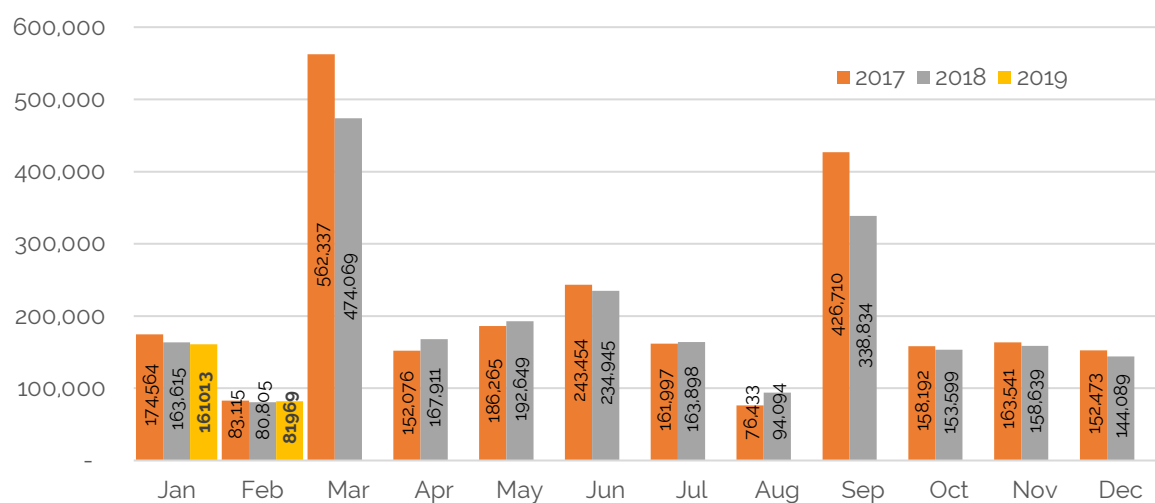


April 2019

Car Market Overview

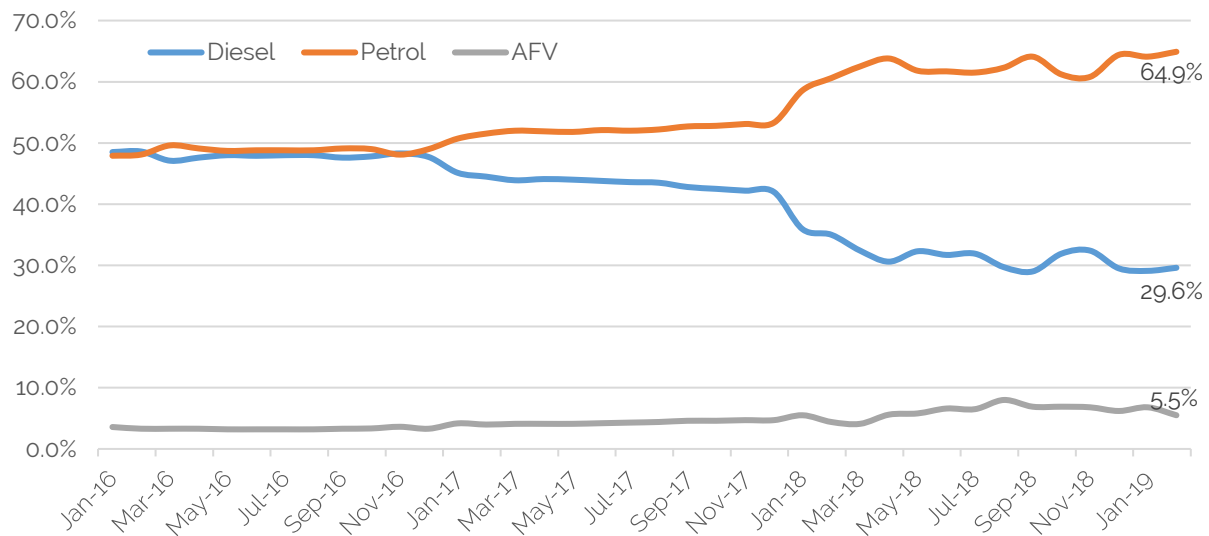
New Car Sales

As reported by the SMMT, new car registrations have been relatively stable year-to-date, and went up slightly in February, which is encouraging following a difficult last 4 months of 2018. 81,969 cars were registered in February, compared to 80,805 in the same month last year, an increase of 1.4%. So far in 2019, to the end of February, registrations were down 0.6%, at 242,982 (last year 244,420).



Source: SMMT

Diesel registrations continued to decline, with a 29.6% share of the market in the month, and a decline of 18.3% year-to-date. Petrol registrations have taken up most of this slack in volume terms, but alternatively-fuelled vehicles have risen by 28.5% in 2019, continuing their steady increase in popularity.



Source: SMMT

Registrations to private buyers increased by 4.3% in the month (3.7% year-to-date), with fleet down 1.3% (2.7% year-to-date). As the earlier chart shows, however, February is one of the lowest registration months in the year, so a real barometer will be once the March figures are available to review.

Registrations in the daily rental market continued to decline – down 6% compared to last year, which in itself was down 12% on 2017. Within these figures, some manufacturers remained more active in this less-profitable, generally short-cycle sales channel than others. Vauxhall and, interestingly, Mercedes-Benz, have posted the highest volumes thus far in 2019. It will be interesting to see whether this pattern continues in the higher-volume registration months and also how these cars are remarketed once they end their rental lives later in the year. The top five volume models so far this year are the Renault Clio, Mercedes-Benz C-Class and A-Class and the Vauxhall Crossland X and Mokka X.

Used Car Retail Activity

Used car retail activity was inconsistent during March, and the general theme was that footfall reduced for most during the month. As always, during a new registration plate month, franchised dealers focus was more on new cars than it was on used, as they strived to maximise sales and achieve manufacturers' volume bonus targets, essential for their profitability.

Car supermarkets continued to receive a steady enquiry rate from the public, without breaking any records. Once again, the retail market was reasonable without being off the scale, particularly in the mainstream, volume market. At the higher end, demand continued to decline for expensive supercars and luxury executive models, with big-ticket purchases seemingly on hold due to continued uncertainty over Brexit.

Anecdotal feedback consistently stated that enquiry levels on petrol hybrid cars were on the increase; these cars have certainly become more popular over time. When analysing the retail advert data received by cap hpi, it is apparent that, overall, hybrids spend less days in dealer stock than their diesel or petrol counterparts before they are sold. Demand seems to be outweighing supply on these currently. In particular, Toyota hybrid product has fared well recently with regards to the metric of number of days in stock.

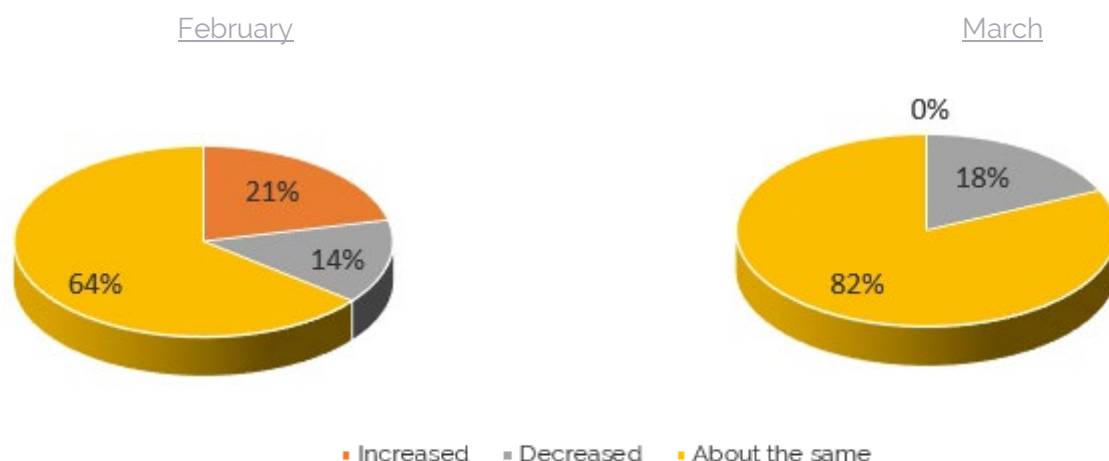
Used electric cars also sold quicker in March than traditional internal combustion engine vehicles, although this is very model specific. Volume models such as the Nissan Leaf and Golf Electric were in demand, whilst those with smaller numbers in the market, such as the Vauxhall Ampera and Mitsubishi i-MiEV also did well. Mercedes-Benz and BMW products were not quite so quick to find buyers. Recent, inconsistent, price changes on new Tesla cars has caused some confusion in the used market and a close eye needs to be kept here. Some values have been affected and reflected in cap hpi Live valuations: forecast values have been revised too.

Used Car Remarketing Activity

Mirroring the retail market, the trade remarketing arena was steady during March –following a similar pattern to the previous two months. There was also a theme that some, larger, main dealers were satisfied by the quality of part-exchange cars received, due to many being low mileage, ex-PCP cars, meaning they could retail these cars themselves, rather than selling through the trade. This had the dual effect of these companies requiring less stock from wholesale sources, and also that there were less cars appearing back in the trade market.

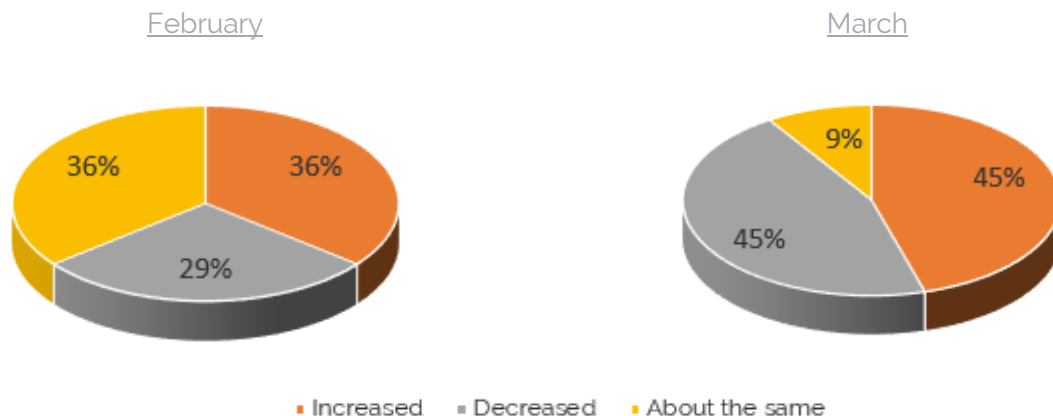
Auction footfall remained reasonable, although there were reports that the longer the month went on, less attendees were actually buying to the same levels that they were previously. Respondents to the March cap hpi auction survey corroborated this:

How does trade demand compare to the previous month?



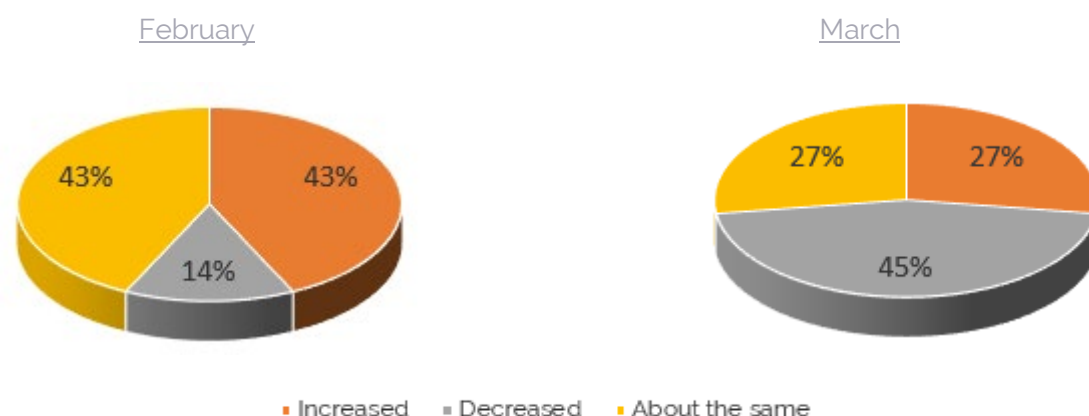
Whilst the volume spike from part-exchanges and fleet returns generated by the sale of "19" plate cars had failed to materialise by the back-end of the month, vendors were mindful of high incoming defleets and keen to maintain healthy conversion rates. As a result, the majority were more accepting of slightly lower bids than they had been a few weeks previously. There was a very inconsistent picture painted by the survey regarding stock levels:

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



Looking at conversion rates, there was a mixed view, but almost half of respondents reported decreases, compared to just 14% doing so last month:

How do conversion rates compare to the previous month?



Used Cars – Trade Values

Over the last 5-years, prices in the month of March have held up well. The average value movement in our Live product over this time was a small increase of 0.2%, with only 2017 registering a negative figure during that time (-0.1%). Those historical movements have also been off the back of a relatively strong first two months of the year. In 2018, over the first quarter of the year, average values increased in Live by 1.2%, with February and March being particularly strong.

This year, following on from what happened in January and February, we continued to witness softening prices in the wholesale market in March. A drop of 0.9% at the 3-year, 60,000 mile age point is not seismic, but when added to what happened earlier in the quarter, values have dropped by an average of 2.1% over the period - so a 3.3% negative swing compared to value movements in the same period a year ago.

Despite current economy uncertainty while politicians attempt to formulate and agree some kind of Brexit deal, price drops in the used car market cannot be apportioned to this. It is more that, with prices going up over the last year or so, there is still a theme of a reluctance to pay

high prices and squeeze retail margins, as mentioned in previous months overviews. We continue to witness a gentle, downward pricing realignment.

Amongst the different mainstream car sectors, there was a fairly consistent pattern for used car values in March, with all except the seasonally affected convertibles and coupe cabriolets, plus electric vehicles, moving down on average.

City cars continued to be one of the strongest performing sectors, dropping by just 0.4% or just £30 on average. These cars underwent a downward pricing realignment in the second half of last year, after previous, almost unprecedented strength. It would now appear that these variants are at a level acceptable to the buyer once again. Indeed, almost half of all derivatives in this sector either stayed level or went up slightly in value. The Peugeot 108 was an especially strong performer, particularly under 2-year old examples, with values increasing by around £200 on late-plate cars.

The SUV sector moved down 0.9% at the 3-year point, in-line with, or some might say actually shaping the whole market. The weakest performance in the SUV sector was amongst smaller models at younger ages, where newer, low mileage vehicles were supplied in large enough quantities to weaken prices by more than the average. The average drop, at this age, of small SUV was a significant £250, highlighting that many cars initially owned for just a short-period, are now SUVs – this includes pre-registrations, rental cars and dealer demonstrators and is illustrated well in the tracking of the volumes of the newest three registration plates advertised on used car websites.

Very few smaller SUVs bucked this trend, but there were some larger cars where demand exceeded supply and prices increased. These included the latest BMW X6 diesel, the Hyundai Tucson petrol and the Lexus NX and RX hybrids, illustrating that fuel-type on these cars is not an issue overall to consumers.

Electric car values were interesting in March, increasing in value on average, with just a small number of notable exceptions. The Renault Zoe continued to go from strength-to-strength, with volumes low in the market, particularly the variants that cap hpi value, in other words those where the battery is not leased separately to the rest of the car. An 8% increase in the month now means that a one-year old Zoe is worth almost 50% more than it was at the start of 2018 – a meteoric rise of around £5,000! Amongst the notable exceptions were the previously mentioned Tesla Models S and X which both went down in value significantly, affected by well-publicised new car pricing realignments that almost immediately washed through to what used buyers were prepared to pay.

The overall figures for the market show that petrol, diesel and hybrid car values moved almost in line with each other.

What Next?

It is fair to say that there is a great deal of uncertainty in the country at the moment, with delays to the Brexit process now agreed, but the nature of any deal, no deal or revoking of Article 50 still unknown.

Whilst this uncertainty helps no one, in the short-term it is unlikely to affect the "carry on regardless" nature of the used car market. Only if increased new car tariffs become a reality or there is a sizeable economic downturn will used car values become significantly affected.

The month of April does tend to be a watershed for the used car market, normally being the month where prices start to fall for the first time in the year, as volumes increase and

consumer demand wanes off the back of the Easter holiday period. There is little to suggest that prices will not fall in 2019, although of course values have not increased so far this year as they have done previously. Therefore, we are likely to see a weakening in values, more-or-less in line with previous years, but off the back of a weaker start to the year.

Over the last 5-years, values in April have moved back in our Live product by an average of 1.4% at the 3-year point, with last year being a particularly strong year, dropping just 0.8%. There will no doubt be areas of the market that over or underperform versus the average, and convertibles and coupe cabriolets will likely further increase in value as we enter spring and the weather improves.

Electric cars and hybrids could well continue their strength, whilst there is little reason to predict diesel and petrol cars to behave any differently to each other, with regards to price. Overall, it will, as always, be down to supply and demand of individual models, with cap hpi Live valuations reflecting the used car market as and when price changes happen.

black book April 19 - Average Value Movements

	1-YR/10K	3-YR/60K	5-YR/80K
City Car	(0.3%)	(0.6%)	(0.7%)
Supermini	(1.1%)	(1.3%)	(2.4%)
Lower Medium	(1.2%)	(1.4%)	(1.8%)
Upper Medium	(0.4%)	(0.5%)	(0.6%)
Executive	(1.3%)	(1.2%)	(2.2%)
Large Executive	(1.8%)	(1.9%)	(1.6%)
MPV	(0.9%)	(0.9%)	(1.1%)
SUV	(0.9%)	(0.9%)	(1.4%)
Electric	0.1%	(0.2%)	1.1%
Convertible	0.7%	0.7%	(0.3%)
Coupe Cabriolet	1.7%	1.9%	1.0%
Sports	(0.8%)	(0.9%)	(1.2%)
Luxury Executive	(1.4%)	(1.8%)	(2.0%)
Supercar	(0.6%)	(1.5%)	(1.4%)
Overall Avg Book Movement	(0.8%)	(0.9%)	(1.3%)

() Denotes negative percentages

Notable Movers 1-yr 20k

GENERATION NAME	MIN £	MAX £	AVG £
BMW 4 SERIES COUPE (13-) DIESEL	300	450	386
LAND ROVER DISCOVERY SPORT (14-) DIESEL	-550	-250	-389
MERC A CLASS (12-18) DIESEL	-200	-100	-167
MITSUBISHI OUTLANDER (14-18) HYBRID	-450	-350	-414
NISSAN QASHQAI (13-18) DIESEL	-200	-100	-145
NISSAN X-TRAIL (14-) DIESEL	250	400	323
RENAULT CAPTUR (13-)	-350	-100	-251
RENAULT ZOE (13-) ELECTRIC	850	1,100	1,000
TOYOTA C-HR (16-) HYBRID	200	250	206
VOLKSWAGEN GOLF (13-) DIESEL	-400	-200	-304
Notable Movers 3-yr 60k			
GENERATION NAME	MIN £	MAX £	AVG £
AUDI A6 (11-19) DIESEL	-500	-250	-352
HONDA JAZZ (08-15)	-500	-225	-352
LAND ROVER RANGE ROVER EVOQUE (11-) DIESEL	-500	-300	-389
MERC SLK (12-16) DIESEL	500	600	520
SEAT ALHAMBRA (10-) DIESEL	100	150	138
SKODA FABIA (14-18)	-300	-150	-195
TOYOTA PRIUS (09-16) HYBRID	100	150	145
VOLKSWAGEN GOLF (13-) DIESEL	-300	-125	-199
VOLKSWAGEN POLO (09-18)	-225	-50	-127
VOLVO XC60 (08-17) DIESEL	-500	-250	-373