

USED VEHICLE REPORT

Q3 2023 | Used Market Course Correction Underway



Executive Summary

The used-vehicle market is beginning to show welcomed signs of familiarity: Seasonality has returned, used cars are once again notably cheaper than new cars, and new-car discounting is trickling down to used cars of all ages. Uncertainty has reigned the past few years because of volatile price shifts, but the market’s current path toward course correction should begin to inspire confidence in anyone who is looking to get back into the used market.

Key Points

- **Near-new vs. brand-new pricing gap widens:** Even as used vehicle values sit well above pre-COVID-19 levels, the savings from buying a 3-year-old or newer used vehicle vs. a brand-new vehicle are now back to levels seen during the “Before Times.” This stems from two divergent trends. From one angle, prices have increased at a rapid rate for the latest model years as 1) larger, more heavily optioned vehicles became the norm, and 2) automakers have axed lower-priced sedans and hatchbacks. From another perspective, we’ve seen recently that there is more new-car inventory than the market can handle, and incentives and price reductions on new vehicles are pushing down resale values.
- **At all price points, used vehicles are older, have more miles and are selling quickly:** For used-car shoppers weighing historical context and price points, there is a lot to consider. The days of readily available and relatively newer, cheap used vehicles have yet to return. A shopper who bought a used car in 2019 would need to increase their budget by nearly \$10K to obtain a vehicle of a similar age and mileage today. And even with the increase in budget allotment, there is an added sense of urgency to lock in a deal as days to turn is lower at every price point, including the high end of the market.
- **Used EV values feel the aftershock from price cuts on new EVs:** With electric vehicle demand slowing and dealers struggling to move new EVs off lots, the near-immediate impact on used values should be unsettling to anyone who has recently bought an EV, new or used. Such large, overarching price adjustments are rare, even when there’s increased competition with traditional gas-engine vehicles or redesigns that usher in sell-downs of outgoing models. The difference here is the price cuts aren’t just for one or two new models; new EVs across the board are collecting dust, requiring OEM discounts in addition to the already hefty tax credits to move into buyers' hands. Beyond pricing issues for new EVs, the low resale values for used EVs could become a major deterrent to new EV purchases and EV adoption more broadly.

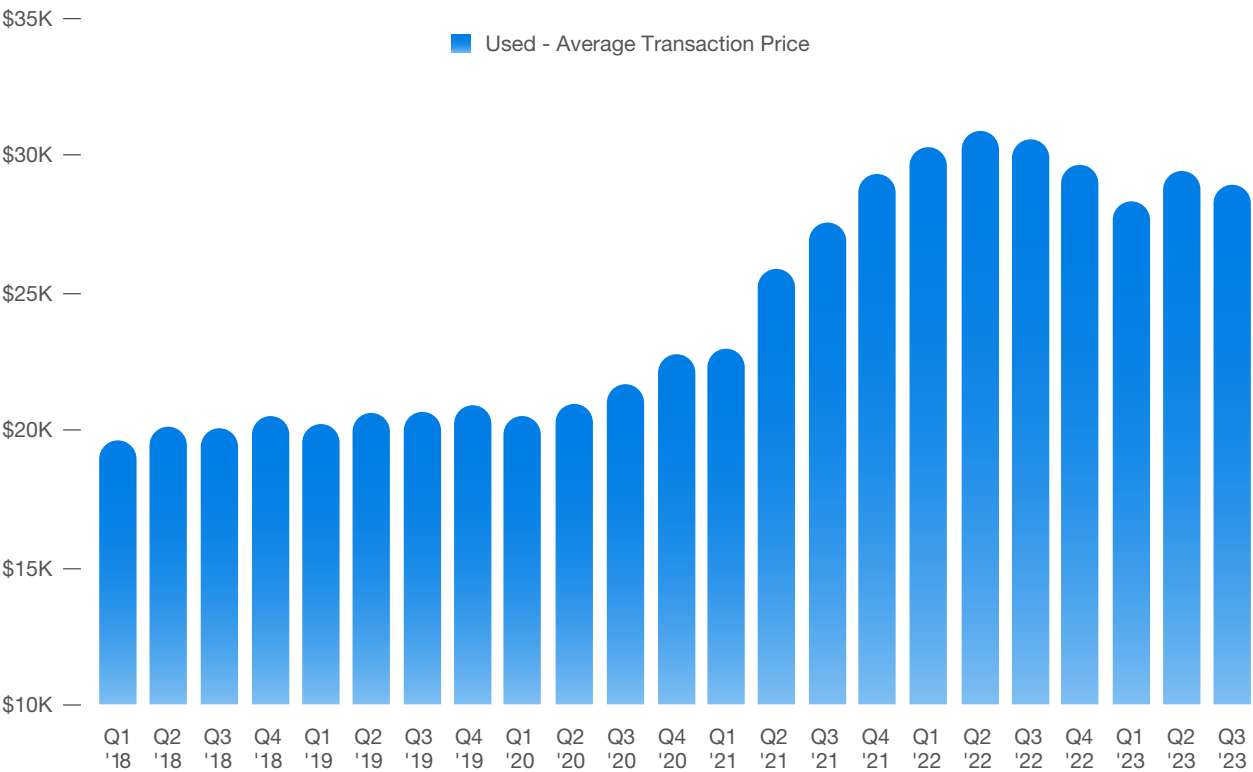


USED MARKET CONDITIONS



Used Car Prices Down Slightly but Remain Lofty

QUARTERLY AVERAGE TRANSACTION PRICES FOR USED VEHICLES



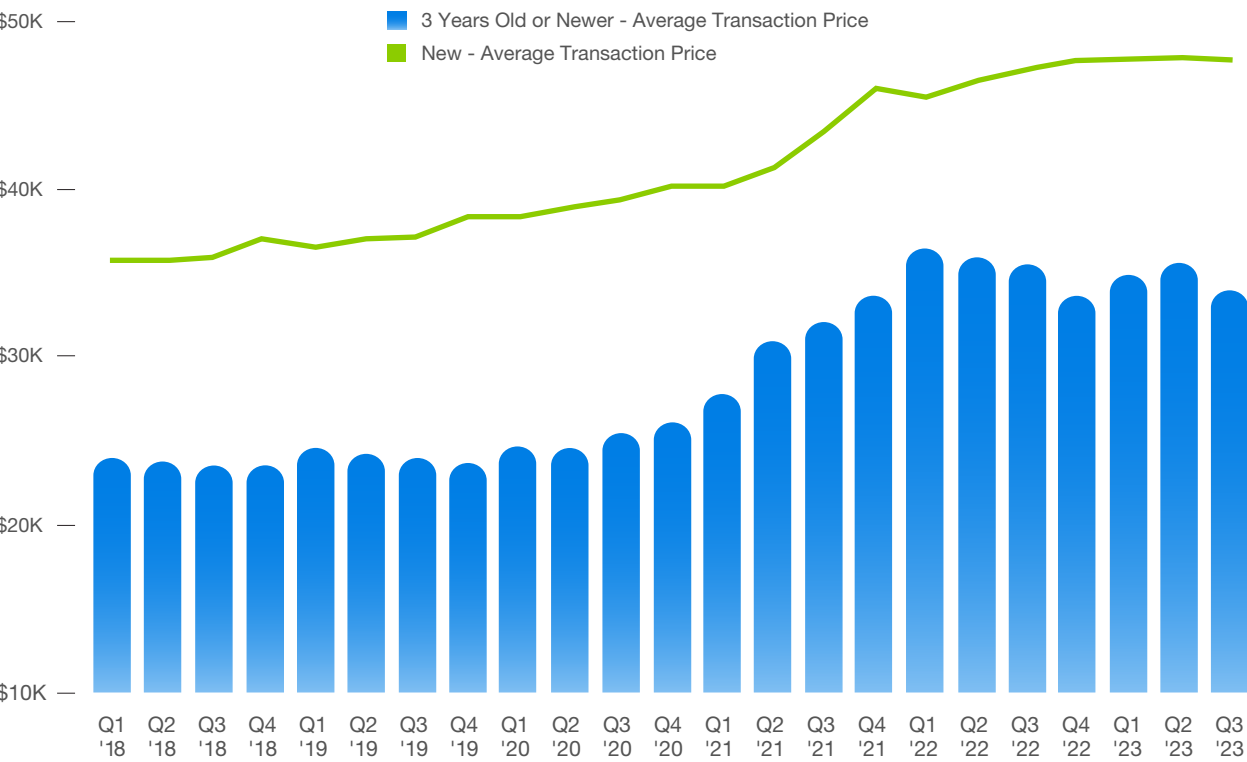
Source: Edmunds

The average transaction price of a used vehicle in Q3 2023 dipped 5.5% to \$28,935 compared to last year's Q3 value of \$30,603. Even with the decrease, the new figure still represents a significant 44% increase from Q3 2018's \$20,085 measurement. The notable reduction in year-over-year prices can be attributed to supply improvements in the new-car business that have begun to trickle down to the used market. These improvements are material enough that, quarter to quarter, we saw a larger dip than usual: From Q2 to Q3 2023, there was a 1.8% drop in used vehicle prices compared to the typical 0.7% decrease observed from 2015-2019.

Avg. transaction price for used vehicles dipped by
5.5%

Newer Used Vehicles in Less Competition with New

LATE MODEL YEAR PRICES VS. NEW



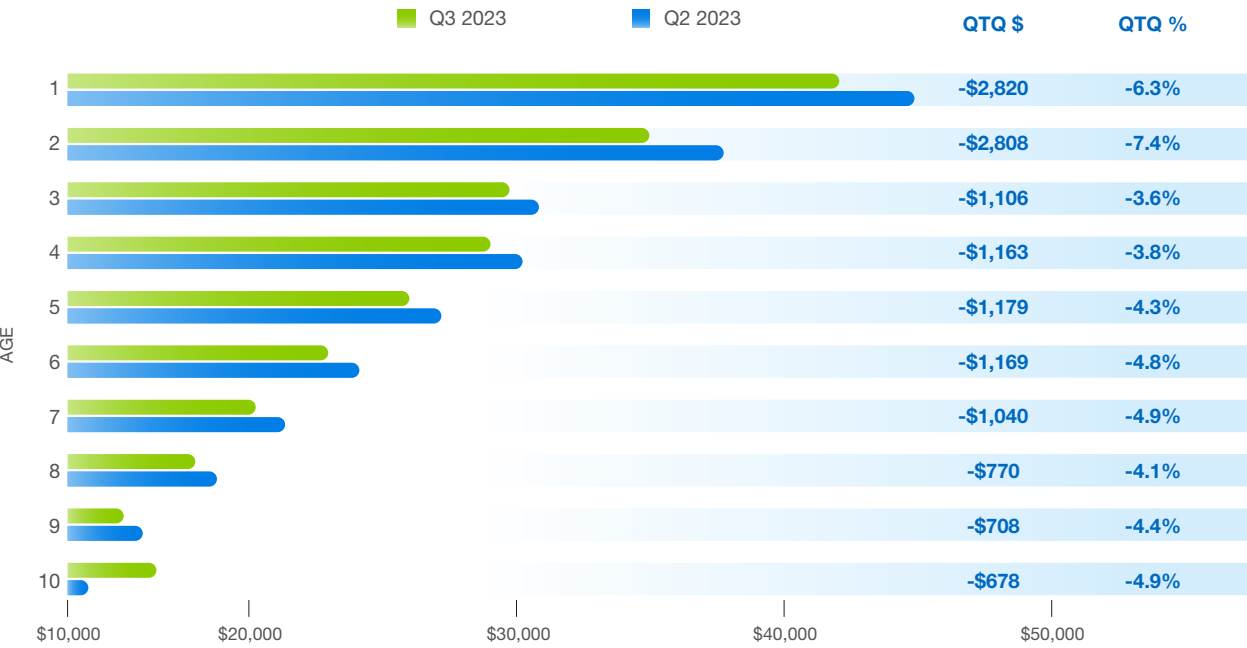
Source: Edmunds

Price reductions throughout the used market are subduing values for the newest used vehicles, offering consumers a more clear-cut answer in the debate between purchasing a new vehicle and a used one. Isolating used values during Q3 2023 to vehicles that are 3 years old or newer shows that the average price for this vehicle age group is

\$13,686 below the new-car industry average price. This is a much wider gap in pricing compared to Q1 2022, when the difference was only \$8,950. With overall values still elevated, it might come as a surprise to note that Q3 2023's gap in price is very similar to Q3 2019's, when it was \$13,194.

Reduction in Near-New Used Values Trickles Down

AVERAGE TRANSACTION PRICES BY USED VEHICLE AGE



Source: Edmunds

The downward pressure from new car discounts to transaction prices of nearly new used and subsequently older used vehicles will be a relief for buyers at all price points. This momentum

should continue as the UAW strike didn't impact dealer inventories enough to change the course of discounts in the new car market.

Same Budget, New Reality

USED CAR STATS BY PRICE RANGE

Q3 2019

PRICE RANGE	SHARE OF SALES	AVG. MILEAGE	DAYS-TO-TURN	AVERAGE AGE
\$5K to \$10K	11%	98,165	28	8
\$10K to \$15K	19%	61,909	36	5
\$15K to \$20K	23%	44,133	40	3
\$20K to \$25K	15%	39,618	41	3
\$25K to \$30K	12%	35,752	43	2
\$30K to \$35K	7%	31,569	45	2
\$35K to \$40K	4%	27,426	47	2
\$40K to \$45K	3%	24,091	52	1
\$45K to \$50K	1%	26,316	48	2
Over \$50K	2%	16,467	53	1

Q3 2023

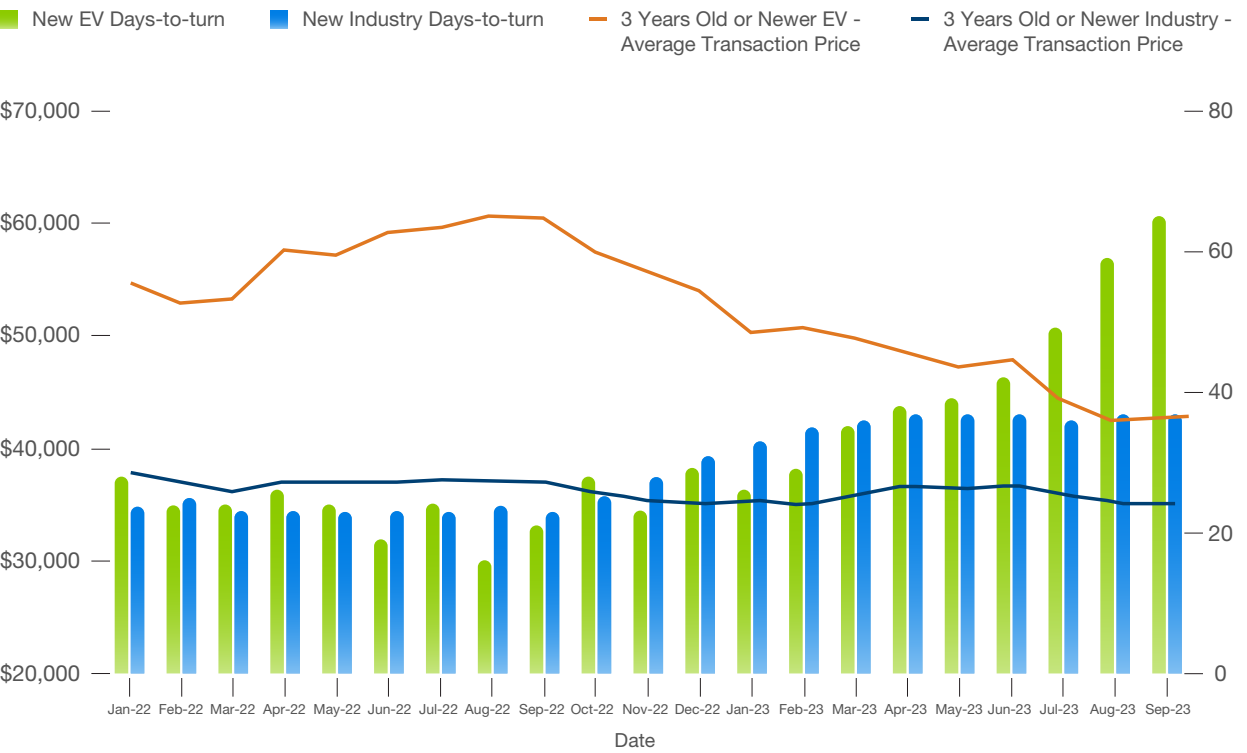
PRICE RANGE	SHARE OF SALES	AVG. MILEAGE	DAYS-TO-TURN	AVERAGE AGE
\$5K to \$10K	4%	115,612	25	11
\$10K to \$15K	8%	97,363	26	9
\$15K to \$20K	13%	70,441	32	6
\$20K to \$25K	19%	49,525	34	4
\$25K to \$30K	16%	44,986	36	3
\$30K to \$35K	13%	39,066	36	3
\$35K to \$40K	9%	38,302	38	3
\$40K to \$45K	6%	31,060	41	2
\$45K to \$50K	3%	27,634	40	2
Over \$50K	7%	24,242	41	2

The true impact on “bang for your buck” becomes much clearer when looking at the makeup of used vehicles available at different price points. The reduced affordability is especially apparent with hindsight, when consumers consider how much they spent on their previous used vehicle purchase, along with their vehicle’s value-driven attributes

such as age and mileage. Within the table, we can see that vehicle mileage and age have increased at every price band from Q3 2019 to Q3 2023, and the competition in each price band has become tougher as vehicles move off dealer lots at a quicker rate.

New-EV Demand Challenges Result in Plummeting Used Values

NEW EV DAYS TO TURN VS. NEAR-NEW USED EV & INDUSTRY ATP



Source: Edmunds

One area of particular concern to vehicle values could be the used EV market. The near-immediate impact on resale values from new EVs lingering on dealer lots is troubling for those who have recently purchased an EV, new or used. Isolating overall

used values to vehicles that are 3 years old or newer shows a 4.8% decline in September 2023 compared to September 2022, which pales in comparison to the 29.5% drop that EVs specifically have seen.

Back to Reality

TOP 5 AND BOTTOM 5 DEPRECIATED VEHICLES

MOST DEPRECIATED

MODEL YEAR	MAKE	MODEL	SEP 2022 ATP	SEP 2023 ATP	DROP - \$	DROP - %
2021	TESLA	MODEL Y	\$66,637	\$40,522	-\$26,115	-39.2%
2021	TESLA	MODEL 3	\$55,317	\$35,242	-\$20,075	-36.3%
2021	FORD	MACH-E	\$56,006	\$36,874	-\$19,132	-34.2%
2021	NISSAN	ARMADA	\$54,157	\$36,550	-\$17,607	-32.5%
2021	NISSAN	MURANO	\$38,117	\$27,365	-\$10,752	-28.2%

LEAST DEPRECIATED

MODEL YEAR	MAKE	MODEL	SEP 2022 ATP	SEP 2023 ATP	DROP - \$	DROP - %
2021	TOYOTA	TACOMA	\$39,957	\$36,011	-\$3,946	-9.9%
2021	TOYOTA	GR SUPRA	\$54,781	\$49,948	-\$4,833	-8.8%
2021	CHRYSLER	VOYAGER	\$25,878	\$23,891	-\$1,987	-7.7%
2021	MERCEDES-BENZ	C-CLASS	\$43,166	\$39,924	-\$3,242	-7.5%
2021	CHEVROLET	CAMARO	\$43,907	\$41,711	-\$2,196	-5.0%

Now that we’re back to a market where vehicles appropriately lose value over time rather than appreciate, traditional market forces are generating their expected results. The multi-phased reductions in prices for EVs throughout the industry, coupled with very lucrative lease deals, have hammered

down resale values of these near-new, once-highly-sought-after vehicles. On the other end of the spectrum are vehicles that are often limited in supply or have low levels of competition within their segment.





Looking Ahead: Used Prices, Normal Trends, Still Expensive

Recent pricing trends point to a sense of normalcy in the used vehicle market, albeit at elevated prices. The return of predictability should help dealers dial in pricing for vehicles they are buying and selling with much less risk and volatility. The increase in market stability should also allow for any consumers who have been on the fence to approach a used car purchase with more confidence. Used vehicle demand remains especially high with a 35 days-

to-turn measurement during the third quarter of 2023, five days quicker than pre-COVID-19 levels, all despite prices being up 47.9% (Q3 2023 ATP of \$28,935 vs. Q3 2015-2019 ATP of \$19,569). Some consumers with a long history of car buying might balk at these elevated prices, but anyone watching the downturn in used vehicle prices or comparing new vs. used, the recent reductions are at least a glimmer of hope.

Questions?

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