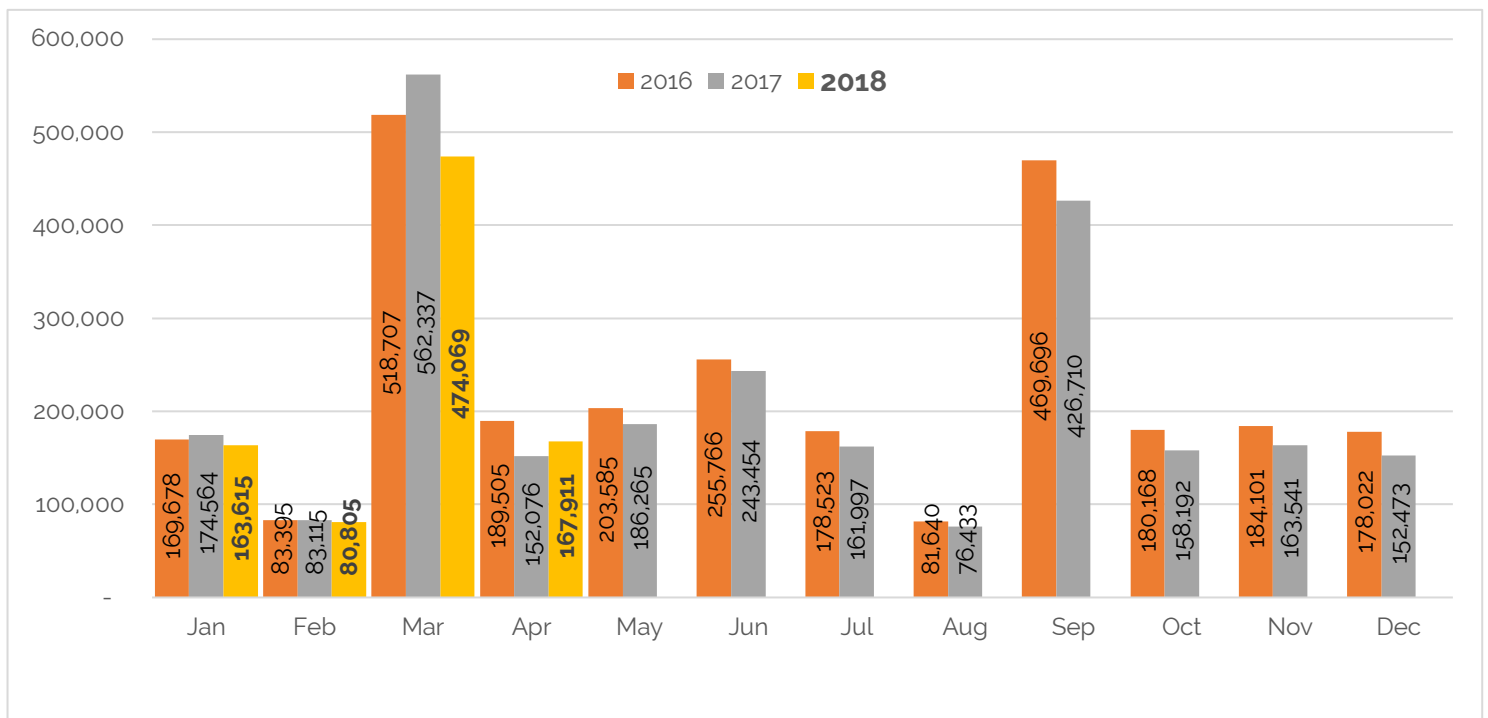


June 2018

## Black Book Editorial

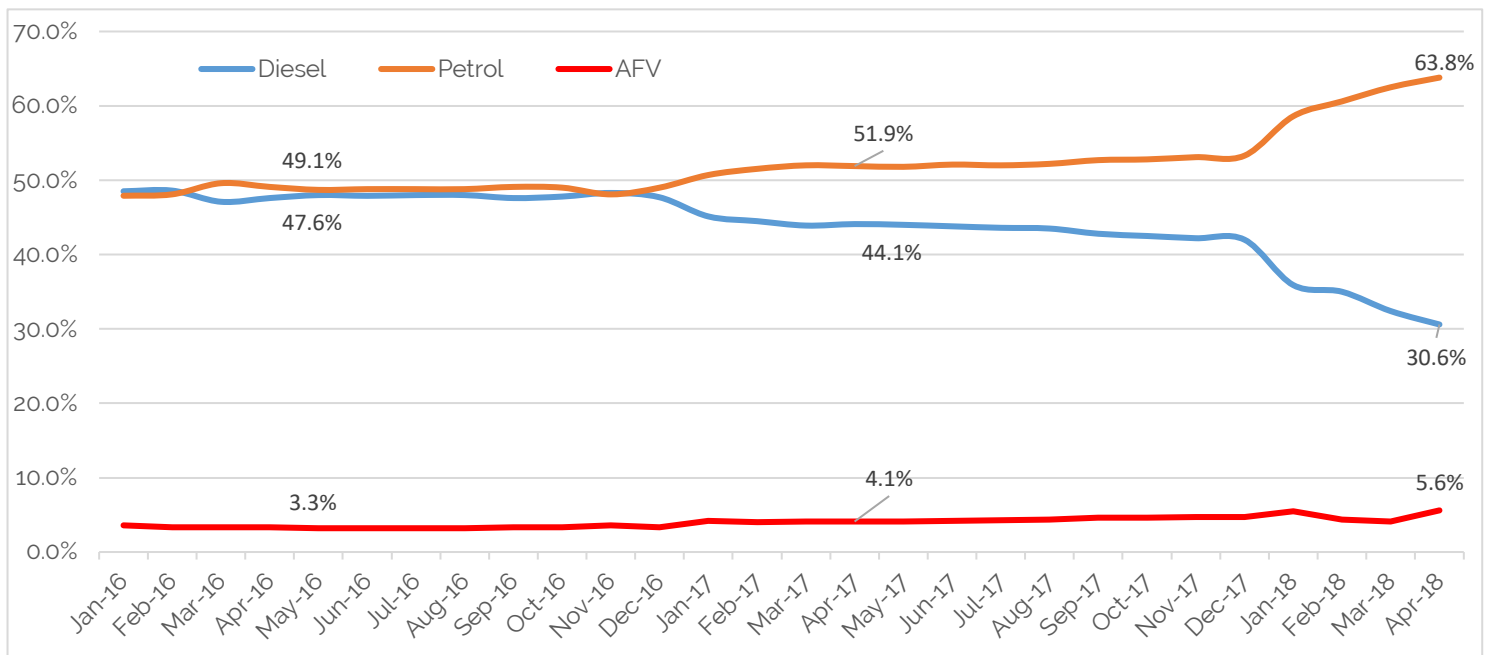
### New Car Sales

As expected, new car sales in April rose compared to the same month in 2017. The SMMT reported that 167,911 cars were registered, compared to 152,076 last year, an increase of 10.4%, due in large part to a rebalancing of the market following the VED changes on 1<sup>st</sup> April 2017, resulting in a bumper March and a lower April last year. There were also two extra selling days this April, due to the timing of Easter. Year-to-date the market was down 8.8%, however as the year progresses we are likely to get somewhat closer to last year's figures. The three best-selling models so far this year are the Ford Fiesta, Volkswagen Golf and the Nissan Qashqai.



Source – SMMT

Concerning registrations for specific fuel-types, the recent trends continued, with demand for Petrol cars up by 38.5% year-on-year, and Diesel down by 24.9%. Petrol cars now make up 61.9% of the market year-to-date, with Diesel now at 32.9% and dropping every month (as can be seen by the 30.6% share in April). Alternatively Fuelled Vehicles increased by an impressive 49.3%, and although they only accounted for 5.2% of the market year-to-date, their public acceptance and popularity are without doubt increasing, as are the number of models now produced by manufacturers and available to acquire. The following graph shows the share of registrations by fuel type for each month.



Source – SMMT

Looking at Daily Rental registrations, important for the potential future residual value impact, registrations in the month were almost level compared to April last year. However, when looking at the year-to-date picture, volumes were 14.6% down. Some of this can be attributed to the VED changes and strong March last year, however there have also been conscious decisions made by some manufacturers to decrease their registrations in this less-profitable sales channel. The two biggest volume brands, namely Ford and Vauxhall, have reduced their volumes significantly thus far, and it will be interesting to see if this continues. Last year they made up almost one third of Daily Rental registrations between them, this year, in a reduced market, they make up slightly less than one quarter.

## Used Car Retail Activity

May is historically a challenging month for the retail market and this year has proved no exception. With two bank holidays and some decent weather, the overall focus from consumers has tended to drift towards more enjoyable leisure pursuits, as opposed to seeking out a used car. However, that being said, demand has not dropped away dramatically. Whilst there was a lull around the bank holiday periods, overall there was still a general appetite to buy. There has also been no shortage of vehicles on dealers and supermarket forecourts – plenty of choice for consumers still exists.

On this front, it has been interesting to note the volumes of “18” plates advertised by franchised dealers. Whilst a small number of these cars may be ex-demonstrators, it is fair to suggest that most will have been the result of tactical registration activity by manufacturers. “Pre-registrations” have long been a factor in the market, particularly following a new plate registration month. What is of interest however, is that whilst one particular volume manufacturer continues to lead the way numbers-wise, the next four highest are taken up by some more premium, German brands, rather than other more mainstream marques that have traditionally and previously been active in chasing volume and market share.

## Used Car Remarketing Activity

Towards the end of May, cap hpi emailed a short survey to auction companies to gauge sentiment in the market place. This survey will be replicated on a monthly basis.

The feedback generated this time around corroborated other industry sentiment, as well as evidence within sold trade and retail advertised data received by cap hpi; May has proved to be the most challenging month for the used car market so far in 2018.

75% of auction respondents advised that stock levels had increased from the previous month, this a result of part exchanges continuing to appear, as well as a small downturn in demand due to the aforementioned plentiful retailer stock levels and drop off in consumer activity. Indeed, only 12% of respondents stated that trade buyer demand had increased, with 38% stating it was lower than the previous month and half stating it was about the same. In general, there was no huge requirement for used car outlets to restock.

This lower demand and higher stock levels has had an impact on conversion rates and sold prices. 63% of replies confirmed that conversion rates had decreased, 25% stating they had remained the same with just 13% citing increases. Similarly, 56% advised that sold prices had declined month-on-month, 31% said they had remained the same, with 13% interestingly stating that prices had gone up.

What is clear is that performance varied during May depending on the auction location, the type of sale and even the day. Fair to say it was inconsistent and almost impossible to predict.

Feedback from leasing and contract hire vendors also confirmed that conversion rates declined over the course of the month, averaging around 65% - a drop of circa 5% compared to April. This decline led to a more challenging environment for vendors and a trend for lower bids being accepted than they may have in previous, stronger months. This was particularly so where there were less desirable vehicles, a heavy duplication of models or poorer-condition stock. Low mileage, ready-to-retail vehicles continued to attract the best returns, although even some of these cars have been challenging to sell at the more expensive end of the market.

Whilst the market did no doubt become more challenging in May, the auction houses and remarketers remained upbeat; the downturn has to be put into context – it is normal for the time of year and overall 2018 has been stronger than many expected.

## Used Cars – Trade Values

Black book live values dropped by 1.3% during May, at the 3-year, 60,000 mile point. Whilst prices did reduce, this is a normal occurrence for the reasons already stated, and since 2012, when the daily, live product was first introduced, the average movement has been a reduction of 1.7% during May. Indeed this year's 1.3% drop is the lowest movement during this month in any of those years, continuing the trend that we have seen since last August, in that every month's movement has been a more positive one than the same month a year previous.

Also of note is that the percentage movement has been lower for newer cars. Despite the pre-registration activity already discussed, values at 6 months and 1-year only moved down by an average of 1.1%, pointing once again to used cars being a more than viable alternative to a new one.

Looking at the figures by fuel-type could suggest a slight reluctance to buy diesel cars, as values reduced by 1.4% at 3-years 60,000 miles, compared to 1.2% for petrol cars. However, feedback in the main does not back the figures up, with almost 90% of those questioned advising that diesel demand remains as strong as it has been. What is more likely is that, for the time of year, diesel demand is healthy, petrol demand slightly stronger. Hybrid models continue to decline in value at a faster rate, due in large part to prices being particularly high over a prolonged period.

City Cars and Superminis declined in value by slightly more than the market average, pointing once again to prices having been strong for a long period and previous black book values no longer being achievable. However, these cars do remain desirable, particularly petrol variants, and it has tended to be where values have previously been relatively high and there has been plentiful supply that the largest percentage drops in May have been – models such as the Fiesta (08-17), the Hyundai i10, SEAT Mii and Toyota Aygo have all moved down by around 2%.

Upper Medium and Executive car values dropped by slightly more than the overall average in May – both down by 1.5% at the 3-years, 60,000 mile benchmark point. For Executive cars, this percentage drop equates to an average of around £250, so not insignificant. A continuing pattern is that certain ex-lease or Personal Contract Hire cars have struggled to achieve previous prices, as many similar variants have entered the used car arena at the same time – conversion rates have struggled and prices dropped – examples are particular Audi A4 petrol models and BMW 3-Series GT diesels. Particular weakness can be isolated to the engine and trim combinations that are plentiful in the market.

Whilst the average SUV value reduction in May was largely in-line with the overall market, this now huge sector has many models that behave quite differently to each other with regards to prices achieved. Larger SUVs saw some of the heaviest value reductions in black book live in May – with Audi Q5 and Q7, BMW X6, Infiniti QX70 and the Volkswagen Toureg all dropping by around 3%. Interestingly, medium SUVs, where most of the volume sits, generally fared well – dropping by just 1% on average at the 3-year point. Demand is strong for this size of SUV, for all fuel types, mirroring the new car market.

Convertibles have been inconsistent in their price performance, but overall best described as slightly weak for the time of year especially considering that the sun has been shining. Some models where there has been lower volumes have increased in value as one would expect, such as the Audi A3 Cabriolet and the diesel DS3.

Electric vehicles outperformed the more traditional internal combustion engines, with either modest value drops or even slight increases depending upon the age and the model. Of the volume models, both the Nissan Leaf and BMW i3 saw values reduce as supply slightly outweighed demand, leaving buyers with plenty of choice. Some of the older, first to market, electric values have been in demand, as acceptance of these vehicles is now more widespread. They certainly make a reasonable second car for those shorter journeys where battery range is not an issue – they are also exempt from road tax, can enter clean air zones and are cost-efficient to charge. Models such as the Mitsubishi i-MiEV, Citroen C-Zero and Peugeot iOn all went up in value during May – indeed this has been a relatively long-running trend.

## What Next?

After months of modest value drops, or even increases, in black book live, the market is getting closer to having what could be described as a more expected deflation. The percentage value movement during May, leading to June's monthly book for those subscribers using monthly figures, is closer to that which happened in the same month a year previous than at any other time in 2018.

The market is still relatively strong, and prices relatively high, but as we move through the next month or two there will be challenges that could accelerate value reductions. With the exception of November and December, June and July are the months where values drift downwards the most – this tends to be the case in most years and there is little evidence to suggest that events such as World Cups have much of an influence. In June 2014, the most recent World Cup year, average values dropped by just 0.9%. In the 3-years since then values have dropped by an average of 1.3%. Forecourts and showrooms may be quiet during important matches but consumers do not stay away for the whole period.

Last year, the average black book live value drop during the month of June was 1.4%. It would be reasonable to expect something similar this time around, although bearing in mind May seems to have weakened increasingly as it progressed, it would be of no surprise if values dropped by slightly more.

Diesel and petrol car value reductions are unlikely to deviate from each other to any great degree, whilst hybrids are likely to continue their downward trajectory. There is no reason not to think that electric cars will remain strong.

As ever the devil is in the detail, supply and demand dynamics always come to the fore and it is important to look at each model, derivative and fuel type individually when buying or selling vehicles, as well as analysing pricing during the month, not just using previous monthly figures.

## Black Book June 17 - Average Value Movements

	1 yr/10k	3 yr/60k	5 yr/80k
City Car	(1.4%)	(1.7%)	(1.9%)
Supermini	(1.1%)	(1.6%)	(1.9%)
Lower Medium	(1.2%)	(1.3%)	(1.6%)
Upper Medium	(1.1%)	(1.5%)	(1.4%)
Executive	(1.3%)	(1.5%)	(2.6%)
Large Executive	(2.3%)	(2.3%)	(2.5%)
MPV	(1.2%)	(1.2%)	(1.3%)
SUV	(1.1%)	(1.2%)	(1.0%)
Electric	(0.3%)	0.4%	(0.7%)
Convertible	(0.6%)	(0.2%)	(0.1%)
Coupe Cabriolet	(1.0%)	(1.4%)	(0.6%)
Sports	(0.8%)	(0.8%)	(0.9%)
Luxury Executive	(5.5%)	(2.2%)	(2.0%)
Supercar	(1.6%)	(1.4%)	(0.8%)
<b>Average Movement</b>	<b>(1.1%)</b>	<b>(1.3%)</b>	<b>(1.5%)</b>

## Notable Movers 3yr 60k

Generation Name	Min £	Max £	Avg £
AUDI A4 (12-15) DIESEL	-350	-200	-252
AUDI A6 (11- ) DIESEL	-450	-250	-335
BMW 6 SERIES CONVERTIBLE (11- ) DIESEL	200	200	200
BMW MINI CONVERTIBLE (10-15) DIESEL	350	500	428
FORD FOCUS (11- )	-425	-50	-105
FORD GRAND TOURNEO CONNECT (13- ) DIESEL	100	100	100
FORD KUGA (12- ) DIESEL	-300	-75	-158
LAND ROVER RANGE ROVER EVOQUE (11- ) DIESEL	-350	-150	-243
MERC C CLASS (14- ) DIESEL	-350	-200	-290
MERC E CLASS (13-16) DIESEL	-550	-400	-463
NISSAN NOTE (13-17)	-125	-75	-102
PEUGEOT 3008 (09-17) DIESEL	-450	-225	-306
RENAULT CAPTUR (13- ) DIESEL	-225	-125	-160
SEAT LEON (13- ) DIESEL	-150	-100	-134
TOYOTA AURIS (12- ) HYBRID	-300	-200	-228
TOYOTA YARIS (11-17)	-225	-125	-189
VAUXHALL CORSA (11-15)	-225	-75	-118
VAUXHALL INSIGNIA (13-18) DIESEL	-175	-125	-148
VAUXHALL MOKKA (12- ) DIESEL	-175	-150	-152
VOLKSWAGEN UP (12- )	-175	-100	-136