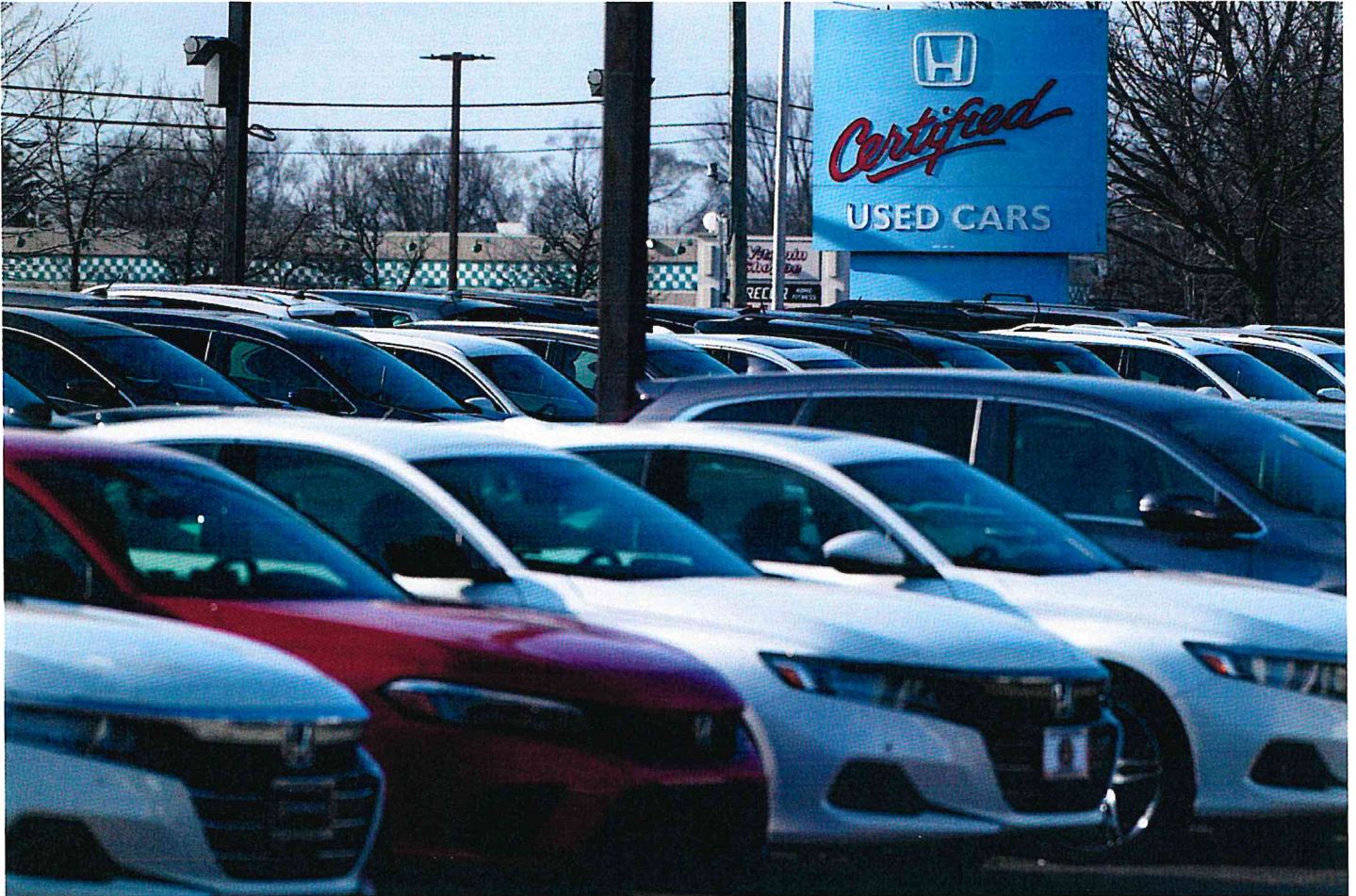


\$29K for an average used car? Would-be buyers left shocked



Prices for used cars have soared so high that buyers are being priced out of the market. Above, a certified used car dealership in Schaumburg, Illinois. Nam Y. Huh/AP 2021

BY TOM KRISHER ASSOCIATED PRESS

DETROIT — A couple of months ago, a woman paid a visit to Jeff Schrier's used car lot in Omaha, Nebraska. She was on a tight budget, she said, and was desperate for a vehicle to commute to work.

She was shown three cars priced at her limit, roughly \$7,500. Schrier said the woman was stunned.

“That's what I get for \$7,500?” he recalled her saying.

The vehicles had far more age or mileage on them than she had expected for something to replace a car that had been totaled in a crash.

The woman eventually settled on a 2013 Toyota Scion with a whopping 160,000 miles on it. Schrier isn't sure he made any profit on the deal.

"We just helped her out," he said.

As prices for used vehicles blow past any seemingly rational level, it is the kind of scenario playing out at many auto dealerships across the country. Prices have soared so high, so fast, that buyers are being increasingly priced out of the market.

Consider that the average price of a used vehicle in the United States in November, according to Edmunds.com, was \$29,011 — a dizzying 39% more than just 12 months earlier. And for the first time that anyone can recall, more than half of America's households have less income than is considered necessary to buy the average-priced used vehicle.

The days when just about anyone with a steady income could wander onto an auto lot and snag a reliable late-model car or buy their kid's first vehicle for a few thousand dollars have essentially vanished.

The blame can be traced directly to the pandemic's eruption in March 2020. Auto plants suspended production to try to slow the virus's spread. As sales of new vehicles sank, fewer people traded in used cars and trucks. At the same time, demand for laptops and monitors from people stuck at home led semiconductor makers to shift production from autos, which depend on such chips, to consumer electronics.

When a swifter-than-expected economic rebound boosted demand for vehicles, auto plants tried to restore full production. But chip makers couldn't respond fast enough.

And rental car companies and other fleet buyers, unable to acquire new vehicles, stopped off-loading older ones, thereby compounding the shortage of used vehicles.

Bleak as the market is for used-car buyers, the computer chip shortage has also driven new-vehicle prices higher. The average new vehicle, Edmunds.com says, is edging toward \$46,000.

Even so, prices of used cars are likely to edge closer to new ones. Since the pandemic started, used vehicle prices have jumped 42% — more than double the increase for new ones. Last month, the average used vehicle price was 63% of the average new vehicle cost. Before the pandemic, it was 54%.

Including taxes, fees, a 10% down payment, and an interest rate of around 7.5%, the average used vehicle now costs \$520 a month, even when financed for the average of nearly six years, Edmunds calculated.

David Paris, a senior manager at J.D. Power, noted that used vehicle prices are directly tied to the cost of new ones. Though some automakers report that the computer chip

supply is gradually improving, prices paid by dealers at used vehicle auctions kept rising through November, Paris said.

Among the few consumers who stand to benefit are those who want to sell a used car and don't necessarily need to replace it. The average trade-in value in October, Paris said, was \$9,000 — twice what it was a year earlier.

Some people may have to pay for repairs to keep a current vehicle running as long as possible. But even that option can become prohibitively expensive.