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Motor Retail Property Bulletin – Autumn 2018

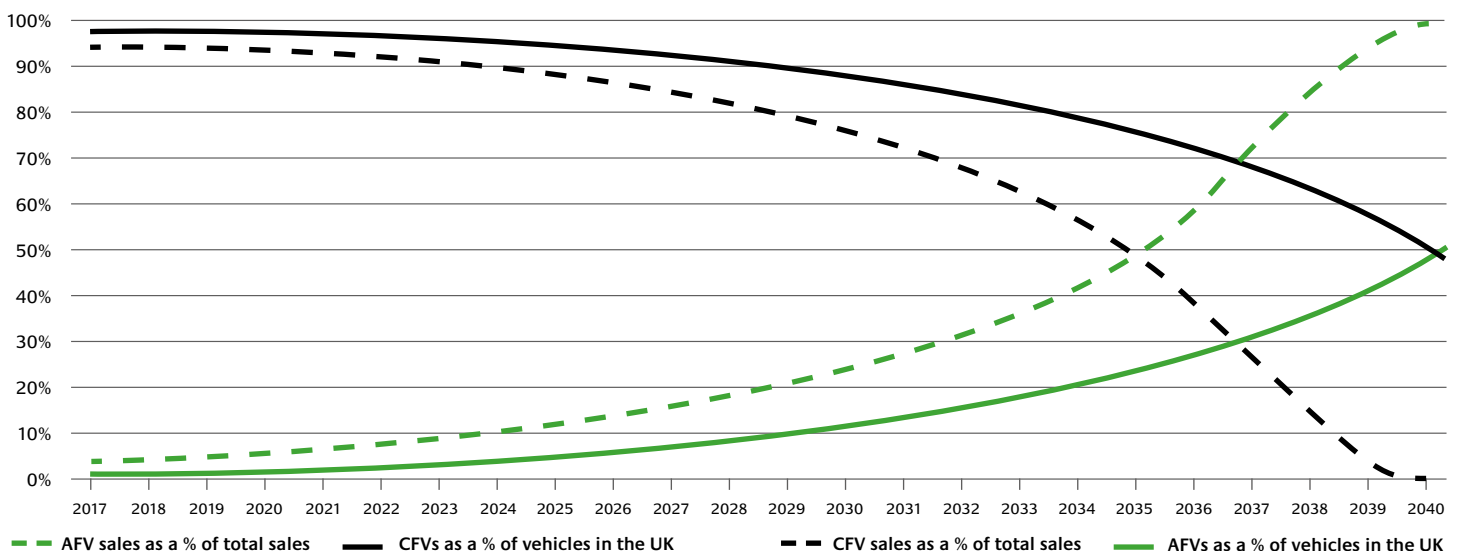
The potential in change



The September new car sales figures highlight the wave of structural change enveloping the car industry as the world axis shifts towards electric vehicles (EVs) and Alternatively Fuelled Vehicles (AFVs) and rapid technological innovation introduces easier access to car sharing and semi-autonomous driving takes hold. The near 30% decline in new diesel vehicle sales YTD 2018 has taken another hit from the impact of the Worldwide Harmonised Light Vehicle Test Procedure (WLTP), otherwise known as the “real world emissions test”, introduced at the beginning of September and is the clear evidence of this paradigm shift.

As with any structural changes there are pains and this is currently expressing itself as a startling cyclical supply side squeeze; the car manufacturers are simply not tooled to build in short order the new cars that government and consumers desire. It is difficult for manufacturers to change plants over to EV and WLTP compliant manufacture, same too for suppliers, and it will take time. Waiting lists for the new EV's are typically 6 – 12 months, and until the new WLTP compliant models arrive dealers are left in the short term with limited new car stock to sell, a situation not seen for decades.

AFV UPTAKE & CFV DECLINE



Many of the major manufacturers are now heavily invested in EV's presenting for the first time serious competition to Tesla; Nissan already have the game leading Leaf, but cannot make enough of them quick enough, Renault the Zoe, Jaguar have the I-Pace, Audi the e-tron, Porsche the Taycan, and Volkswagen the I.D.Crozz, with Mercedes and Peugeot all with models close behind. These products are becoming available now, but not in scale, however by 2021-2023 these manufacturers are aiming for a 25% EV new car sales penetration. The precise inflection point where EV sales overtake Conventionally Fuelled Vehicles (CFV) is still to be determined, but future success for many dealers rests on holding imbedded relationships with manufacturers who are delivering the right product enabling them to nurture new profit streams to replace declining aftersales business, as EV's will require less repair and servicing.

EV's and AFV's are now a serious proposition, 5.8% of the new car sales market (August 2018 – about 6% of the new car sales market (and if a franchise on its own AFV's would rank 7th, between Vauxhall (7.3%) and Nissan (4.35%) in the new car sales hierarchy. Currently EV's are high cost and assisted by Government subsidy, but as more EV's and AFV's come on line there will be more customer choice and a reduction in the price. There are now waiting list lengths, but close to 20 new EV's and dozens of hybrids will be released in the next two years.

What does this new future hold?

- A smooth transition towards autonomous/ semi-autonomous driving as everybody already have smartphones. Legislation to support this is already advancing through Parliament.
- There will be “smarter” car and road use efficiency, whereas currently cars are typically parked 95% of their lifetime.

- Autonomous/semi-autonomous cars bring with them enhanced road safety measures.
- Less wasted travel time
- Many more EV charging availability (currently only around 10,000 public charging points), and opportunities for electricity generation and storage capacity, such as solar panels. In time cars are likely to become self charging.
- Significantly greater EV range of 400+ miles.
- As more AFV's come on line there will be more customer choice and a reduction in the price.
- EV's offer lower running costs – electricity (£570 p.a.) v fuel (£1,400 p.a.). No parking costs, free access to toll areas, and lower servicing costs (having a fraction of the moving parts of an CFV).

In the short to medium term dealers have been building up their used car and aftersales businesses to compensate for the new car supply shortage cycle. Consumers remain relatively resilient and are still presented with attractive car financing propositions. The Industry still feels Government is not helping as much as it could, but then its attention is focused elsewhere.

Amidst all this activity the car dealership remains central to the delivery of this evolving product package, and represents the key point of contact with customers. Having the best site is crucial.

For more detail on this subject please see our report **The Future of the Motor Industry – the impact on property** available on the link below:

[>> The Future of the Motor Industry – the impact on property](#)



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