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Another Thing We Can Blame on Sandy: Higher Used-Car Prices

By CHARLES PASSY

For buyers of used cars, superstorm Sandy is continuing to pack a punch, and not just in the Northeast.



WSJ Video chronicles the unfolding and aftermath of Superstorm Sandy from warnings and preparation to landfall, wreckage, relief and recovery. Featuring on-the-ground reporting from Wall Street Journal reporters, videographers and photographers.

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Flooding and other damage from the massive weather system destroyed around 100,000 vehicles, according to the National Automobile Dealers Association. Fewer cars on the road means fewer cars that can be traded in at dealerships—and the diminished supply spells potential price increases throughout the coast-to-coast vehicle pipeline. Edmunds.com, the car-buying guide, predicts hikes of as much as \$700 to \$1,000 on some makes and models.

Sandy's supply squeeze comes at a time when prices for used vehicles have already been climbing higher—by at least 20% over the past three years, according to NADA. Consumers have been holding on to their cars for longer periods because of both the tough economic climate and overall improved vehicle reliability. "It used to be you drove a car for three or four years. Now, six or seven years is fairly common," says Earl Stewart of Earl Stewart Toyota, a dealership in Lake Park, Fl.

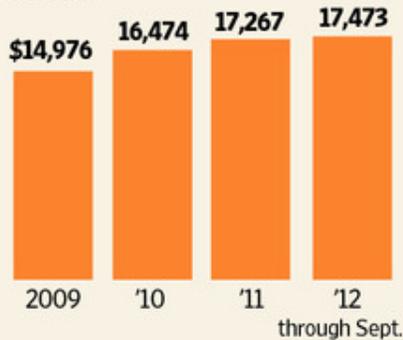
When consumers do buy, even the more affluent have been increasingly looking to used vehicles as a cheaper replacement option, say auto-industry experts. In the luxury sector and elsewhere, the preowned certification programs offered by many manufacturers have removed much of the stigma of buying used.

If it all starts to sound like something of a "perfect storm" for used-vehicle shoppers, car-buying experts suggest there may be some ways to navigate around it. For starters, those who

Rising Tide

Experts say the effects of superstorm Sandy could add to the recent upward trend in used-car prices.

Average selling price of a used vehicle:



Source: National Automobile Dealers Association
The Wall Street Journal

1 x 21

can wait a few weeks might be well advised to do so—at least until inventory levels recover from the Sandy situation. "This is just going to be temporary price pressure," says David Kiley, editor in chief of AOL Autos. (Whenever they buy, consumers should be wary of flood-damaged cars: Experts recommend buying vehicle-history reports, such as those offered by Carfax.com.)

Another option is to consider makes and models that have been significantly updated for 2013, including midprice sedans like the Nissan Altima, Ford Fusion, Chevrolet Malibu and Honda Accord. The new versions will make even popular pre-update models less attractive to buyers. Vehicles' resale values tend to depreciate at least 15 % a year, but in instances where a new model has debuted the hit could be closer to 20 %, says Larry Dixon, a NADA senior automotive analyst.

Finally, experts say it may be good timing for value-conscious drivers to consider buying new, especially as dealers try to move 2012 models still on their lots. The cars have a built-in depreciation—even if they've never been driven, they're still essentially a year old—so the pricing on them is all the more

attractive, says David Jacobson, founder of GrooveCar, a New York auto-loan aggregator. He anticipates savings of up to \$4,000 on a vehicle like the Malibu, which has a suggested retail price of \$22,000 to \$28,000, depending on style. "You will be able to get a tremendous deal," he says.

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