

Appraiser Blog

Why Finding a New Car Under \$25,000 Is Getting Harder



By Tony Rached

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Not so long ago, buying a new car felt like going on a treasure hunt. You could dream of finding that perfect, shiny vehicle for your driveway without spending a fortune.

You could almost imagine a brand new car, priced at a comfortable \$20,000, waiting for you. But if you look around today, it's like those affordable deals have disappeared.

So, what's the story? Where did all the cheap cars go?

The New Car Market: Out of Reach for Many

Getting a new car is becoming harder for a lot of people. With high interest rates sticking around, the car market is feeling the pinch. The days of finding a new car for \$20,000 are nearly gone, and the \$25,000 car is quickly becoming rare.

In February, a whopping 94% of large SUVs sold for more than \$60,000, a big jump from 59% just five years back. But why such a big change?

Why Car Prices Are Soaring

The latest figures from Edmunds show the average price for new vehicles was \$47,060 in February 2024. Back in the day, or rather five years ago, the average was closer to \$36,677. That's a 28% rise in price in a relatively short time. But it's not just about the rising costs. There's a whole story behind what people want in their cars, changes in the economy, and how car manufacturers are keeping up.

Back when gas prices went up in 2008, car makers quickly shifted to making smaller, more gas-friendly cars, responding to a wave of criticism for not meeting American needs.

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But as soon as the economy got better and gas prices settled down, Americans went back to loving big, powerful trucks and SUVs.

With low-interest rates and long loan terms, people embraced the "go big" mindset, filling the streets with larger vehicles that are now common sights.

The Vanishing \$20,000 New Car

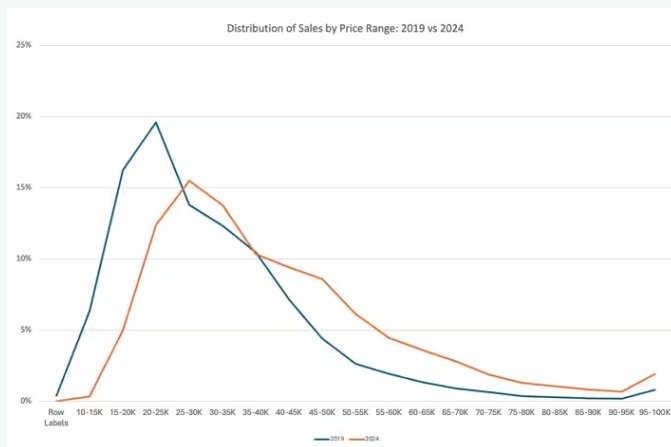
Looking at the numbers from Edmunds, the shift is clear. In February 2024, only 0.4% of new vehicles sold were priced at \$20,000 or under. That's a drop from 7% five years ago.

And cars under \$25,000? They made up just 5% of sales, down from 23%. Cars under \$30,000 accounted for 18% of sales, a big fall from 43%. It's obvious: finding an affordable new car is becoming a rare event.

The \$60,000 Vehicle Becomes the Norm

As people have asked for bigger cars with more features and better technology, prices have gone up. It's not just luxury cars; even regular trucks and SUVs have seen their prices climb.

Data from Edmunds makes it clear: 50% of full-size trucks now sell for more than \$60,000, a massive increase from 8% five years ago. And it's a similar story for luxury SUVs, with their prices also reaching higher than ever before.



Finding a Way Forward

With low-interest rates a thing of the past, buyers are facing a crossroads. The desire for new, bigger vehicles hasn't faded, but the financial reality is making people think twice.

Many are looking at used cars or hoping to find a new car with a deal that makes it affordable again.

Conclusion: Navigating the New Car Market

The car market in 2024 is very different from what it used to be. As buyers, we're navigating a world of high prices, changing tastes, and financial challenges.

The search for affordable new cars isn't just about finding a good deal; it's about adjusting to the new realities of our economy and preferences.

So, where do we go from here to find a balance between what we want and what we can afford?