



Used cars' sales booming, says industry

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Author: Robin Roberts

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The UK's used car market grew 108.6% in the second quarter of 2021 according to the Society of Motor Manufacturers and Traders.

Some 2,167,504 vehicles changed hands, up 6.6% on 2019 pre-pandemic levels, the best Q2 performance and almost the best quarter ever for the used car market.

Top 10 models in Q2 2021

	Model	No. transactions
1	Ford Fiesta	94,206
2	Vauxhall Corsa	73,366
3	Ford Focus	72,105
4	Volkswagen Golf	69,582
5	Vauxhall Astra	56,189
6	BMW 3 Series	48,849
7	MINI	48,140
8	Volkswagen Polo	40,372
9	Nissan Qashqai	35,897
10	Audi A3	34,888

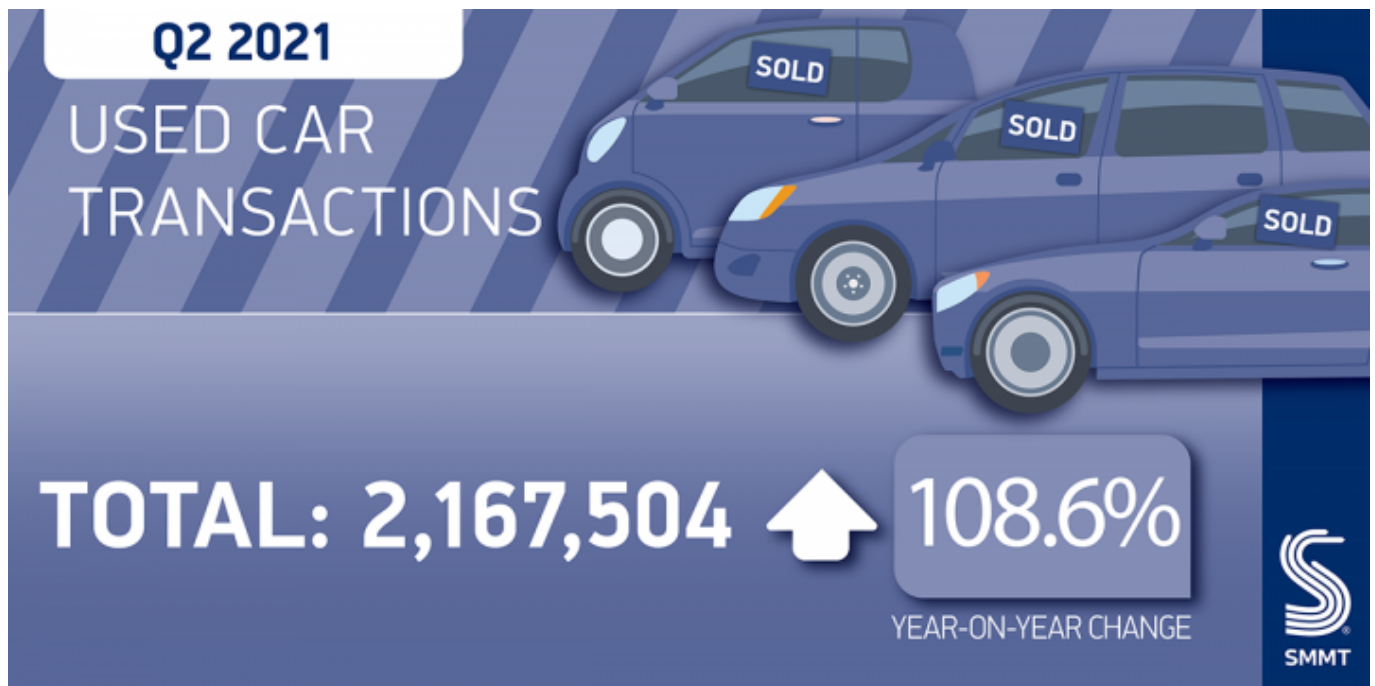
The increase tracks the country's gradual emergence from lockdown, as businesses reopened, demand for personal mobility increased and stock shortages in the new car



market forced some consumers to turn to used models.

Compared to the near standstill of the economy last year, the used car market saw the biggest growth in April, up 307.4% on 2020 with 724,743 transactions in the month, and up 5.0% on pre-pandemic 2019. All months in Q2 saw significant growth, with May and June up 9.9% and 4.6% on 2019 respectively, the best performance for both months on record.

Year to date, the rebound in Q2 has pushed the used car market up 33.3% to 3,855,259 units over the first half of the year. However, this remains -4.9% or almost 200,000 units off the 2019 market.



Demand for used battery electric and plug-in hybrid vehicles continued to grow in Q2. Buyers were keen to get their hands on the latest, green technology, helped by increased supply flowing through from higher new car sales and wider product choice, with the market share for plug-in vehicles increasing to 1.3% of the used car market in the quarter. Both BEV and PHEV transactions more than tripled in Q2 (353.9% and 349.8% respectively)



to 10,903 and 16,202.

Nevertheless, at 1.3% of market share, the plug-in used car market is not yet seeing the acceleration of uptake as has been seen in the new car market with the number of used plug-ins changing hands in Q2 2021 comparable with the number of new plug-ins bought in Q3 2015. The scale of the challenge to transition the entire used car parc away from traditional fuels remains significant.

Top 10 regions in Q2 2021

	Region	No. transactions
1	South East	311,225
2	North West	232,795
3	West Midlands	216,035
4	East	207,029
5	South West	200,155
6	Yorkshire/Humber	187,508
7	London	184,773
8	Scotland	175,893
9	East Midlands	169,815
10	Wales	116,800



Petrol and diesel powertrains, meanwhile, made up 96.4% of the quarter's used car market at 2,090,396 units. In addition, increased demand overall has led to an increase in sales of older used cars with only 12.7% of all vehicles sold being three years or under, the lowest on record.

All segments saw growth, with dual purpose seeing the biggest increase in Q2, up 147.7%, pushing their market share to 13.5%, still behind superminis (31.9% share) and lower medium (27.0%) segment volumes. Black was the number one colour choice, with over 461,000 transactions, followed by silver/aluminium and blue, with the top three accounting for more than half of all sales (54.8%).

Mike Hawes, SMMT Chief Executive, said, "This is welcome news for the used car market as transactions rebounded following nationwide lockdowns which closed retailers.

"More motorists are turning to used cars as supply shortages continue to affect the new car market, and the increased need for personal mobility with people remaining wary of public transport as they return to work.

"A buoyant used car market is necessary to maintain strong residual values which, in turn, supports new car transactions. We now need to see a similar rebound in new car sales to accelerate the fleet renewal necessary to deliver immediate and continuous improvements in air quality and carbon emissions."



James Fairclough, CEO of AA

Cars, added, “The reopening of car dealerships has reinvigorated the used car industry, with sales soaring due to a combination of pent-up demand, people choosing to commute by car rather than public transport and some wanting different cars for staycations in the UK.

“Supply shortages in the new car industry, which are causing long waits for some vehicles, are also pushing some sales towards the second-hand market as some drivers opt to buy used rather than wait for a new car to become available.”

As anticipated, the used car market performed strongly in Q2 2021 as the nation unlocked and motorists had an increased need for personal mobility, said Sue Robinson, Chief Executive of the National Franchised Dealers Association. All months in Q2 saw significant growth, with May 9.9% on 2019, the best performance for the month on record. BEV and PHEVs transactions rose by 353.9% and 349.8%, respectively.

Sue Robinson added, “The outlook for the used car sector is strong as supplies of new car vehicles remains constrained for the time being. We expect growth in the number of used plug-in vehicles coming onto market in the coming quarters.

Seán Kemple, Managing Director of Close Brothers Motor Finance, said, “It’s an extraordinary time for the used car market.

“Because of the supply challenges hitting the new car market, thanks to a global semiconductor shortage and the repercussions of restricted manufacturing during the pandemic, buyer demand is being channelled toward second-hand vehicles instead. This, in turn, has caused prices to artificially inflate. We are seeing reports of used cars being sold for well over their recommended retail price, and in some cases, for significantly more than their brand-new counterparts.



“For buyers eager to get their hands on a new vehicle, they either face waiting times of up to 12 months for a brand-new model - or they can look to the second-hand market for a slightly different model to drive home sooner; but at a cost.”

Auctioneers are rubbing their hands as well.

“It is extremely positive that the used car market results in Q2 broadly reflect the heightened demand auction houses have been experiencing” according to the National Association of Motor Auctions.

In the August edition of the NAMA Auction Market Survey, auction houses reported demand for petrol and diesel vehicles remain strong, with 40% of respondents stating they expected all types of internal combustion engine (ICE) vehicle types to increase, with 60% expecting them to remain the same. These vehicles made up 96.4% of the used car market In Q2.



Figures showed the used car market grew 108.6% in the second quarter of 2021 compared to the same period in 2020 with 2,167,504 transactions. Registrations were up by 6.6% compared to pre-pandemic levels in 2019.

BEV and PHEVs transactions rose by 353.9% and 349.8%, respectively. This significant increase in demand has led to rising BEV values. 45% of NAMA members anticipating the values of this vehicle type to increase. None expected values to decline over the coming month.

Auctioneers have been reporting that strengthening conversion rates and a positive impact on vehicle values is having a strong effect in the used car market. This is expected to continue into Q3.

NAMA believes that as businesses reopened, demand for personal mobility increased and stock shortages in the new car market forced some consumers to turn to used models. The need to fill dealer forecourts with stock ensured strong performance at auctions.

The market really needs stability, according to Cazana's Director of Insight, Rupert Pontin.

The automotive market continues its current path of varied activity and differing performance metrics week on week, which indicates that at the moment consumer demand appears less consistent than it has been for some weeks. "Having said that, the week commencing August 2nd has been more positive than the previous 4 weeks and there is a possibility that the used car market may stabilise during August, which would be a good result for the industry as a whole." he wrote in his latest note to traders.

The SMMT released the new car registration data for July 2021 last week and the results were not good with the new car market having declined by -29.5% when compared to the same period in 2020. This is a direct reflection of the difficulty in sourcing new car stock and the position has been getting worse week by week and shows little sign of abating in the near future.