

Appraiser Blog

Surging Used EV Market Challenges New Model Sales



By Tony Rached

Surging Used EV Market Challenges New Model Sales

Wednesday, November 1st, 2023

The market for used electric vehicles (EVs) has experienced a significant transformation, with used EV sales now outpacing new EV sales across the board, except for the Tesla Model Y. This shift in the automotive industry reflects decreasing prices for both new and used EVs, but potential buyers are urged to exercise caution.

In the face of production obstacles and a still-developing charging infrastructure, the used EV market is thriving. Data from Recurrent, a battery health and data startup, reveals that in the first half of 2023, over 140,000 used EVs were sold in the United States, surpassing the same period sales of Tesla Model 3s. For context, approximately 200,520 new Model Ys were believed to have been sold in the first half of 2023.



1

A Brief Market Analysis

In terms of other new EVs sold in the first six months of 2023, the Chevrolet Bolt took second place with 33,659 units, followed by the Rivian R1T at 16,452 units and the Volkswagen ID.4 at 16,448 units. This data underscores Tesla's continued dominance in the EV market, whether new or used.

Recurrent's latest analysis highlights that "Used EV sales, as a segment, now dwarf the sales of every new EV model besides Tesla Model Y and 3." Additionally, "the used EV market is more affordable than any time in the past 2.5 years, while the mix of vehicles favors newer, longer-range models than ever before."

This is excellent news for consumers interested in purchasing used EVs, as prices have reached their lowest point since the beginning of 2021, with the average used EV in the U.S. priced at \$27,800, representing a 32% year-over-year decrease. Tesla's influence on this trend is evident, as the average price of a used Tesla Model 3 has dropped by more than \$9,000 since 2021.

Causes for the Used EV Surge

Numerous factors have contributed to the burgeoning used EV sales, including a threefold increase in used EV inventory over the past three years, surging from 11,000 vehicles in April 2021 to over 33,000 today. Moreover, the share of pure EVs in this inventory has grown from 55% in 2021 to 73% today, with the remainder being plug-in hybrids.

Thirty percent of used EVs qualify for a \$4,000 federal clean vehicle credit, and obtaining the credit is about to become more convenient, with the ability to transfer EV credits to a car dealer starting from January 1, 2024.

Concerns about used EVs being outdated or having degraded batteries are largely unfounded, as nearly 30% of cars in this inventory are less than two years old, and 45% are three years old or newer. While EV batteries do degrade over time, some owners have reported negligible degradation rates, even after covering more than 100,000 miles.

Appraiser Blog

According to Tesla CEO Elon Musk, Tesla batteries can last between 300,000 to 500,000 miles or 1,500 charge cycles. Most Model 3 and Model Y variants come with an eight-year or 120,000-mile warranty, provided the battery retains over 70% of its capacity—many owners have reported over 90% capacity retention after 100,000 miles.

These developments suggest a positive future for the used EV market in the U.S., making electric vehicles more affordable and accessible to a wider range of consumers in the coming months and years. While both new and used EV prices have seen substantial decreases over the past year, it's essential not to rush into a purchase. Costs remain relatively high, and there are factors to consider.

Buyers on the Lookout

Used EV prices have fallen by nearly 30% from June 2022 to June 2023, reflecting a return to normal after a period of increased demand due to high gas prices. New EV prices have also dropped nearly 20% year-over-year, primarily driven by inventory growth.

However, potential buyers should exercise caution, as costs for new EVs remain high, and there are inherent risks associated with buying a used EV.

The decline in new EV prices is attributed to increased competition in the market, with more models introduced at varying price points. Tesla has lowered its prices to stay competitive, and other manufacturers, such as General Motors, have offered affordable options like the Chevrolet Bolt EV. Hyundai and Kia have also reduced prices to qualify for the EV tax credit.

Attractive Incentives

Ford Motor has slashed the price of its F-150 Lightning EV pickup by \$10,000, further driving down costs. Manufacturer and dealer incentives for EVs are notably more attractive than those for conventional gas vehicles.

However, it's important to note that even with these reductions, EVs can still be relatively expensive, and they may not suit all consumers. While smaller models like the Chevrolet Bolt are more affordable and qualify for the \$7,500 tax credit, many buyers are seeking SUVs, which often come with a higher price tag.

3

Appraiser Blog

The long-term implications of lower new EV prices are uncertain, especially as the used EV market continues to grow.

For those considering used electric vehicles, there is a tax credit worth up to \$25,000, but only a handful of used EVs have depreciated to a price below this ceiling. These vehicles are typically 5 to 7 years old, representing a different generation of electric cars.

Key Points

Potential buyers should exercise caution when evaluating the battery life and utility of used EVs, as older models may offer a shorter driving range compared to the latest EVs. Unlike gas engines, there is no established way to predict the value or longevity of an EV battery, making test drives and professional inspections essential steps in the buying process.

For more news and tips about cars, check out this other article: [Best Deals for Electric Vehicles \(EVs\)](#)