

Report:

USED CAR PRICES INCREASE IN OCTOBER

Chris Teague | Nov 16, 2021

It's no secret that the auto market has been in uncharted waters in 2021. The COVID-19 pandemic and microchip shortages have thrown major kinks into supply chains worldwide, making it difficult for automakers' production lines to keep pace with buyer demand. Fewer new cars mean that people turn to used cars, and the increase in demand drives prices skyward. How high? J.D. Power's Used Vehicle Price Index finds almost universally strong growth in October.





The October 2021 Used Vehicle Price Index shows an increase in used-car prices for the month, marking the first time in 25 years prices have climbed from September to October. As J.D. Power notes, used-vehicle prices typically cool off with the weather in the fall, but disruptions in the new-vehicle market have led

buyers and dealers to fall back on used vehicles to fill the gap. An increase in demand has led to increased prices—to the tune of 37 percent higher in October 2021 than in 2020. Prices are projected to remain stout through 2022.

Nearly every part of the auto market saw price increases from September to October 2021 as well. Midsize cars and compact SUVs led the way for mass-market vehicles, with growth rates of 4.5 and 4.2 percent, respectively. On the premium side, compact SUV pricing grew by 5.4 percent, and compact car prices increased by 4.5 percent. The only two segments to experience a slight cooling off were midsize pickups on the mass-market side and large cars on the premium side. Wholesale prices showed significant increases year-over-year, with segments such as small cars seeing over 50-percent jumps in pricing.

J.D. Power attributes the strong growth in car prices to various factors, including higher fuel prices, which typically drive demand for smaller, more fuel-efficient vehicles. Younger drivers also gravitate toward cars over **SUVs (<https://www.jdpower.com/cars/shopping-guides/what-does-suv-stand-for>)** and pickups because of their relative affordability.

ALG, a division of J.D. Power, forecasts that new-vehicle supply will finally overtake demand by 2025. The shift should bring back more substantial incentives and discount programs, and the return of inventory will help move more used cars into the market as people have choices on new dealers' lots. In the meantime, ALG finds that the current situation, where demand far outstrips supply, allows dealers to draw extreme profit margins out of historically low sales volumes.

J.D. Power is the source of information for this article. It was accurate on November 16, 2021, but it may have changed since that date.

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