



INDICATA Market Watch

UK White Paper

Reaching used BEV and ICE car price parity



Introduction – How INDICATA’s used car pricing platform works	3
Setting wholesale used car prices	3
UK used car price volatility 2020 – 2024	4
Where are UK (and European) prices heading next?	5
Price movement of used BEVs versus ICE cars	6
New car prices BEV v ICE – versus used car prices	7
Used BEVs are reaching price parity with ICE cars	7-12
Summary – what next for BEV residual values?	13

Introduction

How INDICATA's used car pricing platform works

INDICATA has 2,500 robots that collect data from the key dealer, manufacturer and car supermarket websites across 14m data collection points.

INDICATA introduced AI technology over five years ago to resolve the challenge around identifying the correct model year of the vehicle.

The AI technology screens and cleanses the data once it has been collected. It does this by analysing key features on each vehicle image, such as headlights and fog lights that are unique to that specific make and model of vehicle. This accurately confirms that the vehicle is what it says it is, therefore improving the quality of INDICATA data.

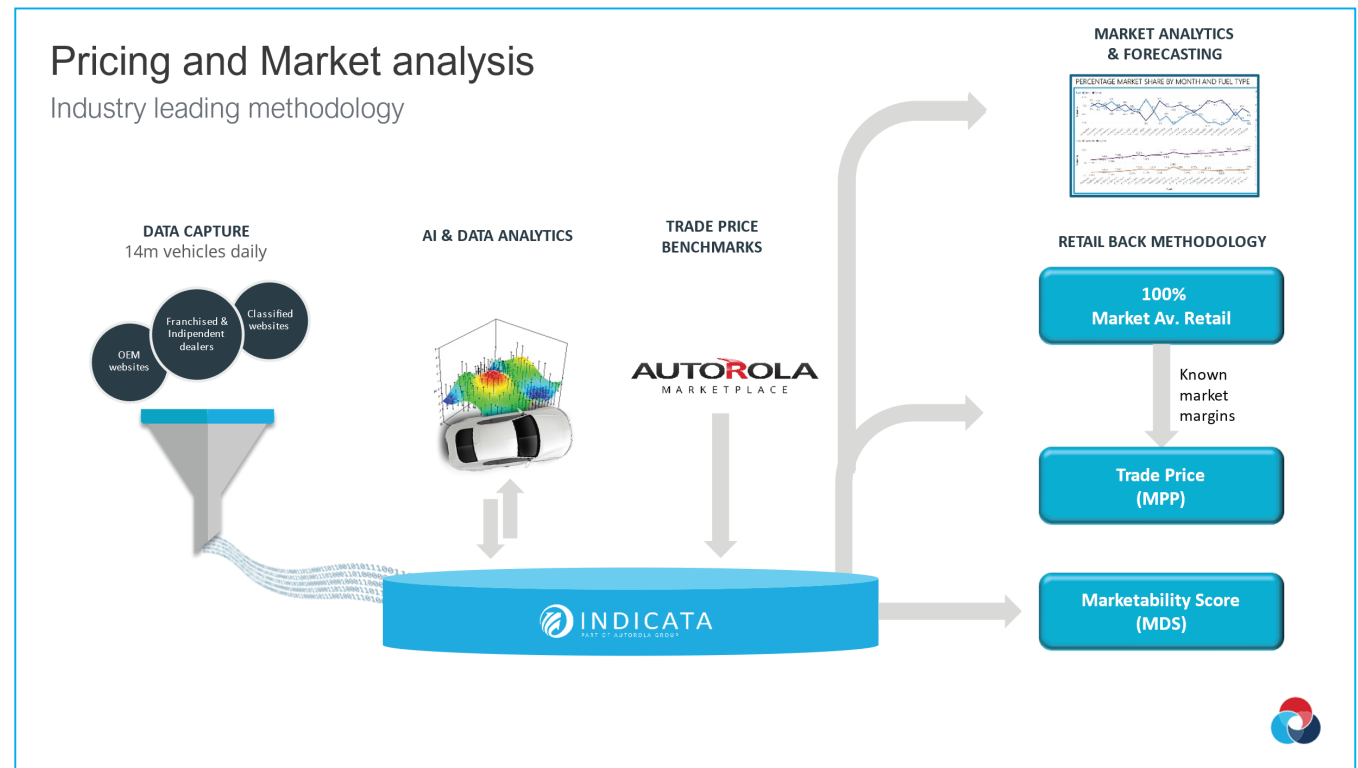
Dean Merritt
Head of Sales ~ INDICATA

Mobile: +44 (0)7739 047706
Email: dm@autorola.co.uk

Setting wholesale used car prices

By focussing on retail pricing in individual markets on a daily basis, INDICATA can gauge, in real time, how the used car market is moving.

INDICATA benchmarks the retail back method through the real trade prices it derives from the 1m vehicles processed through its Marketplace online trade auction platform each year, helping generate wholesale pricing positioning on individual cars in different countries.



UK used car price volatility 2020 - 2024

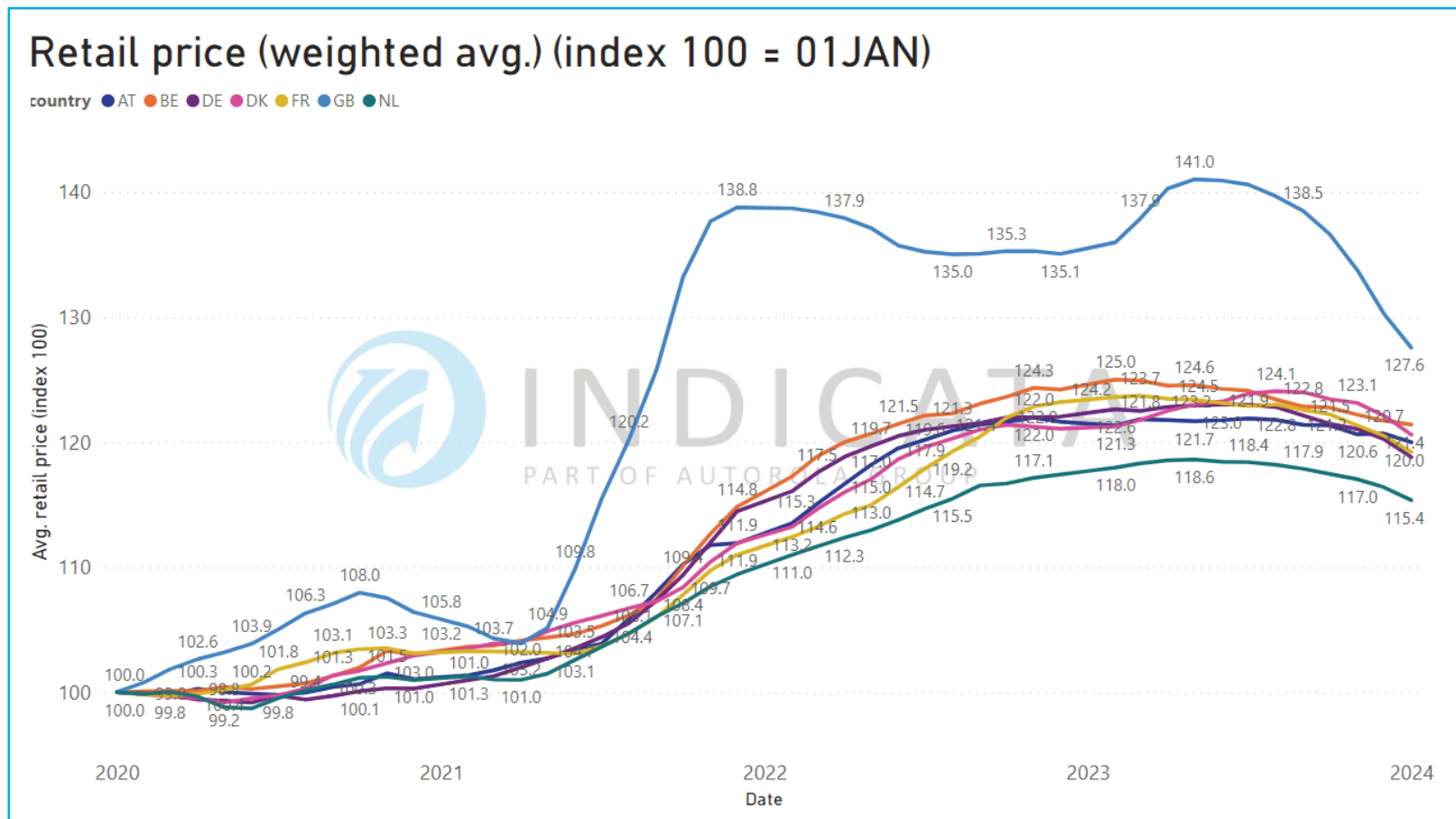
There is no doubt that the used market has been through turbulent times over the past 3-4 years, not just in the UK but across the whole of Europe.

UK used car prices have moved faster and quicker than the rest of Europe between 2020 and 2024, thus demonstrating greater volatility. Our graph shows the UK market's level of price volatility of used cars, when compared with other European countries, where retail prices have remained very consistent for a four-year period.

UK post Covid used car prices remained on par with other European countries until Q2 2021, when they rose dramatically for the rest of 2022. They swiftly distanced themselves by up to 27%, when compared with the Netherlands market, which experienced the lowest used car prices between 2020-2024.

At their height, used car prices rose by 41% in the UK in Q2 2023 from their pre-Covid levels. This compared with the next highest performing used car market, which was Belgium, where prices rose by as much as 25%.

UK used car retail prices compared to other European countries 2020-2024



Where are UK (and European) prices heading next?

But where are UK used car prices heading and what are the probabilities that prices will eventually return to pre-Covid levels (and if so, how quickly)?

Taking the trend towards the end of 2023 there is a pronounced downturn in all markets. Extrapolating these markets forward they meet back at pre-Covid levels at the end of 2025. That equates to used car prices reducing by a further 27% in 2025.

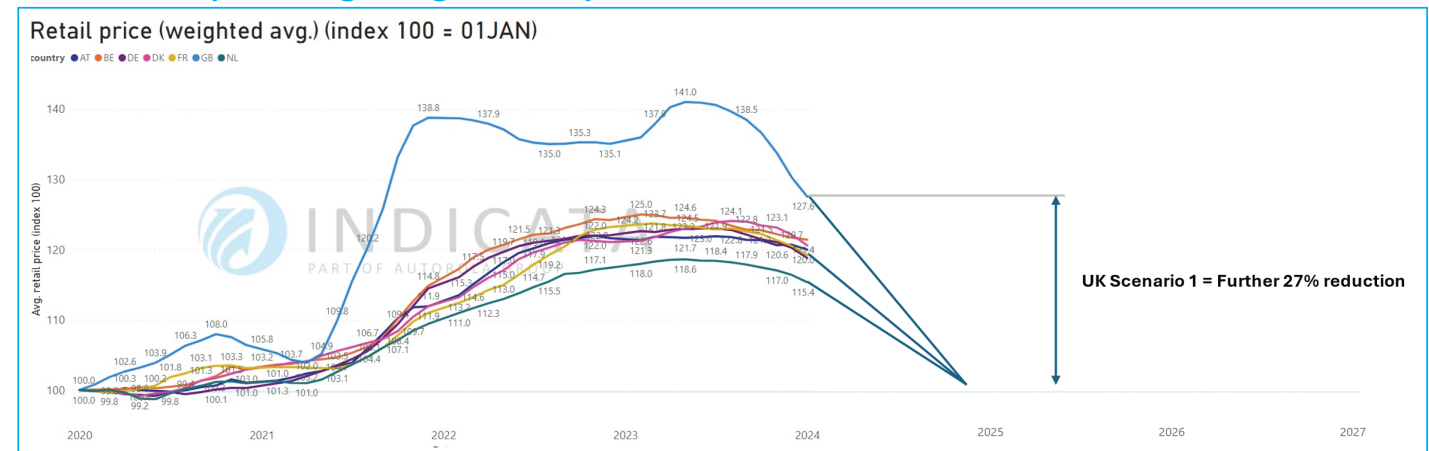
Whilst this may appear to be a marked correction, the market has recently demonstrated this level of volatility of the financial crisis in 2008/9. That equates to used car prices reducing by a further 27% in 2025.

European prices are set to fall more slowly, but Europe's used car prices have never experienced the volatility that the UK market experienced between 2020-2024. Therefore, European prices potentially decrease less if they adjust to pre-Covid levels. This represents a realignment of circa 22%, or 15% if inflation is factored in.

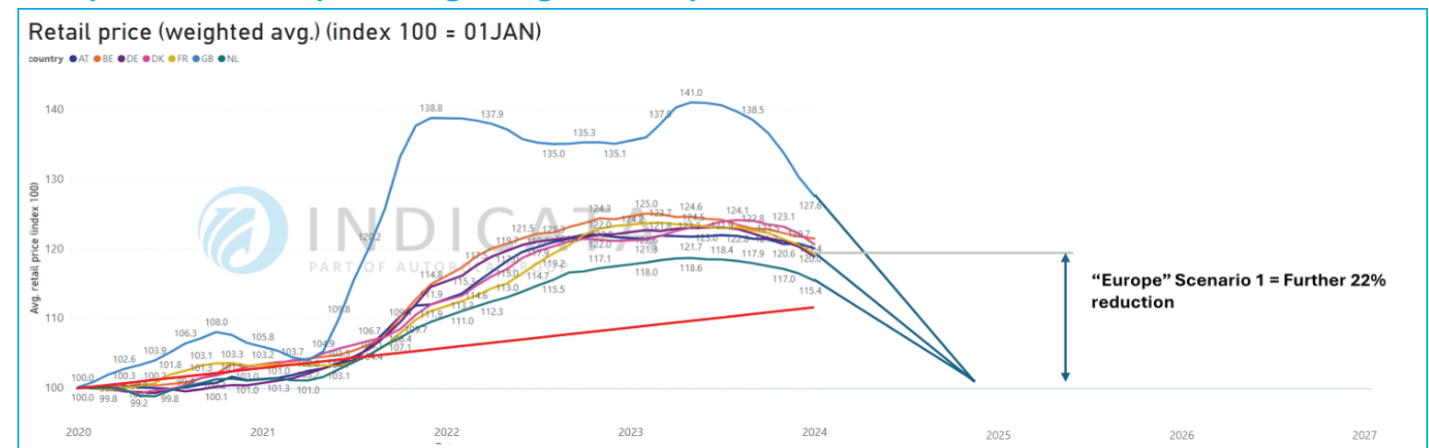
Short- and medium-term market prices will always be driven primarily by supply and demand, with the relative price to new vehicles also a driving factor. Over the long-term, inflation increases the price of new vehicles thus impacting the used market upwards.

Inflation has been high for the past 12 months and if this is reflected in new vehicle pricing it may limit the overall reduction in used car prices. Taking recent levels of inflation into account this may reduce the level of used price falls to 15% in the UK, as the pre-Covid "floor" will have been raised.

UK used car prices – getting back to pre-Covid levels



European used car prices – getting back to pre-Covid levels



Price movement of used BEVs versus ICE cars

When looking at the used car movement of different fuel types between 2020-2024, it is clear that BEV prices separated from diesel, petrol and hybrid cars in the middle of 2020. They continued to experience a price differential until early 2024 with used petrol car prices being worth the most, followed by diesels, hybrids and then BEVs.

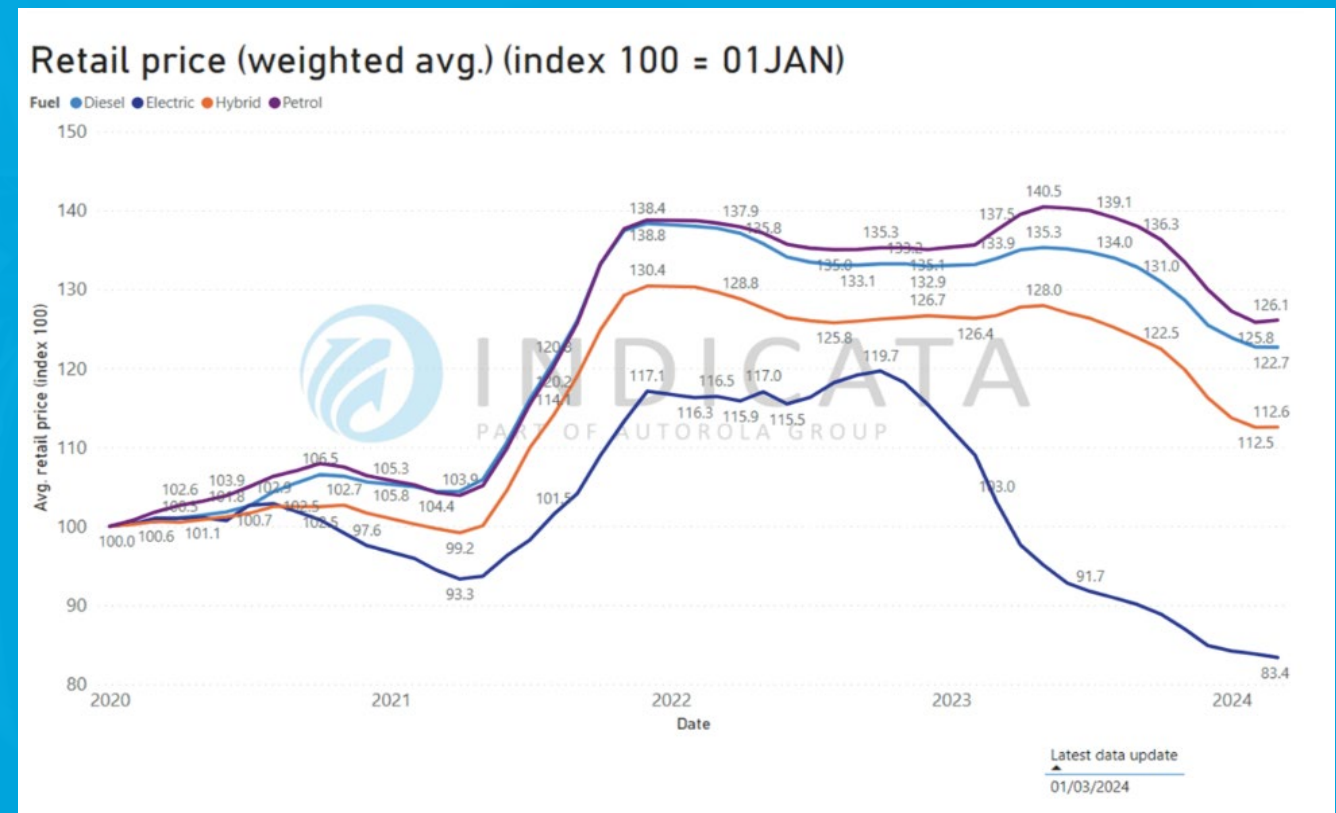
Used BEV prices peaked in Q3 2022 where demand and the chip shortage weakened supply. But, since then prices began a downward spiral as OEMs started to push discounted new and nearly new used BEVs into the market. This coincided with the first used BEVs coming back into the market in higher volumes from two and three-year personal finance, leasing and salary sacrifice contracts.

In 2023, demand could not keep up with this increased supply which led to used BEVs crashing and prices falling by over 20% in just six months.

This fall in used BEV prices was eventually matched by other fuel types in Q3 and Q4 2023 as the market made its best attempt yet to get back to pre-Covid levels.

Dealers ran down their stock during this period as they came to terms with extreme price volatility. This was further accentuated by the traditional December season lull and many dealer groups protecting their year-end performance by avoiding taking disposal risks.

UK retail prices split by fuel type 2020-2024



New car prices BEV v ICE – versus used car prices

At this stage of our white paper, it is worth setting the scene of how new BEV and ICE cars compare before we start looking at used car price trends.

The average cost to buy an electric car in the UK in 2024 is around £50,000, with EV prices ranging from £22,225 up to £157,160, or even more if you take into account the Rolls Royce Spectre at £350,000. **(Source: Nimblefins)**

The price gap for new cars has continued to decrease over the past few years. According to industry data, the purchase price premium of an EV – relative to an equivalent internal combustion engine (ICE) vehicle – has dropped from around 50% in 2020 to around 40% in 2023.

With battery costs reducing and continued innovation, external forecasts predict that some EVs could be around the same price to purchase as a petrol or diesel car by the end of the 2020s. **(Source Gov.uk)**

To show the difference between the price of used BEV and ICE cars, used BEVs entered Q1 2024 42.7% cheaper than petrol models and 42.4% cheaper than diesels. This means the price differentials from new are quickly eroding once a BEV reaches the second-hand market.

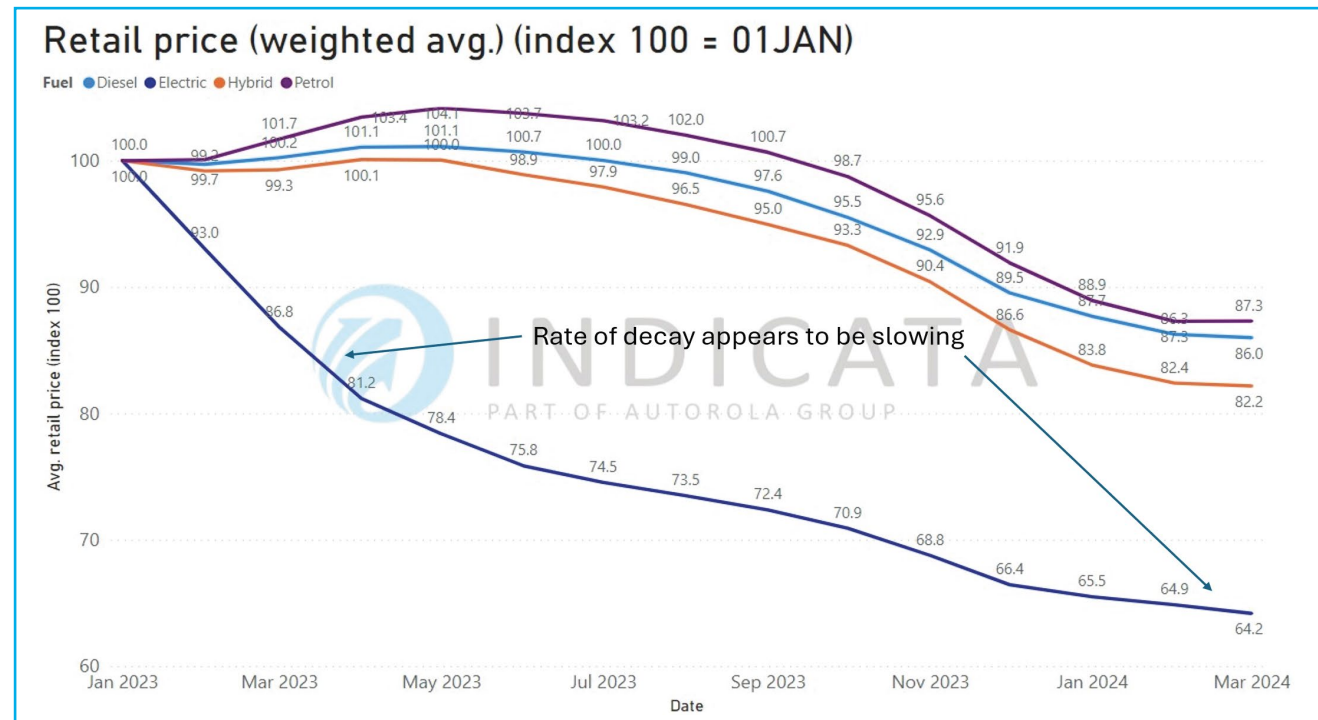
Of course, this is not good news for leasing and salary sacrifice companies who are taking residual value risks on their cars, but perhaps there is better news on the horizon now that the fall in BEV used car prices is decreasing.

Used BEVs reach price parity with ICE cars

In 2024 the fall in UK used BEV prices has clearly slowed as our graph shows, falling by just 1.3% between January and March according to INDICATA data.

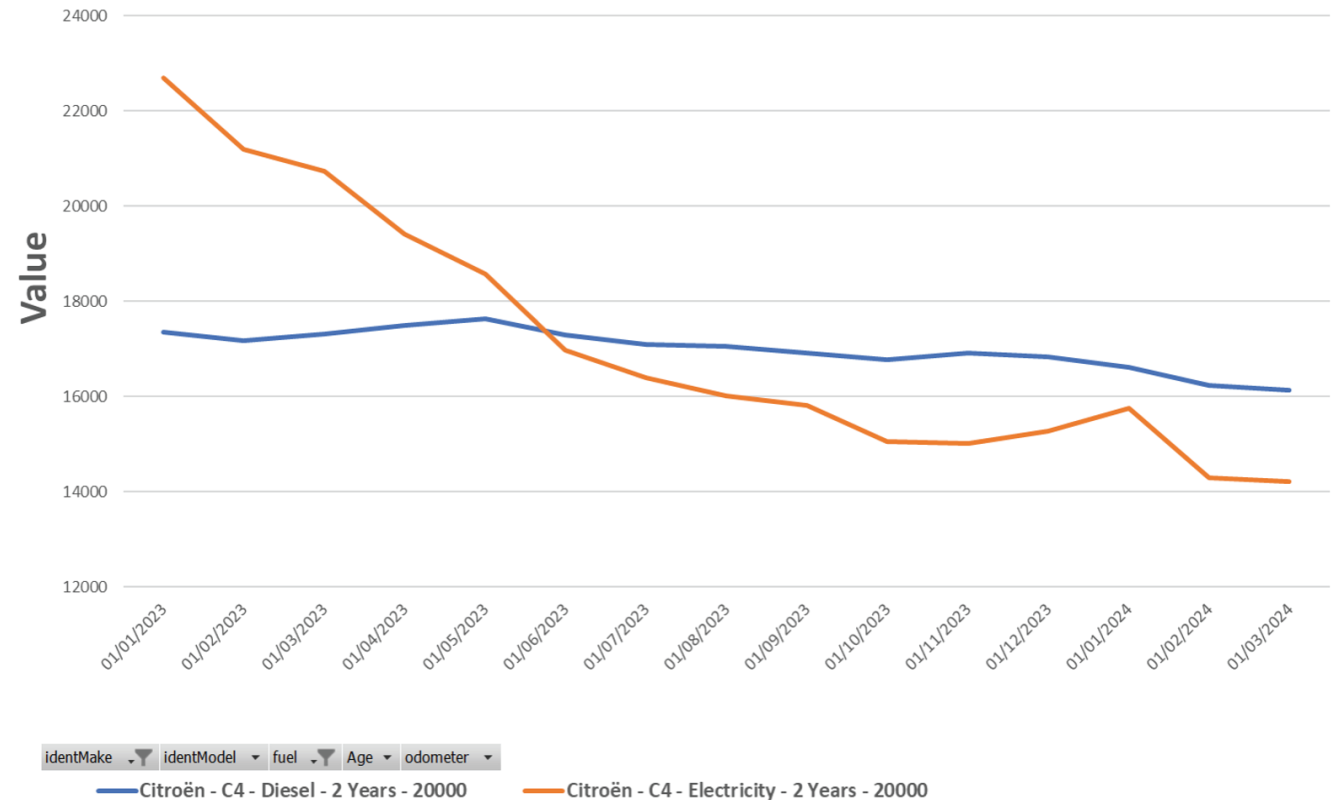
Are they now at the right price as they compare favourably with ICE cars or will they continue their decline, albeit much more slowly?

To put this into perspective we have used INDICATA data to look at the Hyundai Kona, Citroen C4, MG ZS, Peugeot 208 and Vauxhall Corsa on how the used prices of BEV models compare with an equivalent ICE model.





RV Trends ICE vs BEVs



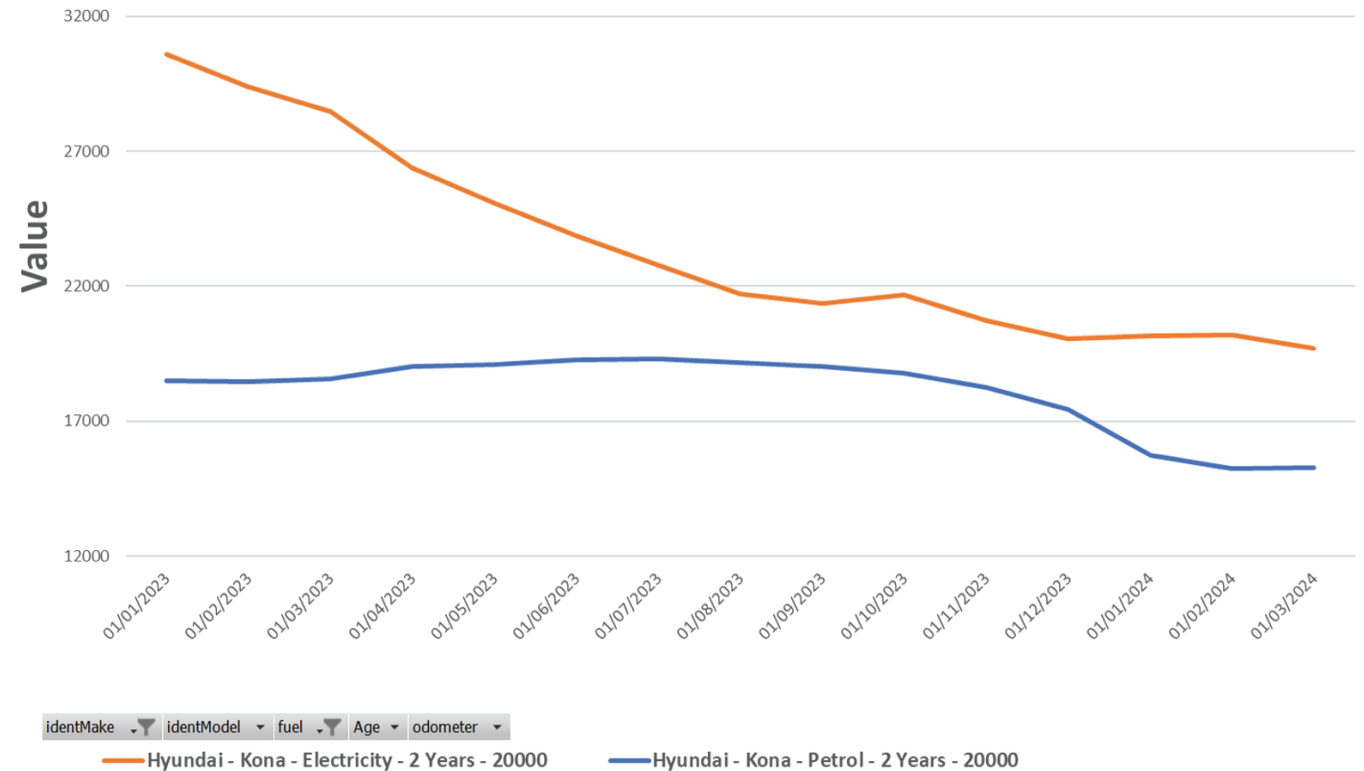
Citroen C4 BEV v Citroen C4 diesel at 2yrs/20,000 miles

The Citroen BEV reached price parity with the diesel model in May 2023 at £17,400 but prices of the zero emission cars have continued to fall.

In March 2024, BEVs were worth £2,000 less in the used market with 20,000 miles on the clock than their diesel equivalent.



RV Trends ICE vs BEVs



Hyundai Kona BEV v Hyundai Kona petrol at 2 years/20,000 miles

Hyundai's reputation is strong in the field of zero emission cars which has helped used Kona BEV prices stay ahead of Kona petrol models throughout 2023 and 2024.

As of early March, the Kona BEV was worth £19,700 compared with the petrol at £15,000. That makes a large price differential between the two fuel types of £4,700.

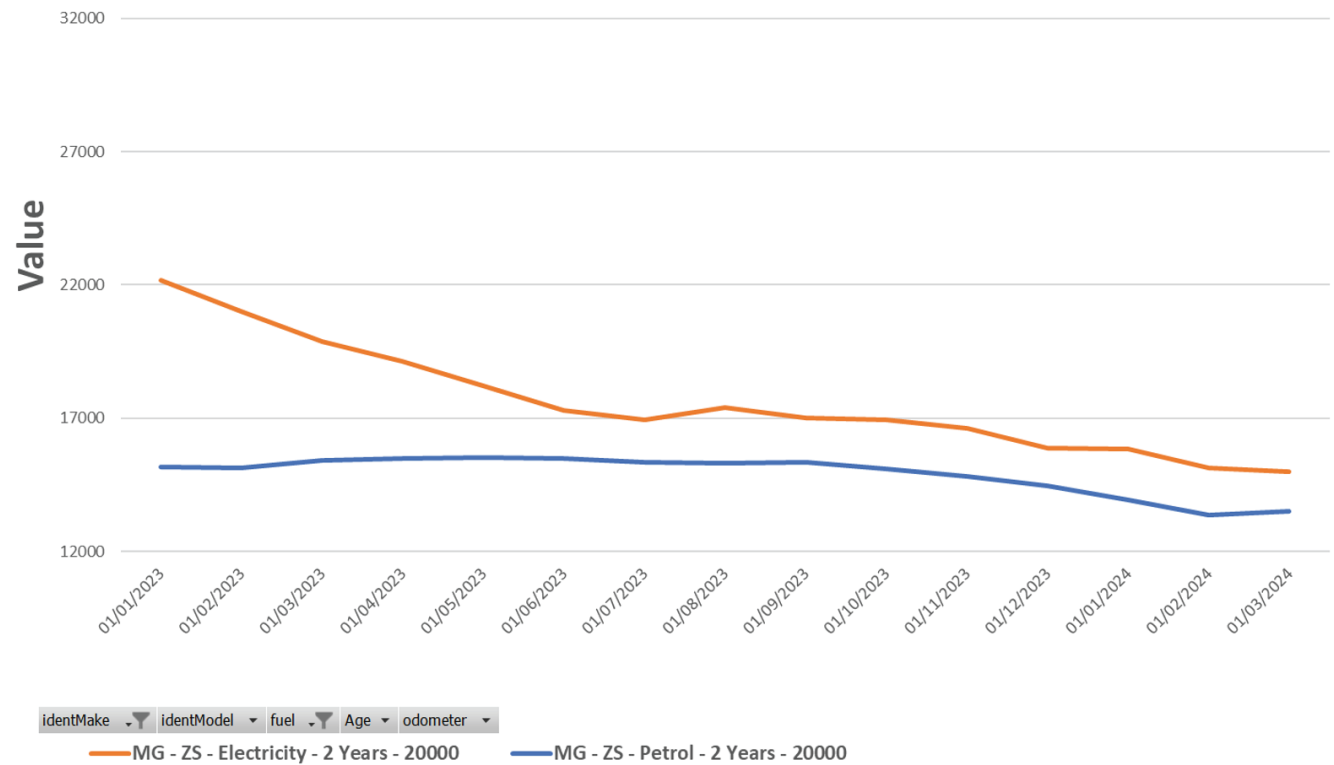


MG ZS BEV v MG ZS petrol at 2yrs/20,000 miles

Electric MGs have a strong reputation with drivers which has translated into ZS BEV prices staying consistently ahead of used ZS petrol prices by around £1,250 since June 2023.

As of March, the BEV ZS was worth £15,000 at two years and the petrol equivalent £13,750.

RV Trends ICE vs BEVs



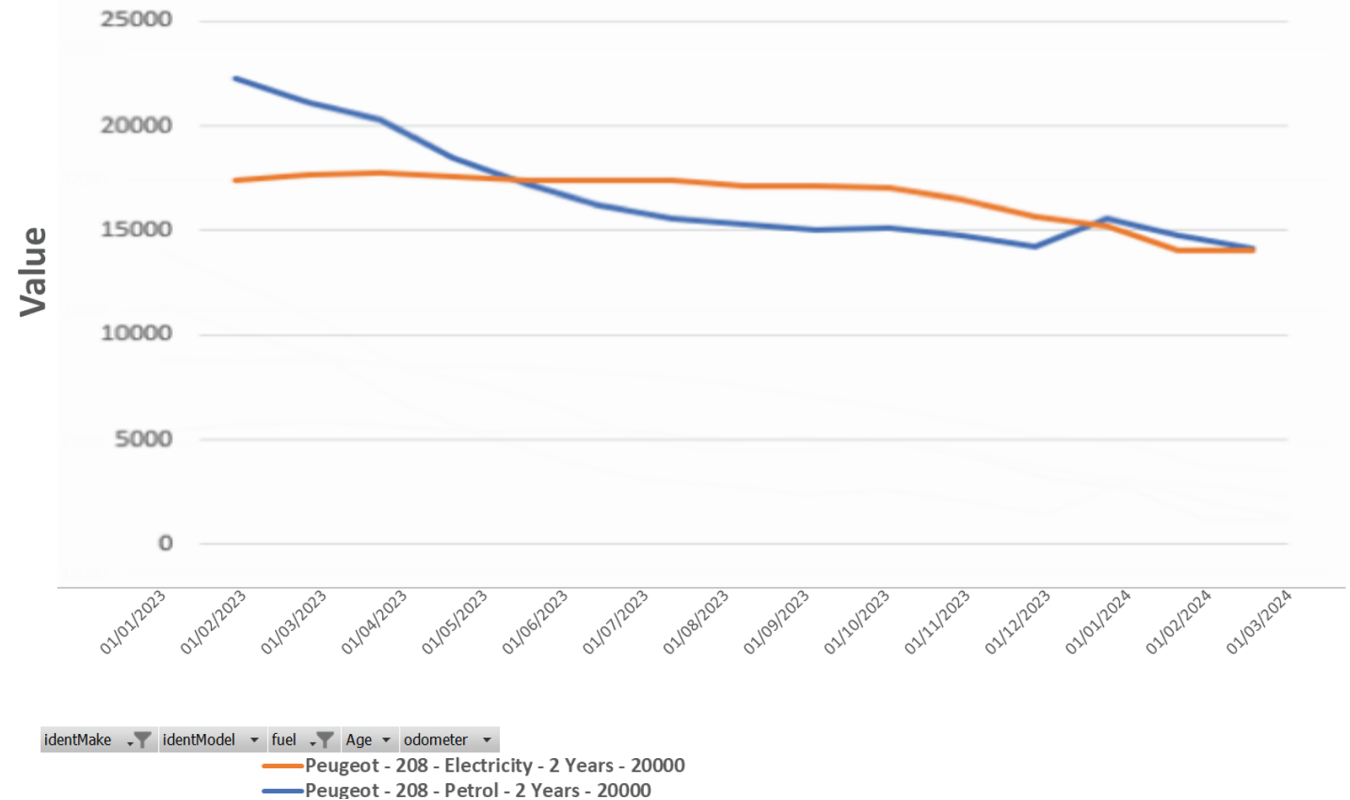


Peugeot 208 BEV v Peugeot 208 petrol at 2yrs/20,000 miles

The Peugeot 208 BEV and petrol model initially reached price parity in June 2023 when BEVs then became worth more than the equivalent petrol models.

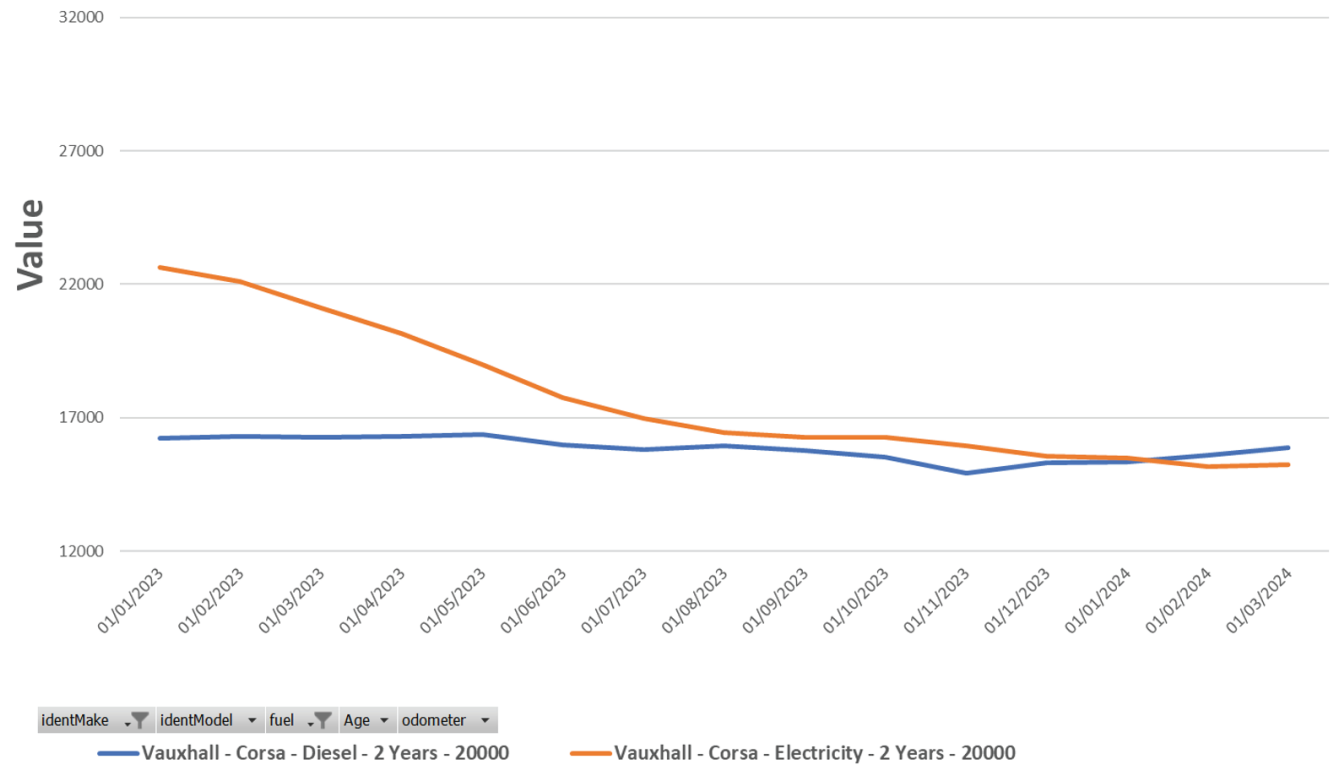
This is how it stayed until both fuel types reached price parity again in March 2024 at £14,250.

RV Trends ICE vs BEVs





RV Trends ICE vs BEVs



Vauxhall Corsa BEV v Vauxhall Corsa diesel at 2yrs/20,000 miles

From January 2023 the Corsa BEV was worth more than the equivalent diesel model, but by January 2024 this trend had reversed. As of March 2024, the petrol Corsa was worth £16,000 and the Corsa BEV £15,250 which reflects how far market prices can move on a specific model in a very short period of time.

Summary – what next for BEV residual values?

The prognosis for BEVs has two dependencies.

- A. How far the price realignment will return back to pre-Covid levels, or will it be curtailed by new vehicle inflation?
- B. Will BEVs maintain their relative price parity position with ICE or will other market forces force a further separation?

MARCH	2024	2023	% change	Mkt share -24	Mkt share -23
Diesel	23,312	23,968	-2.7%	7.3%	8.3%
Petrol	177,019	162,046	9.2%	55.7%	56.3%
BEV	48,388	46,626	3.8%	15.2%	16.2%
PHEV	24,517	17,933	36.7%	7.7%	6.2%
HEV	44,550	37,252	19.6%	14.0%	12.9%
TOTAL	317,786	287,825	10.4%		

YEAR TO DATE	YTD 2024	YTD 2023	% change	Mkt share -24	Mkt share -23
Diesel	37,655	39,764	-5.3%	6.9%	8.0%
Petrol	306,925	280,637	9.4%	56.3%	56.8%
BEV	84,314	76,233	10.6%	15.5%	15.4%
PHEV	42,559	31,765	34.0%	7.8%	6.4%
HEV	74,095	65,861	12.5%	13.6%	13.3%
TOTAL	545,548	494,260	10.4%		

Source: SMMT

BEV - Battery Electric Vehicle; PHEV - Plug-in Hybrid Electric Vehicle; HEV - Hybrid Electric Vehicle. Diesel and Petrol figures include Mild Electric Vehicle (MHEV)

Point A has been already answered with limited signs that OEMs are pushing prices up in the new vehicle market.

With respect to Point B this is now a function of two elements -the pressure on OEMs to achieve the UK ZEV mandate and avoid a £15,000 per vehicle fine, and from new low-cost Chinese BEV players.

It was obvious from the breakdown of new car sales in December 2023 that OEMS had held back sales of BEVs until January 2024 to support their hitting their ZEV Mandate requirement of reaching 22% zero-emission vehicle registrations.

Despite this, March SMMT's registration data shows that reaching 22% is not going to be easy and significant forced registration actions are expected. In Q1 the market share of BEVs was just 15.5% so the move to zero emissions is definitely work in progress.

Add to this the potential of ultra-low priced Chinese imports (the BYD Dolphin's list price still undercuts the VW ID3's discounted price by £6,000) and there are real negatives for BEVs to sustain a fixed level of price parity with ICE vehicles.

Currently BEV residual values are more stable but how long that will last will depend on how much new BEV prices are distressed by car makers reducing prices in the future. If we see new car prices discounted, then this will have a negative impact on used car prices which could make BEVs even better value when compared to ICE cars.

This could help fuel used BEV growth when more used vehicles are hitting the second-hand market.



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