

## Guide to Car Depreciation

Choosing the right car will keep losses to a minimum when it's time to sell

Depreciation won't be the first thing on your mind when buying a car, but it's something to consider if you want a good price when it's time to sell. Choose wisely and depreciation will be minimal, but go with your heart rather than your head and it could prove a costly mistake.

What is depreciation?

Sell your car for more money than you paid for it and you've made a profit. Sell it for less and you've made a loss. In car terms, this loss represents your car's depreciation. And with few exceptions (usually classic cars and limited-run performance models), cars decline in value as they suffer wear and tear through everyday use.

New cars - second hand cars

New cars depreciate the most. Cars that are bought new lose a huge chunk of their value in the first few years - usually between 30% - 60% of the initial price tag. Compare prices of nearly-new to brand-new and you'll see that only a few months and couple of thousand miles on the clock can knock thousands off the price.

And as a car depreciates most in its first 12 months, buying nearly new instead of new is a great way to avoid the huge financial hit of first year depreciation. Do this and you'll also be able to benefit from the existing manufacturer warranty.

This may be an extreme example, but it's a good illustration of new car depreciation. If you were to buy a luxury Maybach 62 a year ago, it would have cost an eye-watering £337,834 brand new. But just 12 months later, the same car is available second hand for £128,899 less.

That's some loss!

Once a car has passed its third birthday, however, the rate of depreciation begins to slow.

Why some cars depreciate more than others

There are a number of factors that affect a car's depreciation rate.

Supply and demand play an important part, which is why desirable models like the Mini and Fiat 500 suffer less depreciation than more commonplace and less chic rivals.

Build quality is another factor in slowing depreciation rate. For example, cars made by Audi, which are renowned for their high manufacturing standards, attract premium second hand price tags.

Hybrid cars like the Toyota Prius and Honda Civic Hybrid are now in great demand thanks to the increasing concern over the environment, a factor which has helped shore up used prices.

But it's not just build quality or whether a model is in vogue that affects depreciation, how well a car's been looked after is also a factor. Clearly, a car that is poorly maintained and neglected, regardless of make or model, will depreciate faster than an identical model that is lovingly cared for.

Running costs

Things like fuel economy, car insurance, road tax and servicing all play a part in setting a car's rate of depreciation. There is always a market for good cars that are cheap to run.

You can easily research a car's running costs online.

Fleeting thought

Availability factors heavily on depreciation. Cars like the Ford Mondeo and Vauxhall Vectra are hugely popular on our roads, due in part to volume buying for corporate fleets. But when these fleet cars are dumped onto the used market at the end of their business lives, high availability means prices take a tumble. Good news if you're looking to buy such a car, but not so good if you're hoping to sell because your car's depreciation has just increased.

So now you're clued up on car depreciation, put your knowledge into practice and see if you can drive away a great second hand car that won't lose you too much money when it's time to sell.

### About the Author

Find [cheap car insurance](http://www.confused.com/) on <http://www.confused.com/> .

Source: <http://www.car-articles.co.uk>