

A long golden run for used vehicle sales is slowing down

 By [Jeff Osborne](#)

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The second-hand market has been a "buy-at-any-price" space for quite some time due to macro-economic pressures on consumers, over-priced new cars and online trading sites developing an increasingly accessible marketplace for used vehicles



Photo by Emil Vilsek on Unsplash

The TransUnion SA Vehicle Pricing Index (VPI) is the best way to keep a track of the used car segment of the market. The index measures the relationship between the increase in vehicle pricing for new and used vehicles from a basket of passenger vehicles from 15 top volume manufacturers.



TransUnion SA issues vehicle pricing report

17 May 2018



Two data points from the latest TransUnion report indicate clearly that both volumes and margins have declined in the used car space:

- In Q1 2017, the TransUnion report showed the ratio of used car sales to new car sales was 2.49. In Q1 2018, that ratio dropped to 2.09.
- Throughout 2017, the Used Car Vehicle Price Index rose by 3.5% or more. In Q1 2018, it was at 2.9%.

And new car sales are finally on the rise after a grim phase of decline. March saw growth in new unit sales of 3.7% and April delivered 3.6%. One reason for this improvement is made clear by the TransUnion New Vehicle Price Index which has only risen 2.3% in Q1 2018.

The price of new cars has been held very low for some time in an effort to attract buyers who have also been helped by a stronger rand, low inflation and a reduction in interest rates.

Dealers are also clearly lowering their margins to shift metal.

In the used vehicle market, the TransUnion Q1 report shows 46% of used vehicles sold are under two years old, and 9% were demo models, which indicates consumers are opting for “newer” old vehicles. Sellers should time their decisions to sell to meet this market imperative.

“ *It needs to be made clear that the used car market is not in serious decline - it still outweighs the newcar market in SA by more than 2:1, it still offers a better price increase average and the economy has a long road to travel before anyone would call it the kind of cash-flush or easy loan boom time which turbocharges newvehicle sales.*

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But it's clear that we are in a cyclical turn towards new vehicles which I suspect will continue as long as the dealers keep the current lid on price increases.

ABOUT JEFF OSBORNE

Jeff Osborne heads up the Guntree Automotive Team from their office in Johannesburg. Jeff has decades of experience in the motor industry and served as the CEO of the Retail Motor Industry for 13 years. Jeff is passionate about the automotive space, and is a keen classic car collector.

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