Industry Insight

BVRLA

Leasing Outlook

Apr 2024

Mind the gap

Data reveals widening divergence between business and private car choices, with serious residual value consequences

Market spotlight
BVRLA lease fleet elevated to record high

Quarterly report
Cleanest ever BVRLA car fleet as average emissions fall to all-time low

Industry outlook
New car market flipped from pull to push mode

Opinion
Challenges facing the ZEV mandate

In association with: AutoTrader | Solera Vehicle Solutions | cap hpi | fleet assist | asset finance connect

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Market Headlines

- BVRLA fleet grows **2.4%** year-on-year (page 4)
- Car fleet up **1.9%**; van fleet up **3.9%** year-on-year (page 5&9)
- BCH car fleet up **7.1%** year-on-year; salsac up **47%** YOY; PCH down **-7.1%** YOY (page 5)
- BEVs account for **44%** of all new BCH cars; average new BCH car CO_2 emissions just **55.3g/km** in Q4 (page 6)
- **71.4%** of all new car contracts and **65.9%** of new van contracts include maintenance (page 7)
- Used vehicles account for **23,597** lease contracts, up almost **7,000** in a quarter (page 8)
- Fleet management in the LCV sector is up **30.1%** year-on-year (page 9)

Executive Panel

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Each quarter, we obtain the views of a selection of members of our Executive Panel to enhance our report insights. To join the panel email Phil Garthside at **phil@bvrla.co.uk**.

Market Summary

The divergence between business and consumer sales volumes and vehicle choices presents a mixed picture for leasing companies.

The steady improvement in vehicle supply and the robust demand for leasing products from business customers elevated the BVRLA lease fleet to a record high of 1,927,612 in the final quarter of 2023, up 2.4% year-on-year. If car price inflation, interest rates and the cost-of-living crisis had not conspired as an unholy trinity to dent consumer confidence among private drivers, the total fleet might well have exceeded 2 million vehicles by the end of last year.

In reality, business requirements for new vehicles could not be delayed, despite wider economic pressures. Business car finance maintained its year-long upward trajectory, rising by 4.4% in Q4, while light commercial vehicles were up 3.9% year on year in Q4 2023. Dragging the total down was a -7.1% fall in personal car leasing, with private motorists shying away from like-for-like replacements when monthly rentals have soared by well over 30% and frequently higher.

Leasing companies hope, however, that the return of regular supply to the new car market, fierce competition from new entrants, and the pressure on manufacturers to meet their Zero Emission Vehicle mandate obligations (22% of their new car sales must be zero emission this year) will lead to a return of discounts and offers, which will facilitate lower lease rentals. Leasing brokers are already reporting tactical discounts leading to attractive lease rates for small batches of cars.

The impact of the ZEV mandate on the LCV sector is less clear cut, with leasing chiefs considering the prospect of manufacturers achieving the target of 10% of their new van sales this year to be zero emission, to be extremely ambitious. Price, range, payload, charging downtime and recharging costs remain significant barriers to e-LCV adoption for many van operators. Emissions from new additions to the BVRLA van fleet actually rose in Q4 2023, most likely due to a change in vehicle mix weighted towards larger diesel vans.

In the car market, the chasm in powertrain choices between company and private car drivers continues to widen.

For business drivers, the supportive benefit in kind tax regime for company cars, underpinned by the security of tax rates being published out to 2028, appears to have overcome all range and charging anxieties. Plus employers are benefiting from the advantages of both lower ‘fuel’ and National Insurance costs, as well as the feelgood, brand-enhancing wins of doing the right thing for the environment.

As a result, 44% of all business contract hire (BCH) cars delivered in Q4 2023 were battery electric, and a further 31% were plug-in hybrid, helping the average carbon dioxide emissions of new BCH models plunge to an all-time low of just 55.3g/km in the quarter.

Without these tax and NI benefits, private drivers are finding it much more difficult to make the case for switching away from internal combustion engines, according to leasing executives. The data underlines their point: 66% of new PCH contracts in the final quarter of 2023 were for petrol cars, and only 16% were for BEVs.

As a result, the average CO_2 emissions of new PCH additions to the BVRLA lease fleet were 118.8g/km, more than twice as high as the BCH additions.

The continued meteoric rise of salary sacrifice car scheme volumes, up 47% year-on-year, illustrates how the right financial incentives can act as a catalyst for private driver demand for EVs, with 84% of new salsac cars in Q4 being battery powered.

In the absence of Government stimulus, the bruising decline in electric vehicle residual values for leasing companies in 2023 looks set to continue. As their volumes of used EVs increases exponentially, several leasing companies are ruing their early success in persuading corporate customers to adopt the technology.

Fortunately, the continued strength of petrol and diesel residual values is offsetting disposal losses on zero emission cars for the time being, but every leasing chief has a wish list of policies that the Government could introduce to stimulate demand for used EVs. Leasing companies are also ploughing significant investment into the development of second-life leasing products for used EVs, although uptake remains minimal.

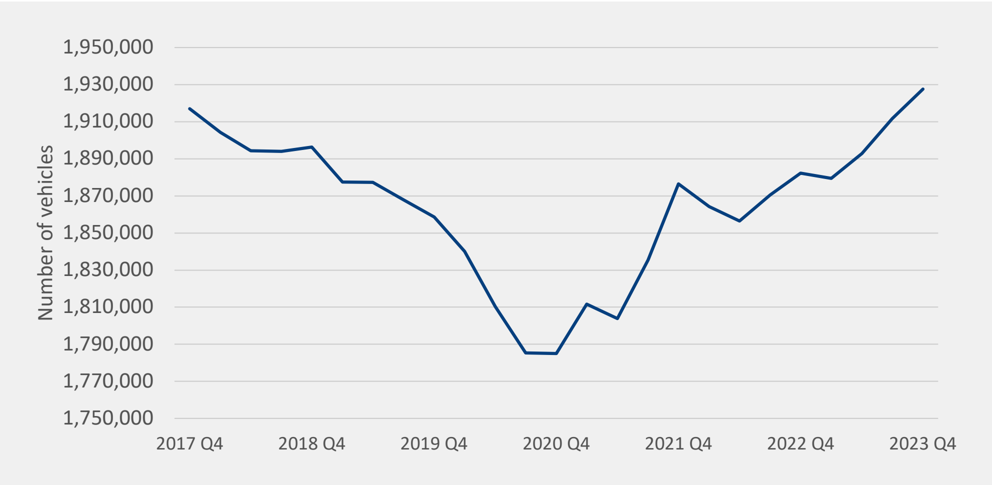
Anxieties over future demand for used e-LCVs is even higher than for cars, with an absence of demand for both new and used electric vans.

Looking ahead to 2024, leasing companies are optimistic about the prospects for fleet growth and the leasing sector, but their growing exposure to EV residual value risk, and the higher costs of service and maintenance work has left them pessimistic about margins.

In the private consumer market the looming investigation by the FCA into the potential mis-selling of motor finance, largely focused on personal contract purchase schemes rather than personal leasing, has served as a timely reminder that the new Consumer Duty is intended to be a journey of constant improvement, rather than a compliance destination.

BVRLA Fleet Focus Q4 2023

Vehicles operated by BVRLA members



Overall fleet

Total fleet
1,927,612 vehicles
(+0.83% Q4 VS Q3)

Share of total fleet

	Q4 2019	Q4 2023
Cars	78%	73%
Vans	22%	27%

Lease fleet reaches record level

The return of supply to the new vehicle market helped leasing companies deliver their order banks and pushed the BVRLA fleet to a record 1,927,612 cars and light commercial vehicles in the final quarter of 2023. The total was almost 1% up on the previous quarter and 2.4% ahead of the same period in 2022.

LCVs continued to drive the growth, with their numbers rising by almost 3.9% year-on-year, more than twice the percentage increase registered by the car fleet.

As lead times return to a pre-Covid 'normal', inflation falls and the Bank of England holds interest rates steady, leasing companies are confident of positive demand from business customers this year.

This will be vital to offset weakness in the private car market, where the cost of living crisis continues to undermine demand.

TREND
+45,351
(+2.4%) YEAR ON YEAR GROWTH IN TOTAL LEASE FLEET

LCVs account for rising share of BVRLA lease fleet

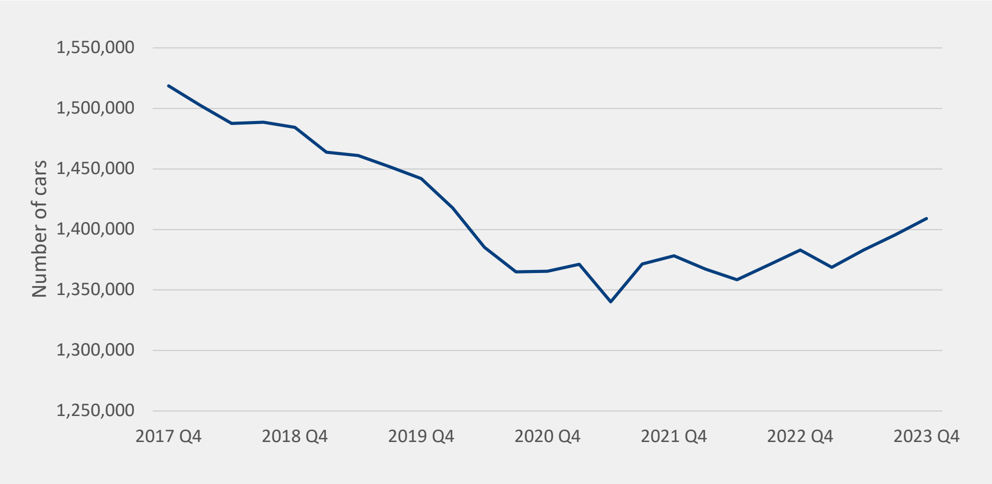
The BVRLA's car lease fleet may still have some way to go to recapture the heady heights of its 1.5 million total from Q1 2018, but the LCV fleet continues to set records. Three consecutive quarters of year-on-year growth appear to have cemented its new threshold above 500,000 vehicles and a five-point increase in its share of the total lease fleet in just four years.

It's overly simplistic to attribute the rise in van lease numbers to last mile delivery operators, but there's no questioning the dramatic increase in LCV volumes since the economy started to reopen in 2021 after the pandemic.

TREND
518,522
(+3.9% YEAR-ON-YEAR) NUMBER OF LCVS ON BVRLA LEASE FLEET

BVRLA Fleet Focus Q4 2023

Total car fleet



Business needs compensate for falling consumer demand

Business customers came to the rescue of leasing companies and car manufacturers in the final quarter of 2023. Company cheque books paid for a 4.4% rise in SME and larger fleet volumes, offsetting a -5% fall in personal car finance.

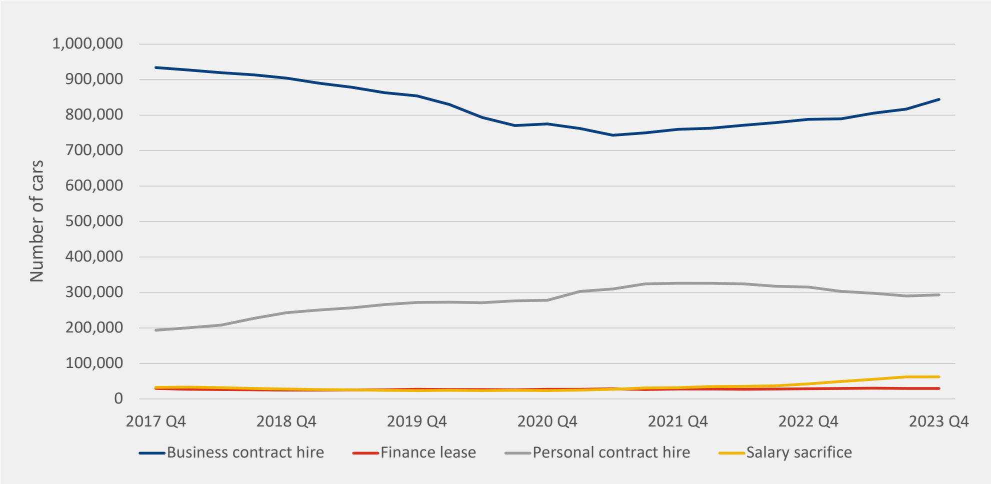
Increases in vehicle prices and interest rates have seen customers faced with rises in monthly rentals of over 30% when they come to replace a car on a like-for-like basis. Inflation on this scale may be unpalatable to finance directors, but companies literally need to keep the wheels of business turning, and so are having to renew their cars. Private drivers, however, can more easily decide to dip into the secondhand market for their next car, or even trim the household fleet from two to one in order to save money.

TREND

1,409,090

(+1.9% YEAR-ON-YEAR) TOTAL BVRLA CAR FLEET

BCH v PCH car fleet



BCH up, PCH down

Business contract hire volumes reached their highest level since the pandemic in the final quarter of 2023, rising by 7.1% to 844,060 cars. The boost comfortably outstripped a more modest 1.7% rise in finance lease numbers, and a -3.2% decline in fleet management services.

In the consumer market, personal contract hire fell by -7.1% to 293,028, its performance eclipsed by the star of vehicle finance, salary sacrifice. Salsac numbers have doubled in two years, and were up 46.8% year-on-year to 62,545 cars. Having done the hard yards in implementing salsac schemes with employers, leasing companies are now reaping the rewards as employees opt in once their outstanding car finance agreements expire.

TREND

844,060

(+7.1% YEAR-ON-YEAR) BUSINESS CONTRACT HIRE FLEET

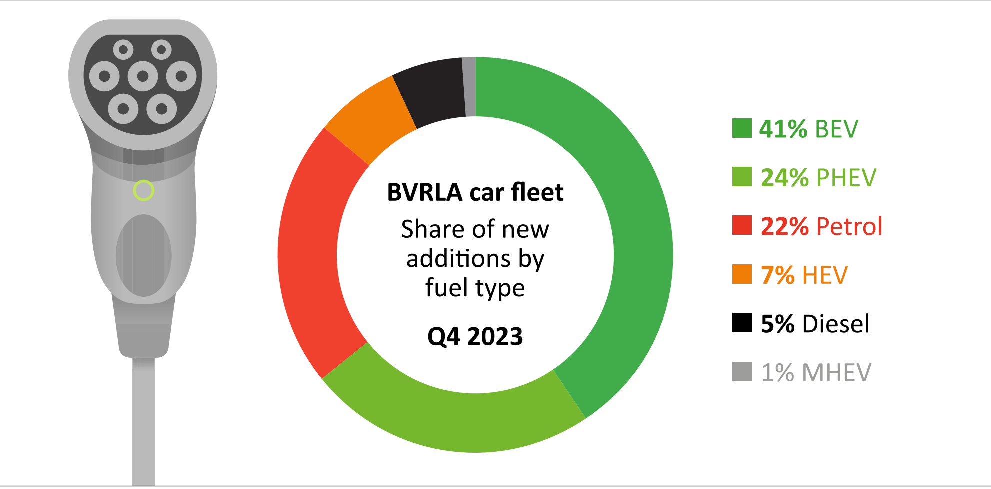
TREND

+46.8%

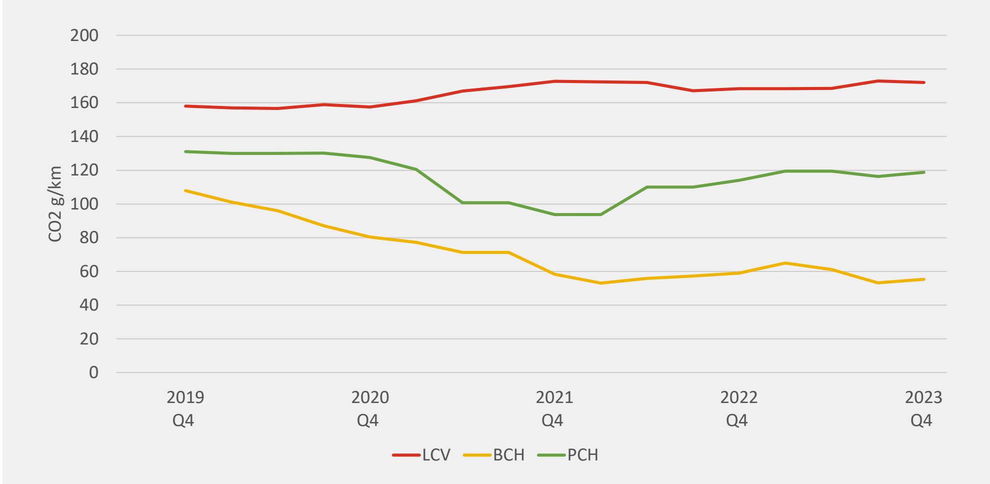
YEAR-ON-YEAR INCREASE IN SALARY SACRIFICE CAR FLEET

BVRLA Fleet Focus Q4 2023

Car fuel choices



BVRLA fleet CO_2 emissions



BCH and salsac drive EV market

As recently as two years ago leasing companies trumpeted the proportion of electric cars on their fleet. Today, such success goes hand-in-hand with nervousness about the future residual values of battery-powered cars. BEVs accounted for 41% of new additions to leasing companies' fleets in Q4 2023, with business contract hire (44%) and salary sacrifice (84%) leading the charge towards zero emissions. In the personal contract hire market, BEVs had just a 16% market share in the final quarter of last year, a figure that illustrates the chasm between business and consumer demand for EVs.

Also of note are the final nails in the coffin of diesel, which slipped to fifth place in the powertrain league table of new additions to the BVRLA car fleet in Q4 2023.

75%

COMBINED PERCENTAGE OF BEVS AND PHEVS IN Q4 BUSINESS CONTRACT HIRE ADDITIONS

66%

PERCENTAGE OF PETROL CARS IN Q4 PERSONAL CONTRACT HIRE ADDITIONS

Cleanest ever car fleet… but vans lag behind

The impact of the supportive benefit in kind tax regime for electric company cars is clearly evident in the emissions of new cars added to the BVRLA lease fleet in Q4 2023. The average CO_2 emission of new business contract hire cars was just 55.4g/km, less than half the figure for personal contract hire (118.8g/km), a sector where emissions are rising as petrol replaces diesel as private drivers' fuel of choice.

Overall, the average emissions of the entire BVRLA car fleet have maintained their downward trajectory, dropping to their lowest ever figure of 81.1g/km.

LCVs, however, tell a different greenhouse gas story, with the emissions of new additions to the fleet in Q4 2023 exceeding the average for the fleet as a whole. Despite pioneering efforts by some household name fleets, eLCVs remain a challenge for many van operators.

TREND

55.4g/km

AVERAGE CO_2 EMISSIONS OF NEW BUSINESS CONTRACT HIRE CARS IN Q4 2023

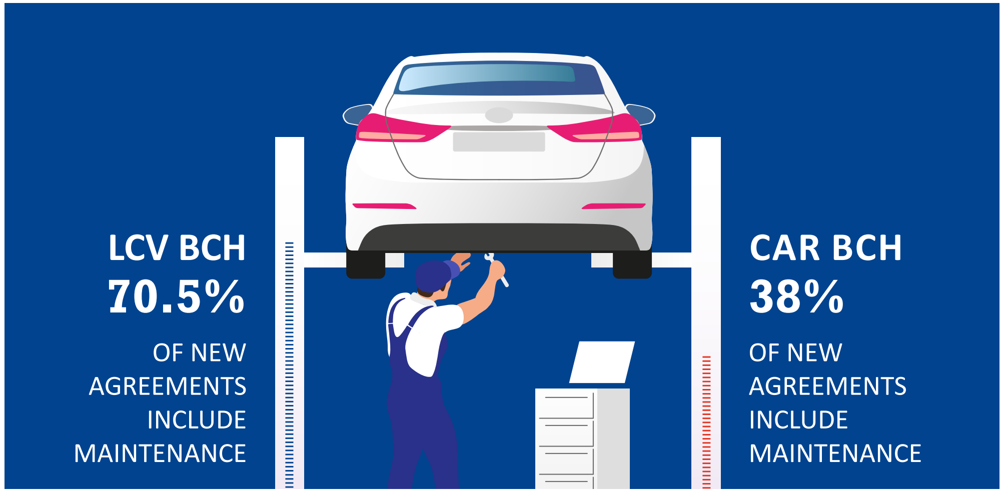
TREND

-27%

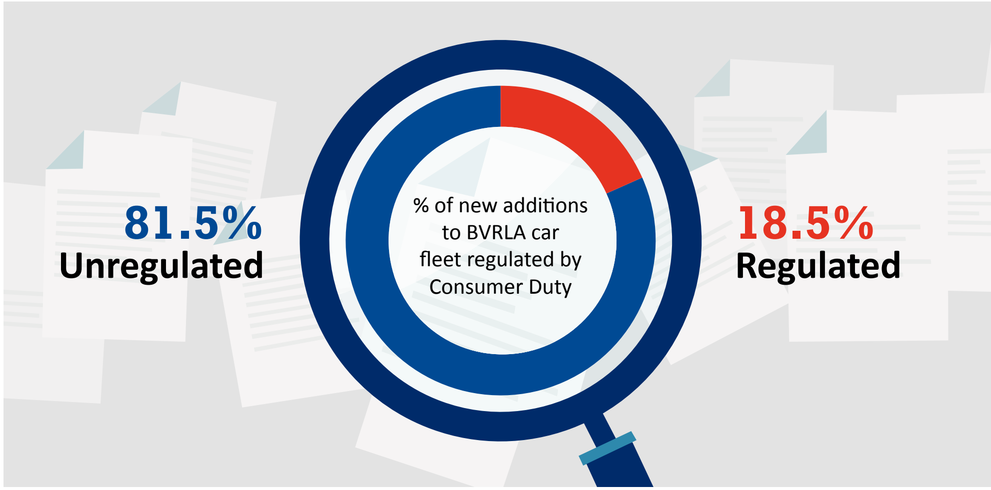
FALL IN AVERAGE EMISSIONS OF NEW ADDITIONS TO BVRLA CAR FLEET, Q1-Q4 2023

BVRLA Fleet Focus Q4 2023

Maintenance contracts - proportion of maintained fleet by funding method



Regulated contracts



More maintenance-inclusive contracts

The balance between time and money is evident in the appetite for maintenance inclusive leases. More than 70% of business contract hire car agreements include maintenance, compared to less than a third (29%) of personal contract hire agreements, with private drivers prioritising a lower monthly rental over the budget certainty and efficiency of outsourcing servicing. A similar business philosophy appears to be at play in the LCV sector, where the share of maintenance inclusive new contracts leapt to 70.5% in Q4 2023, from 54.7% in Q3. Recent leaseco frustrations at delays in accessing aftersales services appear to be dissipating, with greater use of independent garages and a steady increase in dealer technicians trained to work on EVs. The arrival of new manufacturers without established dealer networks has led some leasing executives to anticipate an increase in demand for more maintenance-inclusive contracts as customers hand servicing responsibility to their leasing provider.

911,138

THE TOTAL NUMBER OF CAR CONTRACTS THAT INCLUDE MAINTENANCE

65.9%

OF NEW LCV CONTRACTS INCLUDE MAINTENANCE

Mis-selling review heightens importance of Consumer Duty compliance

The spectre of the Financial Conduct Authority's mis-selling investigation into discretionary commission agreements (DCA) for motor finance has served as a timely reminder of the importance of new Consumer Duty regulations. More than 1 million people have filed DCA complaint letters to the FCA, and Lloyds has already made a £450m provision for potential compensation payouts. The FCA is clear that the Consumer Duty (which requires firms to deliver four good outcomes for private customers: well-designed products and services; honest, easily understandable selling; fair value; and appropriate customer service) is not a compliance exercise, but a process of continuous learning and improvement. Three-quarters of consumer finance provided by BVRLA members is regulated, including almost all personal contract hire agreements, although few (less than 1%) of salary sacrifice contracts.

99.99%

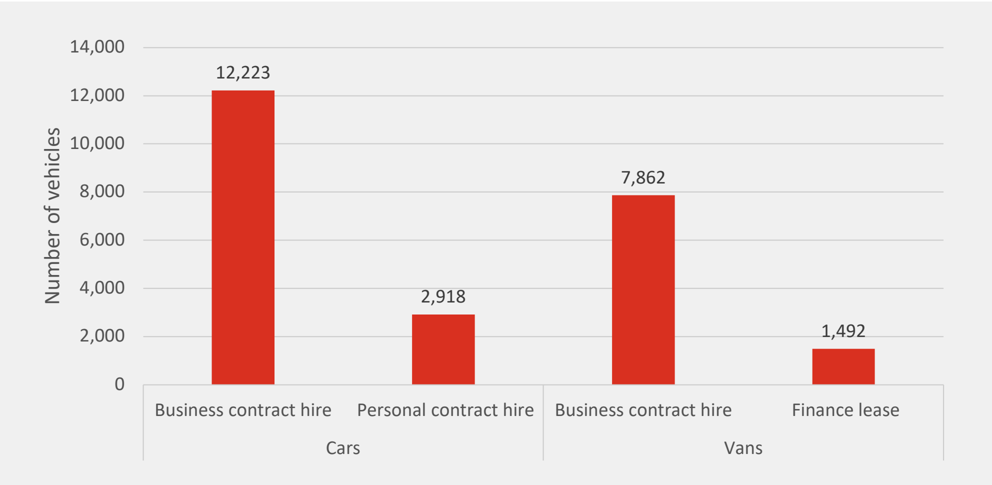
OF NEW PERSONAL CONTRACT HIRE AGREEMENTS ARE REGULATED

12%

OF BUSINESS FINANCE LEASES FOR VANS ARE REGULATED

BVRLA Fleet Focus Q4 2023

Used vehicle leasing



Industry focused on second-life leasing

A viable used car leasing product is the nut that leasing companies are most eager to crack. Developing a workable second life for electric vehicles would provide welcome residual value protection from the rising volumes set to enter the used market, make EVs affordable to a more price-conscious audience, and create new profit opportunities.

Yet the uptake so far is modest, with only 15,000 cars and 9,500 vans of any fuel type currently on secondary leases.

Industry executives say used vehicle leasing needs to be significantly cheaper than new leases to succeed, but this price differential is being undermined by volatile new car pricing and discounts, as well as the cost and complication of collecting, inspecting and refurbishing vehicles at the end of their first contract, prior to re-leasing them.

TREND

3%

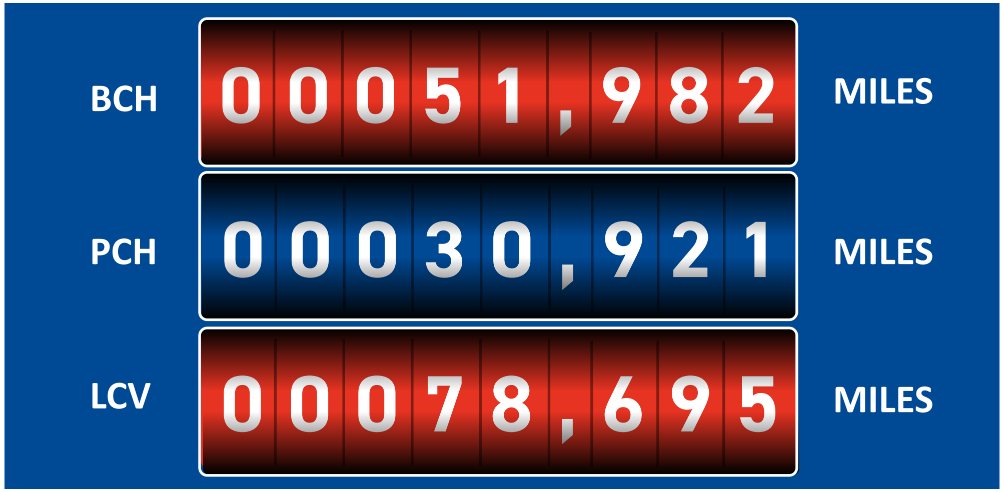
THE INCREASE IN USED CAR BCH AGREEMENTS BETWEEN Q3 AND Q4 2023.

TREND

15,141

THE NUMBER OF USED CAR LEASING AGREEMENTS IN THE BVRLA FLEET

Contract mileage



PCH terms shorten

Mixed messages swirl around the duration of leasing agreements. On the one hand, much improved vehicle supply is enabling fleets to replace vehicles whose leases have been extended. On the other hand, the substantial bump in rentals between contracts that are ending and the cost of the new lease is encouraging other fleets to continue with extensions, in the hope that a cut in interest rates and more generous manufacturer discounts will lead to significantly lower rentals later in the year.

Overall, new personal contract hire agreements are noticeably shorter in duration (33 months) and mileage (25,335 miles) than the PCH fleet as a whole (40 months/31,000 miles), whereas new business contract hire terms are remarkably consistent with the existing fleet at 40 months and 52,000 miles.

44 months

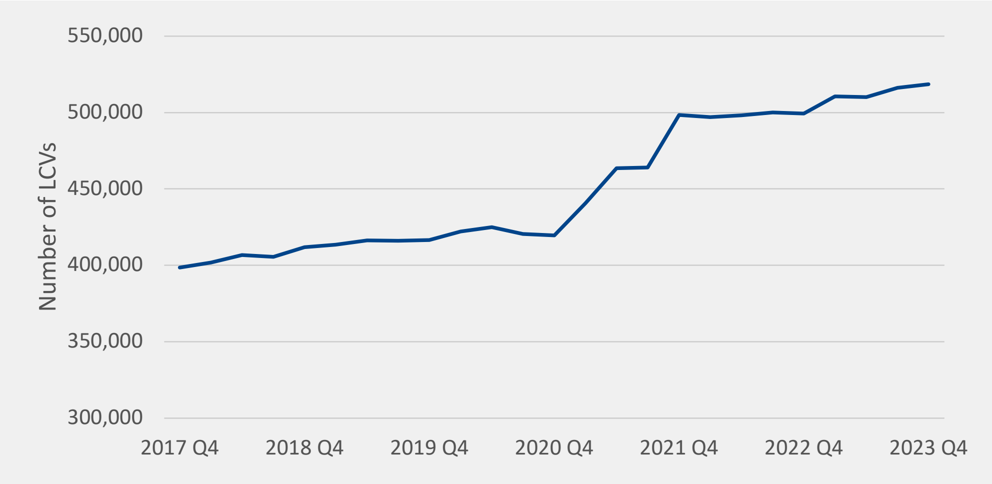
AVERAGE LENGTH OF NEW LCV CONTRACTS (AND 67,000 MILES)

40 months

AVERAGE LENGTH OF NEW BCH CAR CONTRACTS (AND 52,000 MILES)

BVRLA Fleet Focus Q4 2023

Van fleet



LCV numbers reach new high

The BVRLA van lease fleet reached the record level of 518,522 vehicles last year, buoyed by national LCV sales soaring by 21% year-on-year, according to the SMMT.

Many new vans are over 30% more expensive to buy than the vehicles they replace, and leasing enables customers to amortise this cost more easily than purchase. In addition, the Chancellor's announcement that leasing companies will be able to fully expense commercial vehicles, when 'fiscal conditions allow', will level the accounting playing field between lease and purchase. This should unlock further business investment in leasing LCVs.

First, though, leasing companies have to navigate manufacturer strategies to ensure 10% of their LCV sales this year comply with the Zero Emission Vehicle mandate (last year only 5.9% of sales were electric). There are already reports of discounts for eLCVs and pressure to include them in every diesel van order.

TREND

518,522

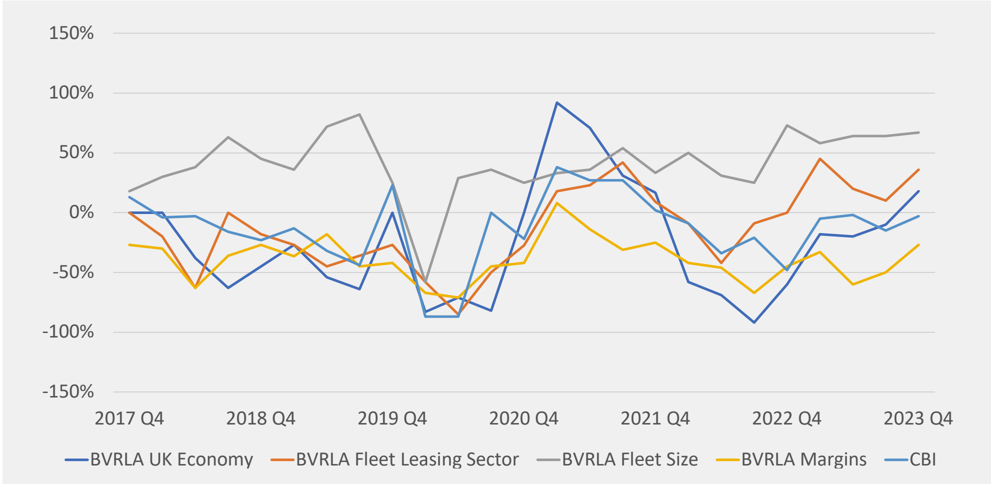
(+3.9% YEAR ON YEAR) LCVS ON BVRLA LEASE FLEET

TREND

+30.1%

YEAR-ON-YEAR INCREASE IN LCV FLEET MANAGEMENT TO 60,000 VEHICLES

Industry confidence



Fleet size grows but margins shrink

Softening residual values and higher service and maintenance spend are squeezing leasing company margins. Overall, leasing companies have a more positive outlook for the UK economy (+18%) than the broader CBI (-3%), but their -27% confidence score for margins exposes the pressures they face.

The reassuring news is the 67% score for fleet size, representing the second most optimistic quarter of the last five years, and the +36% score for the leasing sector as a whole.

Glass-half-full executives may even draw comfort from the fact that the -27% score for margins was better than any since Q1 of 2022.

TREND

+67%

BVRLA MEMBERS' CONFIDENCE IN FLEET SIZE

TREND

-27%

BVRLA MEMBERS' CONFIDENCE IN MARGINS

BVRLA Member Outlook

At first glance, it is tempting to see the return of vehicle supply to 'normal' levels as marking a return to pre-Covid trading conditions. But the leasing market finished 2023 in an anything but normal state by 2019 standards. Vehicle availability may have improved towards the end of the year, enabling leasing companies to make significant progress in delivering their order banks and replacing much-extended contracts, but normal business has not resumed.

For a start, everything is eye-wateringly more expensive, forcing business customers to review their fleet policies and private motorists to reconsider their car replacement options. Vehicle acquisition prices, interest rates, service and maintenance costs, and staff salaries have all risen to such an extent that leasing companies have had to increase their credit lines by as much as 30% to maintain the same fleet sizes. In addition, risk profiles have changed substantially with the mass market introduction of electric vehicles. The steep decline in the residual values of EVs over the past 12 months has seen leasing companies nurse losses stretching into five figures for some models. By initially prioritising larger, more luxurious and more expensive EVs, manufacturers and leasing companies have inadvertently created a first wave of ex-lease cars priced beyond the budgets of most used car buyers.

Leasing companies may berate industry pricing guides for exacerbating the depreciation shock, but there is no masking the current lack of appetite for electric vehicles in the used market, where supply already exceeds demand and even greater supply is waiting just around the corner.

Leasing executives swiftly rattle off a host of measures that could improve the situation, ranging from subsidies for used EV purchases to 0% loans (as in Scotland) to buy a secondhand EV, the reinstatement of grants for home charger installation, and the reduction of 20% VAT on public charging to the 5% level on domestic charging. Some also suggest the UK's major cities should tighten their air quality regulations and impose zero emission zones, where only EVs will gain access. Leaseco fleets are now almost exclusively Euro 6 compliant, which means their vehicles can enter pretty much every low emission zone, whether driven by petrol, diesel or electricity.

Alongside any such incentives, they say, the Government also needs to promote a fresh narrative that counters the negative media portrayal of EV ownership with a tide of positive messages about the driving, cost and environmental benefits of adopting battery power.

Yet the only pending change to used EV ownership is the introduction of Vehicle Excise Duty from April 1, 2025. This will not only introduce an £180 annual fee, but in many cases bolt on the additional £390 expensive car tax supplement for cars whose list price exceeds £40,000. The result? An extra £570 annual cost.

As one leasing executive remarked with gallows humour, the complete lack of support for used EVs at least means there's no incentive left that the Government could subsequently remove which would further undermine future residual values. There are, however, developments in the new vehicle market that could have a significant impact. The improvement in vehicle availability allied to ferocious competition from new entrants in the EV space and the need for manufacturers to meet their Zero Emission Vehicle (ZEV) mandate thresholds (22% of new car sales and 10% of new van sales must be zero emission this year) has flipped the market from pull to push mode.

Discounts and bonuses have returned as OEMs seek market share and zero emission volumes, presenting opportunities for leasing companies to reduce lease rates.

Car and van fleet forecast

	2018 Q4	2019 Q4	2020 Q4	2021 Q4	2022 Q4	2023 Q4	2024 Q4 forecast	Forecast change Q4 2023 to Q4 2024
CAR	1,484,455	1,442,061	1,365,410	1,378,146	1,383,038	1,409,090	1,303,380	-8%
LCV	411,853	416,589	419,544	498,280	499,223	518,522	535,257	3%
Total	1,896,308	1,858,650	1,784,954	1,876,426	1,882,261	1,927,612	1,838,636	-5%

Car fleet forecast by fuel type

	2018 Q4	2019 Q4	2020 Q4	2021 Q4	2022 Q4	2023 Q4	2024 Q4 forecast	Forecast change Q4 2023 to Q4 2024
Diesel	979,740	778,713	614,435	441,007	331,929	215,839	174,965	-19%
Petrol	400,803	504,721	477,894	496,133	442,572	371,542	346,066	-7%
BEV	5,938	15,863	68,271	165,378	290,438	446,068	557,330	25%
PHEV	72,738	34,609	81,925	165,378	207,456	236,549	298,390	26%

BVRLA Member Outlook

With interest rates forecast to fall as inflation subsides, one leasing company is advising customers to delay replacing vehicles for a few months in anticipation of higher discounts and lower borrowing costs.

Agile brokers are also looking forward to a promising year, capitalising on offers that they have not been able to access for years. JLR's cancellation of its plans to move to an agency model of distribution, and much rumoured pauses in the plans of other manufacturers considering similar approaches, have highlighted OEM needs for multiple sales channels to hit their targets.

But for residual value risk takers, discounts off new vehicle prices ring alarm bells for future residual values. Used vehicles, whether purchased or leased, have to be noticeably cheaper than new vehicles, or buyers will migrate to new. This is one of the principal challenges facing the development of second-life leases that leasing companies are so eager to introduce. Unless secondary leasing represents substantially better value, it will trigger no demand, yet finding this sweetspot is difficult, especially if manufacturers start offering ever more generous discounts for new models. New entrants are certainly using price as an effective sales weapon to overcome their lack of dealer networks.

For the time being, the strength of the used market for petrol and diesel models, which still represent the majority of disposals for leasing companies, is enough to offset EV resale losses. Lenders, too, are reported to be happy with the prudent approach adopted by leasing companies to their future EV residual value risk, with many keen to support the green economy. But reports that funders will only lend against used EVs so long as they have outstanding battery warranties highlight the lingering uncertainty about zero emission technology.

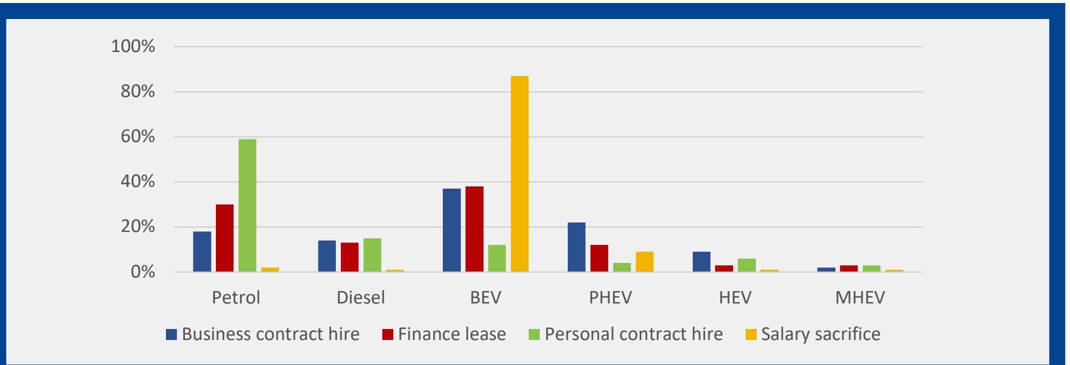
The risk is even more complex for electric commercial vehicles, both light and heavy, with demand described as ranging from non-existent to minimal, despite the Government's ZEV target. How will technology improve and Government support change over a typical seven-year holding period? There's a danger that step-change enhancements in range and payload will combine with greater Government subsidies to hit its 2035 / 2040 deadlines for the end of ICE commercial vehicle sales, leaving today's new electric commercial vehicles worthless at the end of their contracts.

There's better news for commercial vehicle leasing in the shape of the Government's intention to extend full expensing allowances (to offset against corporation tax) to leasing companies, levelling the playing field between leasing and purchase. The current discrepancy in first-year allowances – 100% for purchase and 18% for leasing – has long been an anomaly, and while the Government has not committed to a deadline, saying simply when 'fiscal conditions allow', the move should make leasing more competitive. Logic dictates that the same full expensing treatment should extend to car leasing, too, according to company directors.

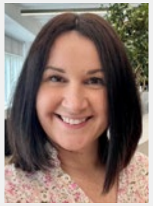
Looking back, there seems little doubt that 2023 finished better than it started. Vehicle availability improved, months of upward movements in interest rates finally plateaued, and even vehicle service and maintenance became slightly easier as leasing companies expanded their networks and dealers and workshops trained more staff to work on EVs. But at the same time, a softening of the used vehicle market from the bumper highs of 2021 and 2022, and the rising prospect of used EVs outstripping demand among secondhand buyers, leaves 2024 starting with leasing's risk-reward relationship heading in the wrong direction. Or, perhaps, just returning to its pre-Covid position.

Car fuel choices by funding method

	Petrol	Diesel	BEV	PHEV	HEV	MHEV
Business contract hire	18%	14%	37%	22%	9%	2%
Finance lease	30%	13%	38%	12%	3%	3%
Business ALL	19%	16%	34%	21%	8%	2%
Personal contract hire	59%	15%	12%	4%	6%	3%
Salary sacrifice	2%	1%	87%	9%	1%	1%
Consumer ALL	49%	12%	26%	5%	5%	3%



Opinion - new and used market overview



Rachael Jones - Director of Automotive Finance, Auto Trader

Just a few months in and 2024 is already shaping up to be a landmark year for the automotive industry. As the first quarter closes, in this edition of the report, I thought I'd use Auto Trader data to provide a temperature check on the current health of the new and used retail market.

New car market returns to 'push' model

It's positive to see the new car market reporting successive months of growth, but the fact it's being driven by an especially strong fleet sector highlights one of the big challenges facing brands this year. As we've highlighted since last summer, we're seeing very clear signs of the new car market fully pivoting to a 'push' model as OEMs facing a challenging combination of new regulatory targets, new brand competition, and softening retail sales, have little choice but to turn to substantial offers.

We're already seeing this play through on our marketplace; new car advert views were up 38% YoY to 6.6m in February. By the end of the month, we saw an especially strong uplift in EV enquiries, doubling to 20% with some manufacturers offering significant discounts to tempt buyers. Our data shows that the number of new cars advertised with a discount has increased 13% YoY, whilst the average discount applied to new car MRRP has risen from 6.3% to 8.4%. For electric vehicles specifically, it's increased from 4.8% in February 2023, to 10.4% 12 months later. As pressure to achieve the strict ZEV Mandate target tightens, this behaviour is only likely to increase.

Used car market momentum

From a used car perspective, the market entered 2024 on firm footing, with consumer demand, speed of sale and transactions all in a robust position. This was reflected in the record 86 million cross-platform visits to our marketplace in January, and the 9.4% year-on-year uptick in February.

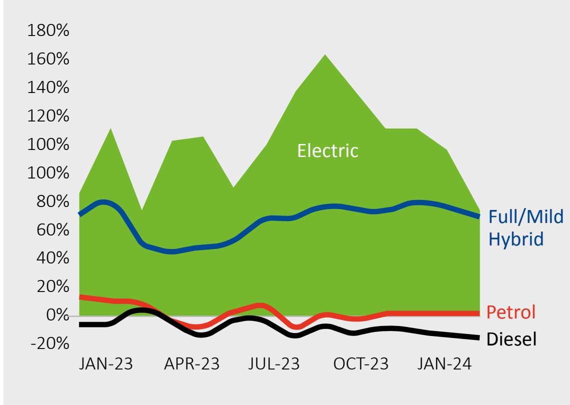
This positive momentum is also evident in the speed in which used cars are taking to sell – in February, the average car left retailers' forecourts in just 27 days, the fastest pace for 12 months. Crucially, this demand has translated into transactions, with our data suggesting a circa 3% YoY uplift in used car sales in February.

We're confident that robust levels of consumer demand will be sustained over the months ahead, but potential market growth will ultimately be hampered by the three million cars that weren't built between 2020 and 2022. Although supply levels are slowly returning, currently up circa 2.8% YoY – the largest rate of growth since October 2022 – there are significant variations across different market segments. Underlining the complexity facing the market in 2024, there'll be -35% fewer 3-5-year-old cars on the road in 2024 compared to 2019, and almost 1 in 5 (17%) of 1-3-year-old cars sold this year will be electric. It's worth noting that demand for used EVs was up 81% YoY in February.

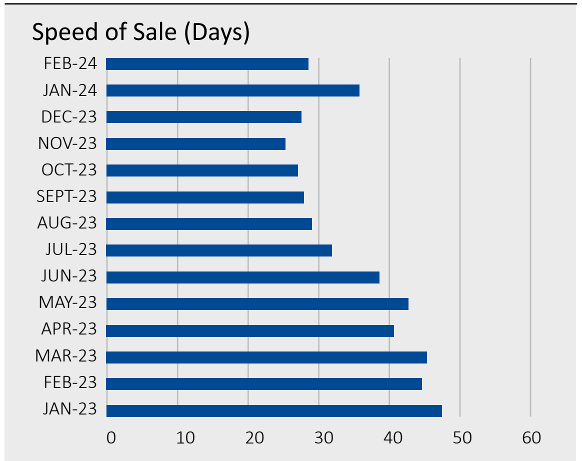
A data driven approach has already become vital in our industry, but given these growing variations, using insights over instinct will be even more fundamental in 2024.

As ever we'll be keeping a close eye on our data and how the market is progressing, and I'll report back with our latest insights in the next edition.

Used EV sales growth the highest of all fuel types over the past year



Used EV speed of sale almost halved since last January



BVRLA DATA HUB

For full data, visit the BVRLA data hub at:
https://www.bvrla.co.uk/resource/bvrla-data-hub.html

This report provides a consolidated view of the Quarterly Leasing Survey and the forward-looking Leasing Outlook report. In addition to the data highlights provided in this report, you can now access an extensive list of tables as part of the Quarterly Leasing Survey online, by following the link provided above.

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