

Appraiser Blog

# When Will Electric Vehicles be Affordable for All?

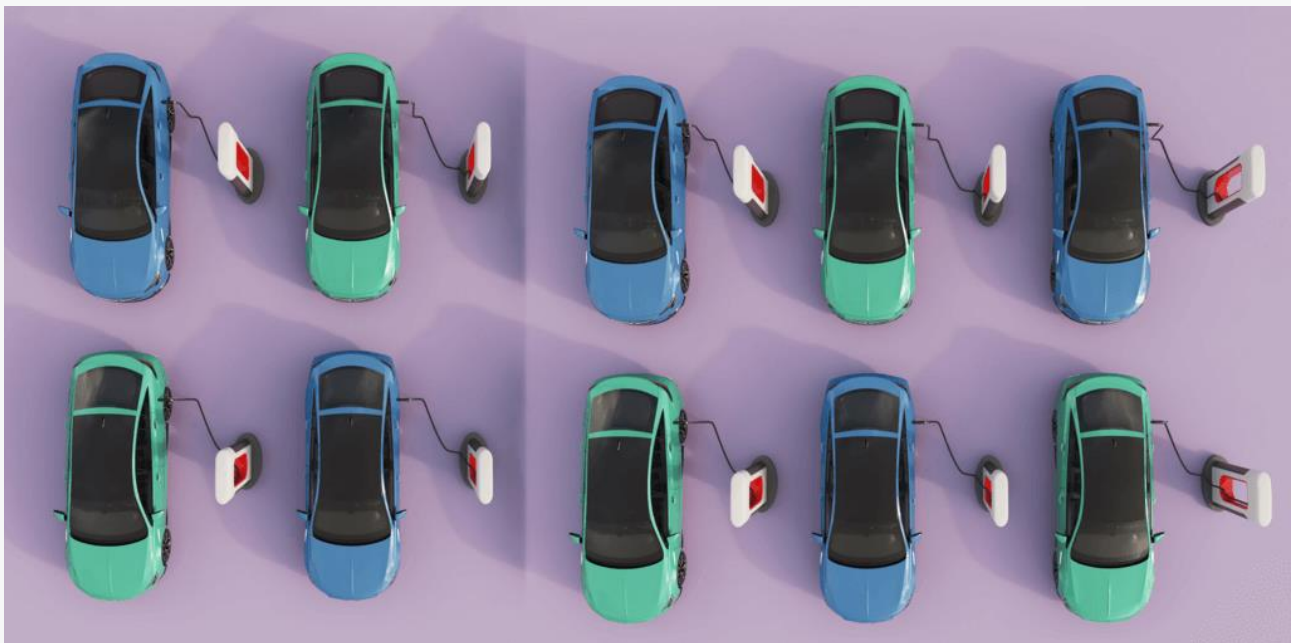


By Tony Rached

## [When Will Electric Vehicles be Affordable for All?](#)

Wednesday, May 24, 2023

The automotive industry is experiencing a revolutionary wave of innovation with the advent of electric cars. However, as with any groundbreaking technology, the initial costs are often prohibitive for the average consumer. The burning question on the minds of potential electric vehicle (EV) buyers is: "When will electric cars become truly affordable?" The answer is multi-faceted and hinges on various factors, including individual financial circumstances and the dynamic interplay between battery pricing and retail costs. Pinpointing the precise price threshold that renders electric cars accessible to everyone remains an elusive task.



In this blog post, we embark on a deep dive into the current landscape of electric car pricing, redefine what affordability means, and venture an educated prediction on the timeline for the decline in EV prices.

## Assessing the Current State of Electric Car Prices

As of April 2023, the average transaction price for a new electric car stood at \$64,029. Meanwhile, plug-in hybrid electric vehicles fared slightly better, boasting an average transaction price of \$59,258. Comparatively, traditional gas-powered vehicles commanded an average transaction price of \$47,664 during the same period. Interestingly, hybrid vehicles proved to be the most economical option, with an average transaction price of \$39,347. This significant price disparity between electric vehicles and their gas-powered counterparts still acts as a formidable barrier for many potential buyers.

However, a closer look at battery costs reveals an intriguing paradox. According to the U.S. Office of Energy Efficiency and Renewable Energy, EV battery costs have plummeted by nearly 90% since 2008. This drastic reduction is attributed to advancements in battery technologies, improved chemistries, and increased manufacturing volume. Paradoxically, while electric cars remain financially out of reach for most, the most expensive component of an EV, the battery, has become more affordable than ever before.

## The Average EV Owner versus the Masses

At present, the majority of EV owners fall into a specific demographic: middle-aged, college-educated individuals earning over \$100,000 annually and possessing multiple vehicles. Moreover, most EV owners reside in single-family homes with access to private charging facilities in their garages or driveways.

These characteristics, however, do not accurately represent the average American. The median wages for full-time and salaried workers in the first quarter of 2023 hovered around \$1,100 per week, amounting to an annual income of approximately \$57,200. Considering this income level, purchasing an electric car at the average price of \$64,000 would cost more than a year's salary for over half of U.S. households. Logically, it would be unwise to advise individuals to invest in a vehicle surpassing their annual income. Thus, the average electric car remains beyond the financial reach of the average person.

## Electric Cars on the Affordability Horizon

While the average price of electric cars remains above \$64,000, there is a glimmer of hope. Several EV models are available at prices well below this threshold, opening the door to affordability for a broader range of consumers. To provide insights into this realm of accessible electric cars, we have curated a list of models with transaction prices below \$64,000. It is worth noting that this list represents a snapshot in time, subject to change as new models enter the market or existing ones witness price fluctuations. Notably, the absence of Tesla models stems from the automaker's reluctance to share transaction data.

EVs selling below the average transaction price		
Auto Maker	Model	ATP
Cadillac	Lyriq	\$63,205
Polestar	Polestar 2	\$62,422
Mercedes-Benz	EQB	\$60,170
Ford	E-Transit Cargo Van	\$59,945
Ford	Mustang Mach-E	\$59,621
Audi	Q4 e-tron	\$58,934
Volvo	XC40 Recharge Twin Pure Electric	\$58,106
Kia	EV6	\$56,323
Volvo	C40 Recharge Twin Pure Electric	\$55,356

## Appraiser Blog

Hyundai	Ioniq 6	\$54,310
Hyundai	Ioniq 5	\$53,802
Volkswagen	ID.4	\$50,530
Toyota	bZ4X	\$50,311
Nissan	Ariya	\$49,952
Kia	Niro EV	\$43,791
Hyundai	Kona Electric	\$37,921
Chevrolet	Bolt EUV	\$34,915
Nissan	Leaf	\$34,123
Chevrolet	Bolt EV	\$31,162

### The Future of Electric Car Prices

Though EV battery prices have experienced a remarkable decline, they still constitute the costliest aspect of electric vehicles. Until battery manufacturing costs align with those of their gas-powered counterparts, EVs are likely to remain financially out of reach for many Americans.

Nevertheless, as electric cars gain momentum in terms of sales volume, production costs will naturally decrease, ultimately translating into more affordable retail prices. Already, we observe a decline in prices for several EV models that have been on the market for some time, driven by increased competition. For instance, the Tesla Model 3 debuted in 2017 at a price of approximately \$50,000. Today, after six years, the starting price for the Model 3 stands at around \$41,630 (including destination

## Appraiser Blog

charges). Similarly, the Chevrolet Bolt had an average transaction price of \$42,017 in 2016, which has now dropped to an average of \$30,994. Although the Bolt is being discontinued after the 2023 model year, the upcoming Chevrolet Equinox EV is set to take its place with an estimated starting price of approximately \$30,000.

It is evident that electric cars are gradually becoming more affordable with each passing year. However, due to the widening selection of models available, there is now a broader spectrum of pricing options. Presently, EVs can be purchased for as little as \$30,000 or exceed \$200,000 at the higher end of the spectrum. Consumer research firm J.D. Power has developed an EV Index that examines various market factors and tracks the projected timeframe for EVs to achieve price parity with gas-powered vehicles. In terms of affordability, EVs currently receive a score of 89 out of 100, indicating that we are nearing the finish line. However, the length of time required to bridge the remaining gap remains uncertain.

### In Conclusion

The journey toward affordable electric cars is well underway, with the market witnessing a gradual decline in prices and increased accessibility. However, the true tipping point of widespread affordability remains uncertain, as the intricate interplay between battery costs, production volumes, and market competition continues to shape the landscape. By embracing lower-priced models, harnessing available incentives, and considering used options, consumers can inch closer to electric car ownership without breaking the bank. As we progress on this electrifying road, the vision of affordable electric vehicles for all looms ever closer, promising a sustainable and emission-free future for transportation.