

Personal Leasing Report 2017:

Growth in an uncertain market



**CONTRACT HIRE
AND LEASING.COM**

About Us

ContractHireAndLeasing.com

ContractHireAndLeasing.com is the UK's largest marketplace for personal car leasing deals.

We host millions of adverts daily and pass on hundreds of thousands of enquiries a year.

We have over 300 customers including national leasing brokers and many of the top 20 largest dealer groups - including Inchcape Retail, Lookers, Vertu, Sytners and Evans Halshaw.

Our customers choose to work with us because of the large and highly-engaged audience we attract to our marketplace and the value we provide compared to other online marketplaces.

This places us in a unique position to oversee the entire leasing market across all manufacturers and sales channels.

Key figures

2 million live personal deals every day

7.5 million visits a year

22,000 enquiries passed to advertisers per month

Average 36% conversion rate

More than 300 advertisers nationwide

100k+ social followers

Executive Summary

Five things we learned from 2017

- **Ownership continues to decline.** Leasing is now the second most popular form of consumer new car finance as Hire Purchase continues to fall in popularity.
- **One-month initial payments are on the increase.** One-month initial payments accounted for 7% of enquiries in December 2017, paving the way to a fixed monthly payment model for car usership.
- **Anti-diesel rhetoric has not drastically affected the personal leasing sector.** The volume of diesel enquiries increased 5.1%, accounting for 55% of all enquiries in 2017.
- **Leasing searches are still male dominated.** The typical profile of a leasing enquirer is a 35-44 year old male, from London, looking for a Volkswagen Golf on an iPhone.
- **Consumers will switch to hybrids of popular existing models.** The popularity of the VW Golf GTE plug-in hybrid illustrates that if manufacturers can produce more hybrid variants of already popular models at an affordable rate, consumers are more than willing to move to hybrids.



What happened in 2017?

Market Overview

Personal Contract Hire (PCH), or leasing as it's commonly known, continues to go from strength-to-strength in the UK.

The overall value of the personal leasing market grew by 12.7% to £1.686bn*, according to figures from the Finance & Leasing Association. Leasing now accounts for 9.2% of all point of sale finance provided to consumers for new car purchases.

As leasing becomes more popular, hire purchase (HP) is in steep decline.

The value of HP finance fell 9.8% year-on-year to account for 8% of the consumer new car finance market. This plummet in value would also suggest that not only is HP falling out of favour, but those that do opt for it are buying lower value new vehicles.

The decline of ownership and rise of usership means leasing leapfrogged HP to become the second most popular new car finance method for consumers in 2017.

PCP is still the leading form of consumer new car finance, with 82.4% share (up 1.8%).

Market drivers

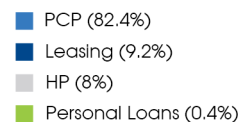
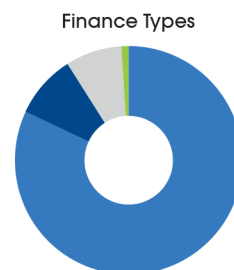
The overall new car market declined 5.65% in 2017 after a record-breaking 2016 as Brexit uncertainty and anti-diesel rhetoric took their toll on consumer confidence and caused hesitation. However, the leasing market maintained its growth as such uncertainty pushed even more consumers to turn their back on the pursuit of traditional car ownership.

A recent survey of automotive executives** found that 43% of them are confident that half of the car owners they know today will no longer want to own a personal vehicle by 2025, and will favour other forms of usership and transport models.

This shift in behaviour means many manufacturers are now focusing more on leasing - which include subscription and pay-per-use models - with Volvo launching a comprehensive subscription model for its new XC40 SUV called Volvo Care.

* For the 12 months to November 2017. Deals financed through FLA members.

** KPMG's Global Automotive Executive Survey 2018.



Major Trends



Down 9.8%



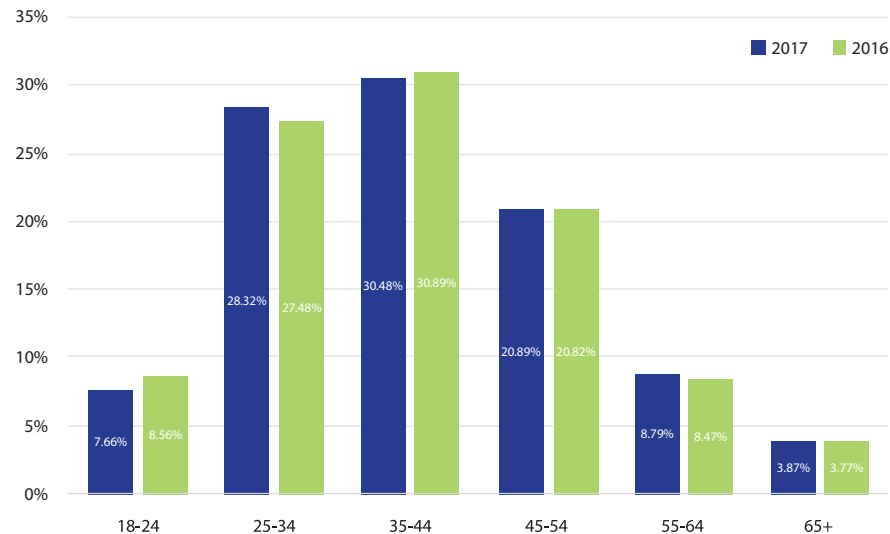
Up 12.7%

Who is looking to lease?

The popularity of personal car leasing has continued to grow amongst most age groups. Here we look at just who is searching for leasing deals.

Leasing ages

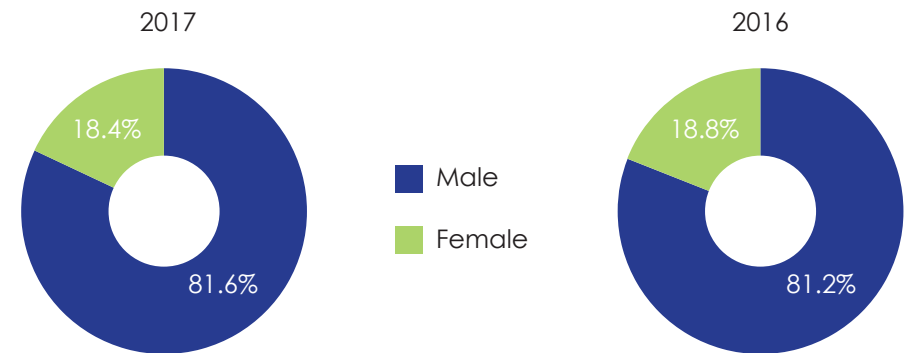
The most significant growth was among those aged 25-34. However, there was a decline among 18-24 year-olds, which may be attributed to changing travel patterns and fewer post-Millennials learning to drive.



Based on ContractHireAndLeasing.com Google Analytics data 2017.

Gender

Males dominate the visitor data, accounting for 81.6% of all car leasing searches, up from 81.2% in 2016.

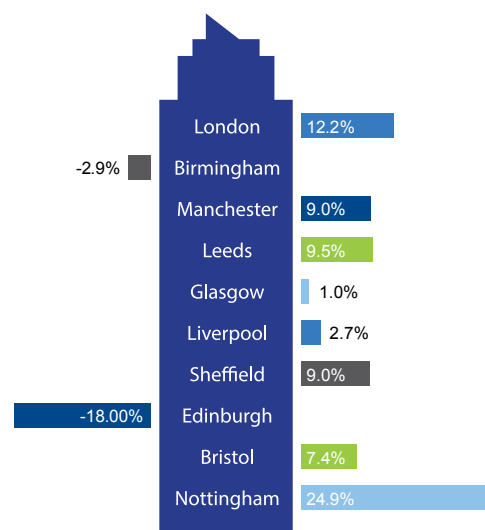


Where is leasing popular?

Here we take a look at where people are searching for lease deals and the typical visitor profile on ContractHireAndLeasing.com.

Top Cities

London remains the leasing capital, followed by Birmingham and Manchester. There were strong increases in large northern cities. Nottingham saw the strongest growth.



Difference in number of searches between 2016 and 2017

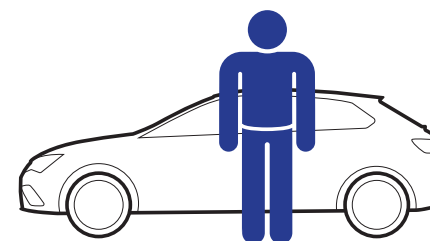
Typical Lessee

35-44 year old male from London looking for a Volkswagen Golf on his iPhone.



Growing market

25-34 year old male from Nottingham looking for a Seat Leon on a +1 initial payment.



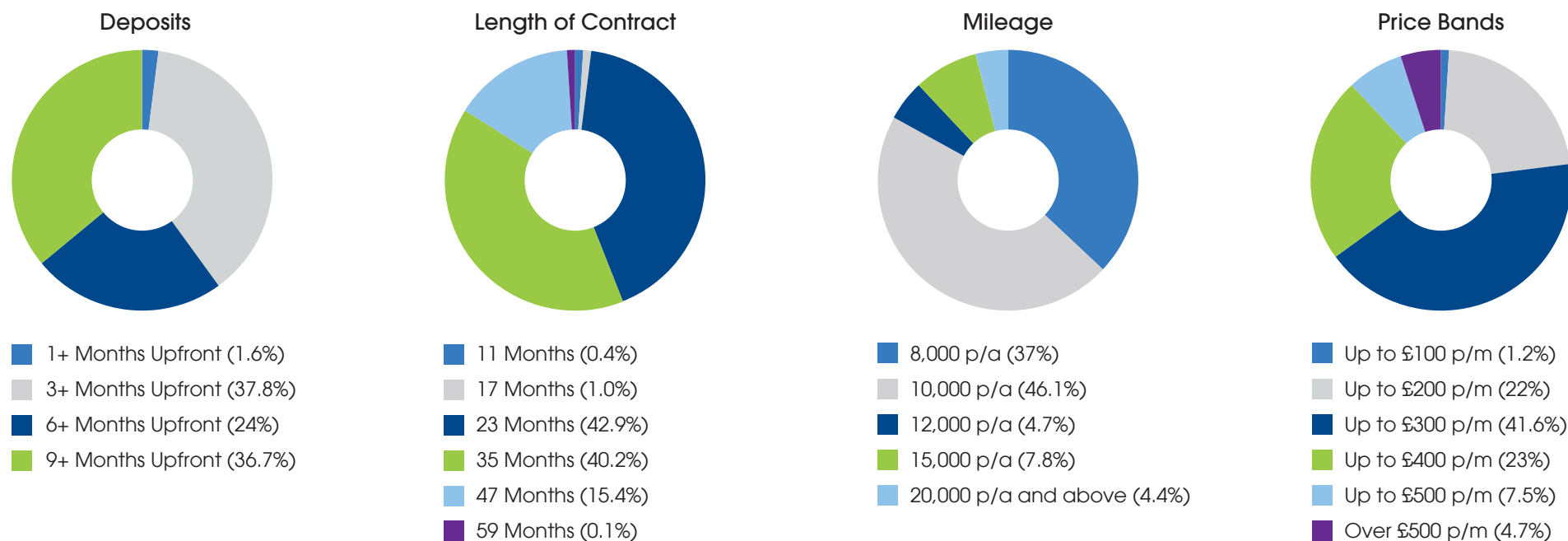
How long? How far? How much?

Most Enquired Rental Profiles

One-month initial payments were only introduced to ContractHireAndLeasing.com in September but have already proved popular. They accounted for 7% of enquiries in December 2017 and pave the way towards a fixed monthly payment model for car usership in the future. This trend can also be seen with the success of media streaming platforms such as Netflix and Spotify, which have capitalised on consumer demand to access content, rather than buy it.

There has been a dramatic fall in enquiries for deals under £100 a month as the current availability amongst dealers and brokers has declined to almost zero.

Three-year deals have increased in popularity at the expense of two-year deals, which have fallen from 60% of all enquiries in 2016 to 42.9% in 2017.



Percentage based on ContractHireAndLeasing.com enquiry data.

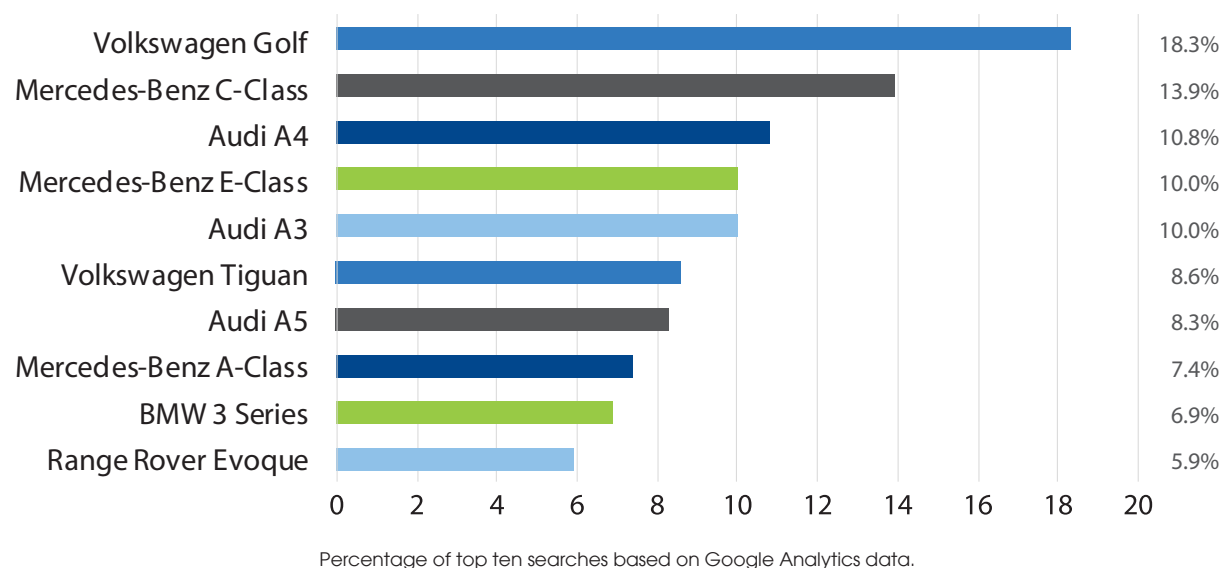
Which models are searched for?

Here we take a look at the models that people are searching for on ContractHireAndLeasing.com.

Top Model by Search

The Volkswagen Golf is once again the most searched personal lease car, ahead of the Mercedes C-Class.

The list is dominated by German brands (Volkswagen, Mercedes, Audi and BMW) - with only the Range Rover Evoque breaking up their dominance of the search market.



Which models are enquired on?

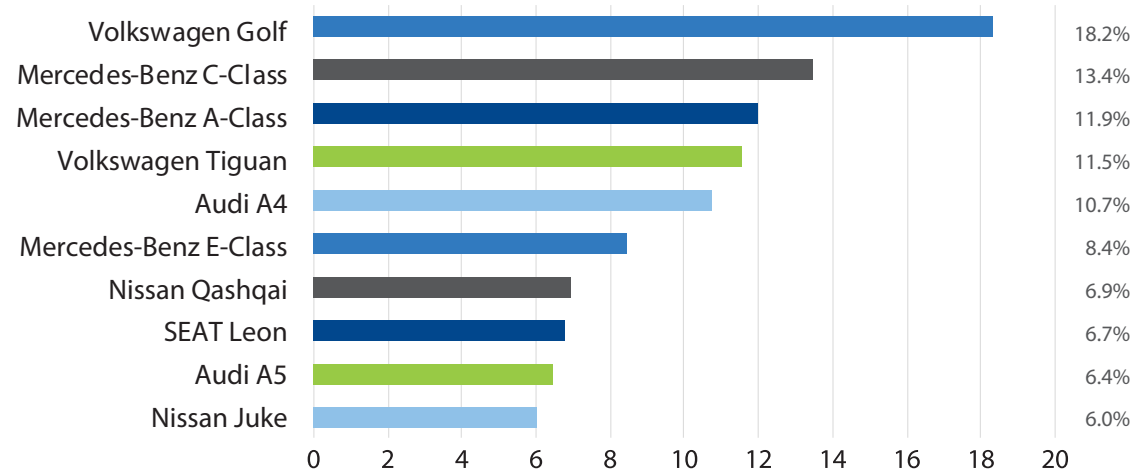
Here we take a look at the models that people made enquiries on via ContractHireAndLeasing.com.

Top Model by Enquiry

When comparing Google Analytics search data with enquiry data, the Golf and the C-Class maintain the two top spots, but the A-Class jumps in popularity when it comes to actual enquiries.

The Volkswagen Tiguan is not in the top ten for searches, but was the fourth-most enquired vehicle. Further down the top ten, entrants such as the Nissan Qashqai, Juke and Seat Leon suggest that users often eventually make enquiries on less premium alternatives.

There are no BMW models in the top ten.



Percentage of top ten enquiries based on ContractHireAndLeasing.com email and callback enquiry data.

Which manufacturers are in front?

Here we take a look at the manufacturers that are receiving the most enquiries on ContractHireAndLeasing.com.

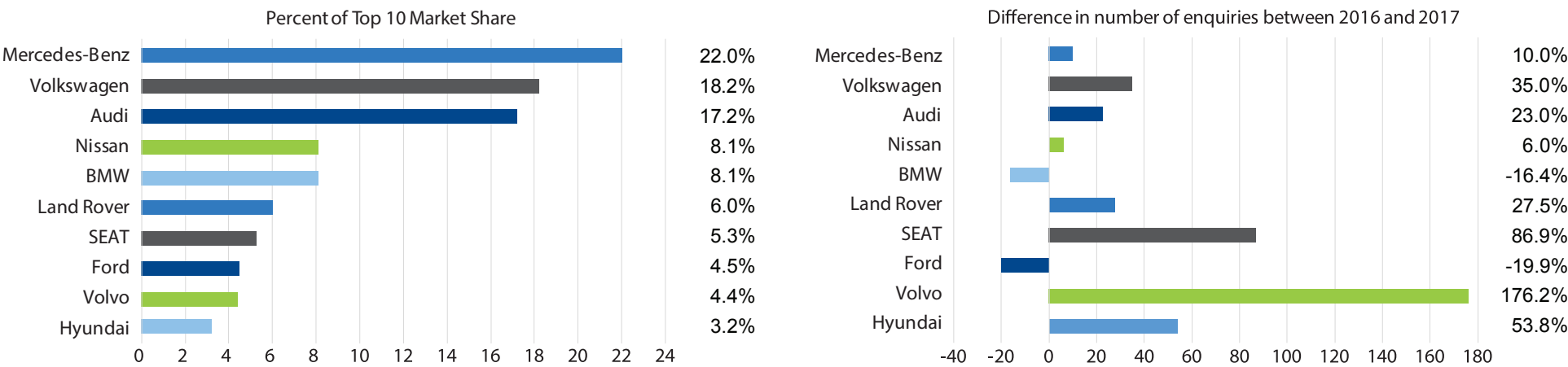
Top Manufacturer by Enquiry

Mercedes-Benz, Volkswagen and Audi continued their dominance of the leasing market in 2017.

Although premium brands perform strongly, Nissan, Seat and Hyundai enjoy a strong presence.

BMW and Ford were the only two manufacturers in the top ten to suffer a decline in enquiries over 2016.

Volvo recorded impressive growth driven by its well-received new XC60, while Seat's new Ateca and popular Leon helped it gain market share.



Percentage of top ten enquiries based on ContractHireAndLeasing.com email and callback enquiry data.

Diesel is not dead

Diesel decline not too drastic

Diesel has had its fair share of negative publicity in recent times. In the new car market, diesel sales fell by 17.1% in 2017. However, figures from the personal leasing market tell a slightly different story.

Personal leasing enquires for diesels on ContractHireAndLeasing.com increased 5.1% over the course of the year and still account for most enquiries (55.7%), although this is down on 60.6% in 2016.

Despite the anti-diesel agenda and the potential for further tax increases and financial penalties in larger cities, it's clear that diesel vehicles are still the right choice for many people. They offer lower CO2 emission than most petrols, better fuel economy and newer diesel engines certainly offer improved air quality emissions compared to older ones.

Latest calculations by SMMT suggest that drivers of diesel-powered family vehicles, SUVs and executive cars save an average of between £300 and £400 a year on their fuel bills.

It's no coincidence that it is these vehicle types that saw an increase year on year.

The Mercedes-Benz C-Class and Volkswagen Tiguan were the two most popular diesel lease vehicles in 2017.

Diesels are also still the vehicle of choice for 10k or more annual mileage contracts.

The Volvo XC40 R-Design diesel has been handed the title of 2018 Car of the Year by What Car? to prove diesel is still very much alive.

Looking forward, we still expect diesels and traditional internal combustion engines to decline in the long term as the transition to hybrid and pure electric cars takes place.

But it's clear there is still a demand for cleaner, fuel-efficient diesels among leasing customers, who are not in it for the long haul and will hand back their vehicles after two to three years anyway.

Key facts

Mercedes C-Class C220d is the most popular diesel

70% of enquiries are for 10k annual mileage and over

55% of all leasing enquiries for 2017 were for diesels

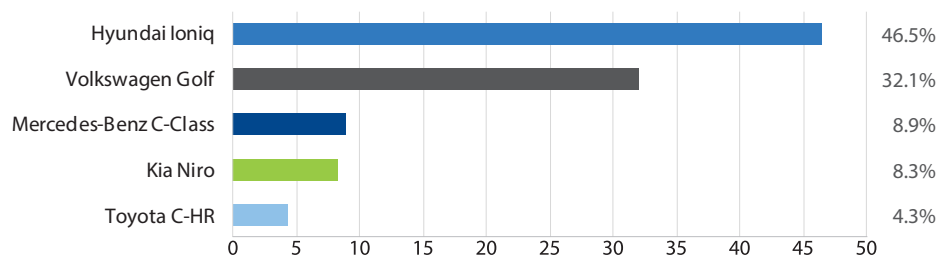
Diesels drivers can save £300-£400 a year in fuel

Who is leading the electric race?

Most Enquired Hybrid

In 2016, the Mitsubishi Outlander PHEV dominated the hybrid market, but it has since dropped out of the top five altogether. Last year's new entrant the Hyundai Ioniq is now the hybrid market leader.

There was also unprecedented demand for the Golf GTE plug-in hybrid, so much so that Volkswagen had to temporarily close its order book. This illustrates that if manufacturers can mass produce more hybrid variants of already popular models at an affordable rate, consumers are more than willing to move to hybrids.

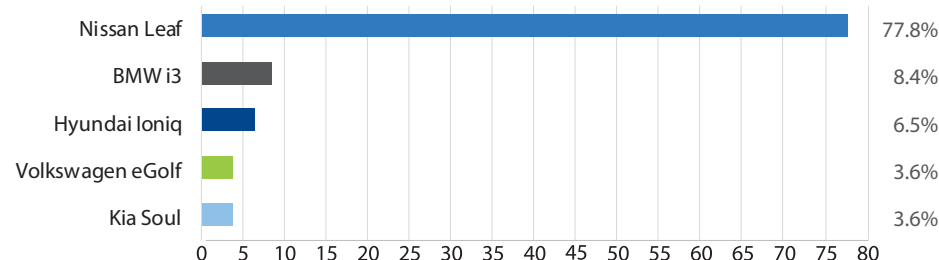


Most Enquired Electric

The Nissan Leaf accounted for the vast majority of pure electric vehicle enquiries in 2017 as affordable rates on the outgoing model increased its attractiveness.

These results show the choice in the pure EV market is still rather narrow, but with a new, longer-range Leaf now available, it's likely to continue to lead the pure EV market.

2017 saw little in the way of new entrants. We still await the Tesla Model 3.



*Percentage of top five enquiries based on ContractHireAndLeasing.com data.

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