

## Used Car Market - UK - July 2010

Report Price: £1500 / \$2310 / €1793



### What is this report about?

The used car market is much larger in size than the new car market and unlike new cars, demand for used cars is almost entirely a retail consumer market with few business or fleet purchases. For the car manufacturers' dealer networks, new car sales help maintain after-sales demand – servicing, repairs and replacement parts business, which are key areas of franchised dealer profitability. When demand for new cars falls, sales of used cars become more important to the car manufacturers' franchised networks.

This report analyses the market for cars bought and sold as second-hand which are also referred to throughout this report as used cars. The report analyses the retail market for used cars which are cars bought by private individuals in the Private and Light Goods (PLG) class which therefore excludes commercial vehicles.

### What have we found out?

- Around 45% of all used car purchases are of cars costing less than £5,000. These are of little interest to the retail trade due to the higher potential warranty liability of this price category of cars which are likely to be older and higher mileage.
- There is a large price overlap between new and used car purchase prices between £7,000 and £10,000 which gives car buyers the choice between a new small car from a volume car manufacturer or a used model from a premium car manufacturer.
- There is a direct correlation between car sales and interest rates. When interest rates are low car sales tend to rise and vice versa when rates are high. Marginal increases in interest rates between 2004-08 resulted in a fall in both new and used car sales.
- Around half of all used car sales are financed by cash purchases and around 35% are financed using some form of credit finance. With credit finance being less readily available following the financial crisis, a higher proportion of used car purchases will rely on cash savings and cash purchasing.
- 44% of used car owners who bought their car as a main car and 30% of used car owners who bought their car as a second car used part-exchange with their old car to finance its replacement. Providing competitive part-exchange values will therefore remain crucial in a market facing a slow recovery in sales.
- In 2009, 65% of those who intended to purchase a used car expected to make the purchase in the next two years. Furthermore, 12% of those who intended to buy within the next five years represented totally new demand as they are currently non-owners of any car.

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