

Pay Up: Average Price of a Used Car in America Shockingly Close to \$30,000

By Matthew Guy on January 3, 2022

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It will surprise exactly zero of our readers that prices of second-hand vehicles are through the roof. A constricted new car supply which leads to a dearth of trade-ins has contributed to customers facing the prospect of paying exorbitant sums for previously loved vehicles. Now, a new stat from Edmunds.com puts a precise number on the issue.

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According to a *Detroit News* story, eggheads at Edmunds.com have reported the average price of a used vehicle in November 2021 was a staggering \$29,011. This figure is very nearly 40 percent more than it was just one year prior, putting an exclamation point on the notion that deals on second-hand cars are few and far between these days. The era of waltzing onto a dealer's lot and finding a good vehicle for the price shown in this post's hero image is squarely on the back burner.

Parsing these numbers reveals some alarming details. That average price represents a payment of \$533 per month when calculated with \$0 down and 5 percent state taxes on a 72-month note signed at 7.95 percent. That latter number is not as exorbitant as one might think if someone has good-but-not-great credit. Now, the gubbmint census department claims the median household income in 2020 was \$67,521 and many talking heads in the investment arena suggest that one's car shouldn't consume more than 20 percent of their take-home pay. Considering the noted monthly payment, plus items like insurance and fuel, it starts to become clear why some media outlets may now breathlessly report that the average American can no longer afford a used car.

Oh, by the way – the same experts suggest the average price of a new car is rapidly approaching \$46,000. Alert readers will quickly calculate this represents an uncomfortable truth that the average used car is priced at 63 percent of a new one. That's borderline terrifying but it wasn't always so. Back in 2019, this number was roughly half.

It doesn't take a major in Economics to predict these sums are going to cause problems down the road if prices return to pre-pandemic levels. Even if values simply return to some semblance of sanity, there will be umpteen zillion customers who will be upside-down on their vehicle notes. This will create one of two scenarios: Sensible shoppers who find themselves too far in the ditch will simply hang onto their car (exacerbating the supply problem and perhaps driving values up again) or the country will end up in some kind of sub-prime crisis like we were a decade ago.

Neither is much fun. Shopping wisely has never been more important.

[Image: Shutterstock]

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