

Second-hand cars see soaring prices and sell at record speeds as new vehicle sales hit fresh low

The [price](#) of second-hand cars is rising so steeply that a typical used vehicle would sell for an average of 14% more today than it would have fetched 12 months ago, new [analysis](#) suggests.

Logistics bottlenecks and [supply](#)-chain logjams – particularly in the supply of semi-conductors – are throttling vehicle production with new [car sales](#) slumping to the lowest level in more than 20 years in July. Latest [figures](#) from the the [Society of Motor Manufacturers and Traders](#) (SMMT) found new car sales fell by 29.5% in the month.

This in turn is turbo-charging the second-hand sector, which was already being fuelled by continued wariness of public [transport](#) due to [Covid](#), and lockdown savers willing to spend.

The average price of a used car has now risen for 65 consecutive weeks according to [Auto Trader](#)'s latest market tracker, and by nearly 14% year-on-year – the highest the FTSE 100 online car marketplace has recorded in a decade of monitoring.

A report from Irish dealer DoneDeal found there is a “reasonable chance” a used car bought last August will be worth more today “even with the increased mileage on the odometer”. It found a VW Golf is on average 15% more expensive, and a BMW 3-Series 14% more expensive.

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Seán Kemple, Managing Director of Close Brothers Motor Finance, said there are “reports of second-hand vehicles selling for up to 143% of the recommended retail price”.

Richard Walker, Auto Trader's director of [data](#), told the Standard some people have been able to sell their used car for more than they originally paid for them, and said: “The speed in which cars are being sold is faster than we've ever seen.” Walker expects the trend to continue through 2021.

The boom has been reflected in the values of the UK's listed dealerships, and comes at a time when start-ups like Cinch and Cazoo are fetching large valuations as they attempt to disrupt the sector.

Shares in listed dealerships and marketplaces have surged over the past 12 months. Shares in Vertu Motors are up 108% at 45p, while Lookers is up 224% at 69p, and Auto Trader's shares up 18% at 647p.

It comes against a backdrop of rising inflation across the UK economy with the Bank of England warning yesterday it may reach 4%, double its target, in the next two years.

Robert Bridge, of Cinch, said: “More and more customers are

seeing the benefits of a readily available quality used car. We launched 10 months ago and already have an annualised sales run rate of 50,000 vehicles, reflecting huge demand for used vehicles. Demand is continuing to grow month on month for our increasing wide range of vehicles available nationally on-line.”

Lookers boss Mark Raban added: “The used car market is incredibly buoyant at present, driven by an ongoing aversion to public transport, some shortages of new cars and a consumer with more money in their pockets. Used car prices are increasing, a previously alien concept for the industry.”

AJ Bell investment director, Russ Mould, told the Standard “exactly the same phenomenon” is being seen in the US, where prices are up 25% year-on-year.

But he cautioned that both the US Manheim index and the JD Power index “have begun to soften, so some caution is needed here”.

“The major car makers to have reported this week – Honda, Toyota, Stellantis, BMW, GM and others – have all flagged how chip shortages could linger and curb production through the second half and even into 2022,” he said.

Mould also pointed dealers’ ability to raise prices being dependent on the economic recovery remaining on track, and said: “If prices hit a point where consumers don’t want to bite, then the market will slow at some stage, chip shortage or no chip shortage.”