

## Buying A Car - 8 Factors That Impact Your Car's Future Resale Value



Image: confused.com

The resale value of your car is one of the most important factors anyone should take into consideration **before** buying a car. Most people base their choice on what suits their pocket or taste without thinking about selling it.

Although a car is rarely an investment that you will gain a return on, the reality is that you are likely to get rid of your car in a matter of a few years and should plan to recoup as much as possible when that happens.

Before looking at the factors more closely, it is important to understand some of the most common terminology used by the motor industry:

- **Retail price:** This is the recommended sale price, not inclusive of the extras on the vehicle nor the consumer demand. Naturally, a dealer needs to factor some profit into vehicle prices, so retail values are normally at the higher end of the scale. The retail price is the price you can expect to pay when acquiring a new vehicle.

Any additional aftermarket extras can void the warranty of the vehicle. Therefore, it is advisable to rather purchase additional accessories directly from the dealer to avoid this.

- **Trade/market price:** Is always lower than the retail price, it is the recommend trade price for a vehicle in good condition – these values may also vary in line with vehicle demands. This is the value that should be considered when trading in or selling your vehicle.
- **Depreciation:** The reduction in the value of an asset over time, due to factors such as mileage and wear & tear.

It is our goal to assist our readers by providing upfront guidance with a list of key factors to take into consideration when shopping for a new car. Being pro-active and doing some homework ahead of committing to a purchase, will pay off in the long run the day it is time to sell your car.

## 1. Brand

The brand of your vehicle could have significant impact on your used car resale value, regardless of the quality or condition of the car.

The popularity and reputation of a car brand is the biggest determining factor when selling your car. Toyotas and Volkswagens are extremely popular in the second-hand market because they offer value for money and have a reputation as being reliable.

Popularity also means that parts are more readily available and consequently cheaper to source, which is important to a second-hand car buyer.

Some vehicles are known for rapidly depreciating in value as soon as you drive off the lot, is yours one of them? Honda, VW, Kia, Hyundai, and Toyota rank at the top in the mass-market for retaining higher resale values while only certain models of Mercedes, BMW, and Audi fare best in terms of luxury brands. Values vary, but all these brands can retain anywhere from 45-60% of their value in the first three years of ownership compared to only 35% for other brands in the same amount of time.

## 2. Colour

Colour can affect resale value. White and black tend to depreciate slower than unusual colours and metallic colours, with gold being the most rapid depreciator. Yellow has been found to depreciate the least. Some colours just do not look great on a specific type of vehicle for example yellow on a hatchback.

This might seem like a weird thing for people to keep in mind or consider when purchasing a vehicle. But paying attention to the color when buying a vehicle can reap dividends when you eventually sell it. Chalk “color” up to a little thing that can make a big impact on a car’s value. It is what salesmen call “consumer psychology,” and it is real.

If you are choosing the color of a new vehicle in hopes of attracting the most buyers in a few years, black, white, and grey are always safe bets.

### 3. The market

The car market fluctuates constantly but one of the biggest factors affecting depreciation and demand is the petrol and diesel price, which makes petrol guzzlers a touch riskier to purchase.

Emissions taxes and urbanisation will also play a part.

### 4. Accessories and Upgrades

A car is not like a house. Adding accessories and shelling out money for upgrades is not going to increase the value of a car the same way it raises the value of a house. Most of the upgrades in cars and other vehicles have no real bearing on the resale value. This goes for things like sunroofs, leather seats etc. If you paid for these upgrades thinking they would help your vehicle appreciate in value, you are likely in for a rude awakening. Get upgrades and accessories because you want them and will enjoy them. Not because you consider them a financial investment that will pay you a return at resale time.

[According to Car and Driver](#), an optional feature adds value if it is something that 50 percent or more of buyers choose to add when the vehicle is *new*. Opting out of these popular features or choosing unpopular features, adds no value and may even reduce it. The lesson: When you are buying a new car, by all means, get what you want. Just do not be surprised later if following your heart leads to a reduced value on the used car market.

### 5. Rebates & Incentives

Rebates and incentives do not only impact new car sales. They can also influence automotive resales. For example, if there is a significant rebate on a 2017 model bakkie, then the 2015 model might not sell as well and that will lower its value. For this reason, it is important to pay attention to information concerning rebates and other financial incentives. This is the best way to learn if a newer model vehicle that had rebates and incentives attached to it, is more of a deal than an older model.

### 6. Engine

While accessories and upgrades tend to have little bearing on a vehicle's resale value, the engine under the hood does. Studies show that one of the things motorists care most about when buying a second-hand vehicle is the engine. This is because the engine impacts the functionality and reliability of a vehicle. If the engine does not work well, it will mean costly repairs for the person who buys the vehicle. If the engine dies, it will mean that buying a second-hand vehicle was a bad investment. When people talk about a car being a "lemon," they are usually referring to the engine being bad.

Also, when it comes to certain types of vehicles such as a 4x4, owners like to have a powerful engine and will pay more for larger engine capacity. This means that you should pay attention to what is under the bonnet of a car you buy. Try to buy a vehicle from a manufacturer that has a reputation for reliable engines. Or, if you are going to spend money on an upgrade, buy the car with the larger engine capacity.

## 7. Drivetrains/Gearbox

Most vehicles are either front-wheel or rear-wheel drive only, and most car owners could care less if a vehicle has all-wheel or 4x4 drive capability unless they require that in a vehicle. If you personally prefer all-wheel drive, that is fine. But you should not expect other people to be willing to pay extra money to buy a vehicle you are selling that has all-wheel drive capability. Stick with the standard drivetrain options on most vehicles and you will have an easier time selling your car, bakkie or SUV.

## 8. Supply and Demand

Ultimately it is supply and demand that will determine the value of a car you will eventually sell. How popular and common is the make and model of the vehicle you want to buy? If you own a limited edition bakkie, you will likely be able to charge more money for it than, say, a vehicle that can be spotted on every street corner in the country. This means that it is important to know the market where you live and to do a bit of research before buying a car. As always, a little knowledge can go a long way towards the resale value of any type of vehicle.

### Selling Your Car

When it comes to the resale value of a car, people tend to focus on only two factors—the age of the vehicle and its mileage. There are plenty of things that people likely are not aware of that can also impact a car's resale value. Being aware of all these factors that affect a car's value will help to ensure that you get top dollar for the vehicle that you plan to sell.

Check out our downloadable list: [“Selling Your Car - 22 Factors That Impact Its Future Resale Value”](#) on the CRA website, for details.

Taking some time to address these items can dramatically increase your car's sales value which translates into extra money in your pocket.

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