

Appraiser Blog

# Car Prices Drop Below Sticker, But \$50K Looms



By Tony Rached

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It's taken a while—20 months, to be precise—but the average price of a new car is finally below its official sticker price. Prices have been on an upward trend for almost two years, made worse by dealers' markups that left shoppers feeling exasperated when they tried to buy a car on Saturday. However, according to Kelley Blue Book's figures, the average buyer paid less than listed in March. The average transaction price (ATP) for a new vehicle decreased by 1.1 percent in March to a still-high \$48,008.

The COVID-19 pandemic had created supply-chain problems and boosted demand, causing new-car prices to skyrocket. In 2021 alone, the average new-car price increased by \$6,220 compared to 2020, with General Motors reporting an average increase of \$3,500 per vehicle in Q1 2021. However, in recent months, the supply of new vehicles has been increasing, and shoppers are regaining some control over what to buy.



### **New Incentives**

Manufacturers are now offering incentives again to attract customers, with Kelley Blue Book reporting that last month's average incentive discount was \$1,516, or 3.2 percent of the transaction. The average price has dropped at Chrysler, Chevrolet, Dodge, Ford, Nissan, Hyundai, and Volkswagen dealerships.

Rebecca Rydzewski, research manager of economic and industry insights for Cox Automotive, which owns Kelley Blue Book, explains that the increase in vehicle supply is limiting dealers' pricing power compared to six months ago.

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## **New Car Prices Could Hit \$50,000 Soon**

The head of sales for Toyota North America, Jack Hollis, predicts that new-car prices will exceed an average price of \$50,000 at some point in 2023. This forecast seems reasonable given December 2022's ATP of \$49,501. By breaking down new-vehicle prices by category, we can see that the average price of luxury vehicles was \$65,202 in March, while electric vehicles' prices have increased slightly to an average of \$58,940. The average price for a non-luxury vehicle was \$44,182 in March and has been decreasing since January.