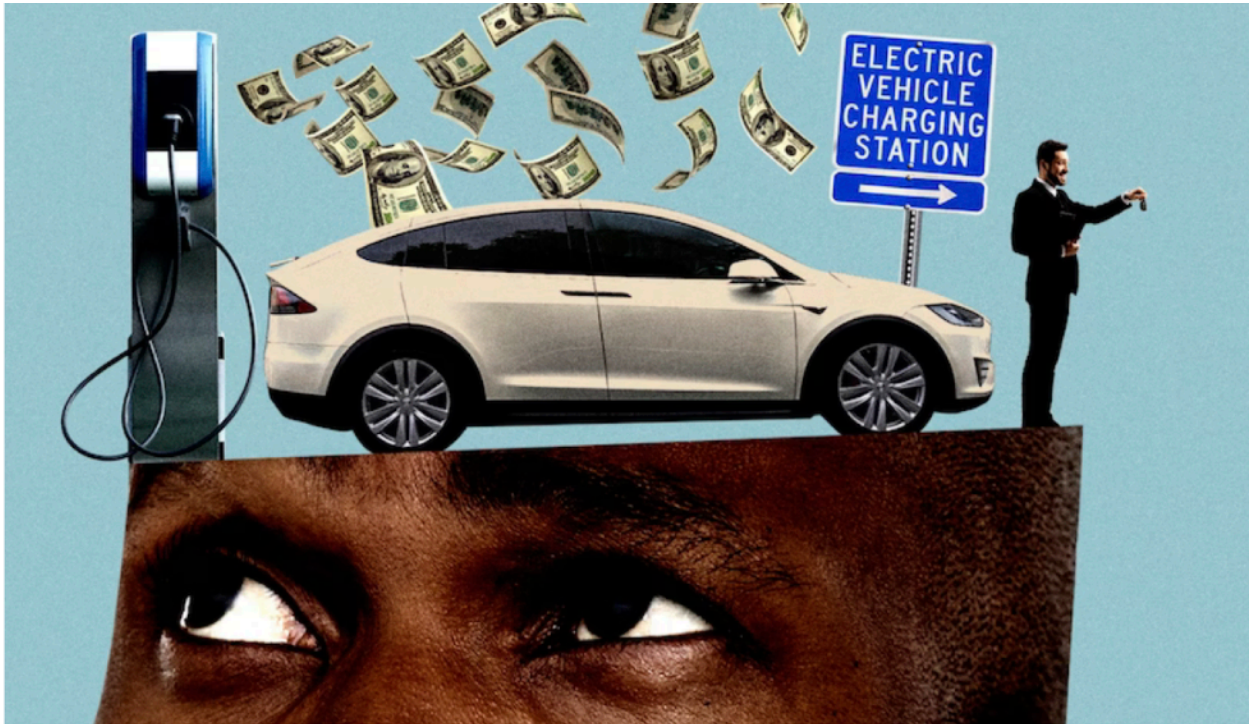


## Buy an electric vehicle now or wait? Here's how to decide.

Michael J. Coren  
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(Video: Illustration by Emily Sabens/The Washington Post; iStock)

The coronavirus pandemic saw a virtually unprecedented spike in the price of vehicles. As chip shortages hobbled the industry, automakers rationed semiconductors, installing them mainly in their most profitable, and most expensive, models. Millions of affordable vehicles, the ones accessible to most new car buyers, never got built.

That drove up the median price of new vehicles in the United States from around \$38,000 before the pandemic to a record \$49,000 or so this February, according to Cox Automotive.

With electric vehicles, the pain was even more acute — if you could find one.

In February, the average EV price soared to more than \$58,000, according to Kelley Blue Book, roughly the annual income of the median U.S. worker. Dealers have been able to charge well over the sticker price as buyers have lost the ability to negotiate.

“If someone hasn’t been in the market, they’ll be really shocked by how much a vehicle costs,” says Mark Wakefield, an automotive specialist at the global consulting firm AlixPartners.

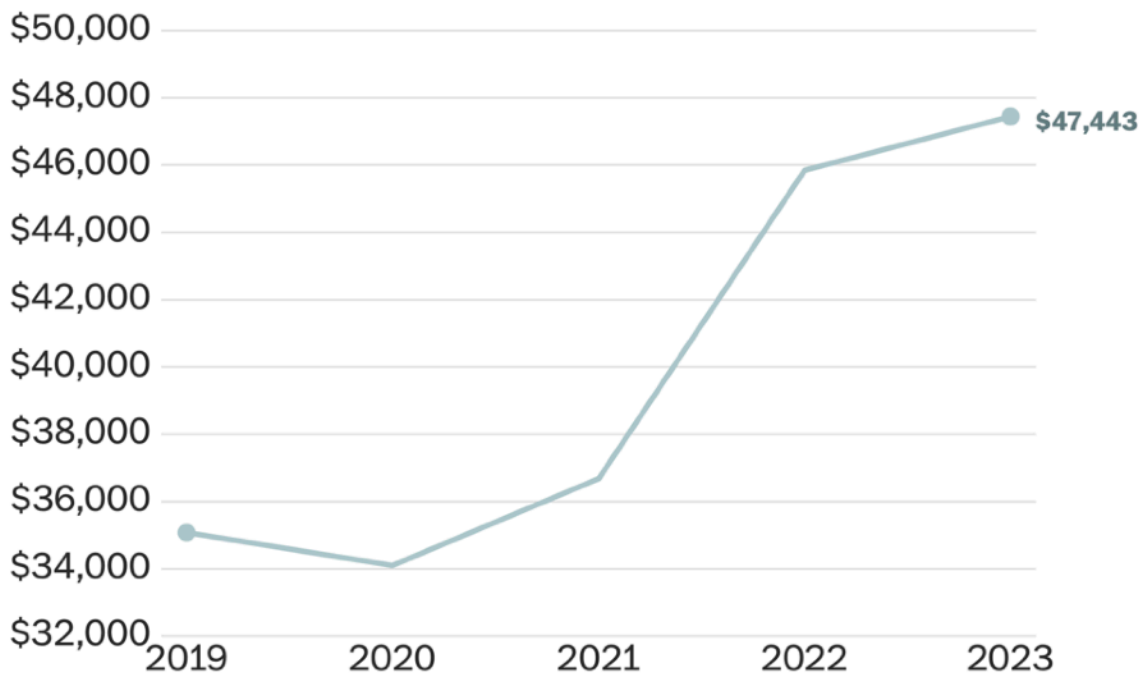


Carol McConkey works on a Chevy Bolt EUV on the battery install line at Orion Assembly in Lake Orion, Mich., in 2021. (Nic Antaya for The Washington Post)

The limited supply of EVs is colliding with unexpected demand. Despite inventories at a fraction of their pre-pandemic levels, EV sales are outperforming even the more optimistic projections of a few years ago. In January 2022, EVs represented just 4.3 percent of new sales. This January, the share was more than 7 percent.

“EVs are still hot enough they’re essentially sold out for the rest of the year,” says Ivan Drury, who analyzes the automotive market for Edmunds.

### Median listing price for new vehicles in the U.S.



Source: CarGurus

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But even with vehicle prices near record highs, better deals may soon be at hand. Tesla is slashing prices, prompting the rest of the EV industry to follow suit. New federal tax subsidies are coming online, though which vehicles qualify is a moving target. And automakers are releasing a fleet of new all-electric models over the coming months.

What's a prospective EV buyer to do: Buy now or wait?

There's no right answer, but the decision boils down to a few other questions: How much can you spend? What type of vehicle do you need? Do you (or your EV) qualify for federal incentives? Would you buy used or lease?

### **Here are the key questions for an EV shopper.**

Are EV prices coming back down?

Yes, slowly. EVs remain well above the industry average, reports Kelley Blue Book, but prices have been on a steady decline since the beginning of the year. The new federal incentives could lower them even more.

Tesla started reducing prices to guard its dominant market as some federal incentives for Tesla's EVs are phased out under new rules on April 18. Since January, Tesla has cut the prices of its base Model 3 and Model Y by 11 percent and 20 percent, respectively. Tesla still controls more than half of the EV market in the United States, and other automakers have followed its lead. The average price paid for a new EV in February fell by 1.8 percent, or \$1,050, over the previous month, reports Kelley Blue Book.

Another factor is more models hitting showrooms. Dozens of new all-electric models are expected to debut in the next two years, expanding the EV selection beyond today's concentration in sedans and small crossovers and SUVs. Rivals could start lowering prices more as competition heats up.

### **Should I wait for the new models?**

When it comes to electric vehicles, your options are large, affordable or long range. "You can pick two," says David Undercoffler of Autolist, an online car shopping platform. Small sedans and hatchbacks like the Model 3, Model Y, Chevy Bolt and Nissan Leaf have been the mainstays of the market. The Bolt starts at \$26,500. Recently, automakers have focused on selling somewhat compact SUVs and crossovers with ranges of about 250 miles. That includes the Hyundai Ioniq 5, Kia EV6, Ford Mustang Mach-E, Tesla Model Y, Kia Niro EV and Volkswagen ID.4.

"If that's the size vehicle they're looking for, go for it," says Undercoffler. "But for a middle-class family looking for a large, affordable, family, electric SUV, there's really nothing there yet."

Selection is scarce across the board, especially for larger vehicles popular in the United States. If you want a truck, Rivian might be able to deliver its \$80,000 flagship model in a matter of months. If you want the Ford F-150 Lightning, delivery could take as long as three years.

Expect automakers like Kia and Hyundai, both with breakout electric successes, to expand options at the lower end of the market. Toyota, after resisting all-electric models, finally released the bZ4X last year.

And there is a distant prospect of inexpensive, made-in-China EVs arriving in the United States.

China's electric automakers are eager to enter the U.S. market just as Toyota, Hyundai and other Asian automakers did decades ago selling small, low-cost vehicles. In 2021, Toyota bumped GM as the top-selling automaker in the United States.

For now, the only Chinese automaker to sell lots of cars in the United States is the Zhejiang Geely Holding Group after buying the Swedish automaker Volvo in 2010. Chinese companies face stiff economic headwinds given punishing U.S. tariffs. Past attempts by Chinese automakers to avoid tariffs by building vehicles in South Korea have led to bankruptcy. As relations with China deteriorate, don't hold your breath for inexpensive Chinese EV imports.

### **Is revolutionary EV technology on the way?**

New purpose-built electric vehicles are now arriving. Early electric models were gasoline models with engines ripped out and replaced with electric motors to comply with California's strict clean-air regulations. These "compliance cars" were produced in small numbers with little exciting technology or marketing to attract buyers.

"Today's vehicles are so different," says Drury at Edmunds. "It's not the same vehicle anymore." New electric vehicles not only offer superior performance, but promise lower prices than conventional vehicles once global manufacturers ramp up production backed by more than half a trillion dollars in new investment.

But no one I spoke to thought that huge technology shifts would make your new EV obsolete anytime soon, predicting steady, incremental gains, mostly in battery range and model diversity. "Buying an EV is kind of like buying a desktop computer in the past," says Undercoffler. "Every 12 months, a newer, faster, cheaper version comes out. But if you wait, then you'll never buy a computer."

The one thing to look out for is solid-state batteries. But even those will take quite a long time.

Today's EVs generally rely on lithium-ion batteries. These use a liquid electrolyte to conduct electricity. Solid-state batteries replace this liquid with a solid, often ceramic material. Their primary advantage is that it allows manufacturers to pack about two times more energy into the same space.

Imagine a 500-pound, solid-state battery with the same range as today's 1,000-pound lithium-ion packs. It can fully recharge in about 10 minutes, with less risk of fire. It's also quick and cheaper to manufacture.

The catch? Solid-state batteries remain expensive, resource intensive and hard to recycle. Once those obstacles are overcome, they could be a game changer. But commercial production may be three to five years away, and mass-market adoption a decade or more.

### **How do I take advantage of all the EV incentives?**

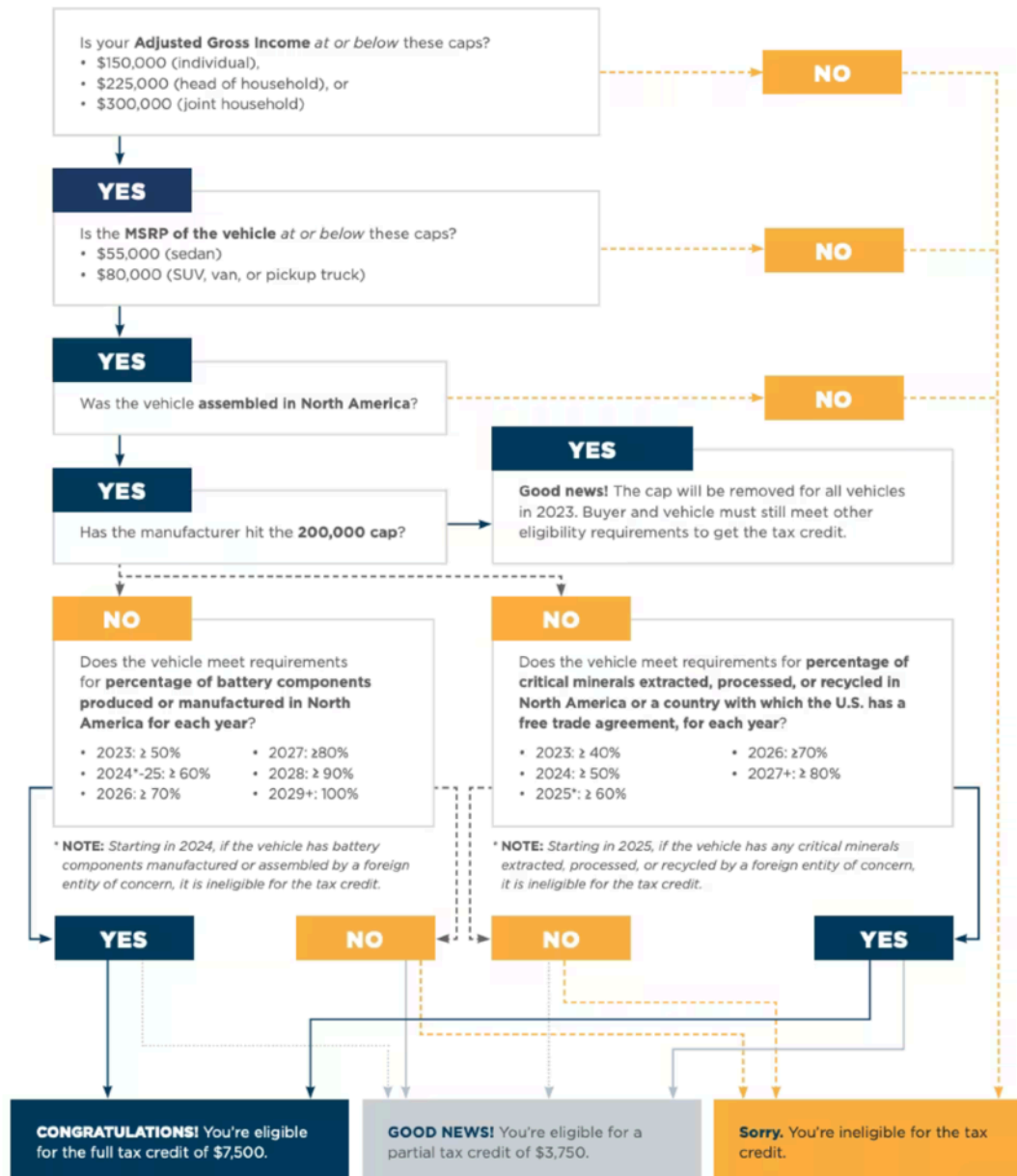
The next decade will be the American "golden age" for electrified vehicles, says Sara Baldwin of Energy Innovation, an energy and environmental policy firm. That's thanks largely to the

Inflation Reduction Act, which offers buyers of eligible EVs a full (\$7,500) or partial (\$3,750) tax credit for vehicles made in the United States and supported by domestic supply chains or countries with free-trade agreements.

But the criteria are byzantine. To qualify for the subsidies, all vehicles must be assembled in North America. Any vehicle with batteries or critical minerals from a still unspecified “foreign entity of concern” does not qualify. Rising percentages of batteries, battery components and critical minerals must also be sourced from North America or free-trade-agreement nations. Personal income and vehicle price limits apply.

Confused? Don’t worry. So is one of the bill’s key authors, Sen. Joe Manchin III (D-W.Va.). The senator, who insisted EV subsidies be focused on American suppliers, recently admitted he was unaware that a free-trade agreement did not exist between the European Union and the United States — jeopardizing the bloc’s ability to compete in the United States. A trade deal is being worked out now.

To help you out, I’ve added a decision tree below, produced by Energy Innovation, to tell if you and your vehicle qualify for federal incentives.





Another way to figure this out? Wait until April 18. The Internal Revenue Service will issue an updated list of what vehicles qualify under the incentive program. The list is likely to shrink before it grows, as automakers must shift their supply chains toward North America and free-trade-agreement nations to meet increasingly stringent criteria. You can also determine tax credit eligibility by looking up the vehicle identification number on this Energy Department website.

“Once the list is out here, it will be pretty straightforward,” says Baldwin. “That’s the good news.”

And the federal government is considering even more stringent rules to pressure automakers to sell more EVs. One of the Environmental Protection Agency’s proposed auto emissions plans, the toughest one to date, would aim to have as many as two-thirds of all new passenger vehicles sold be electric by 2032.

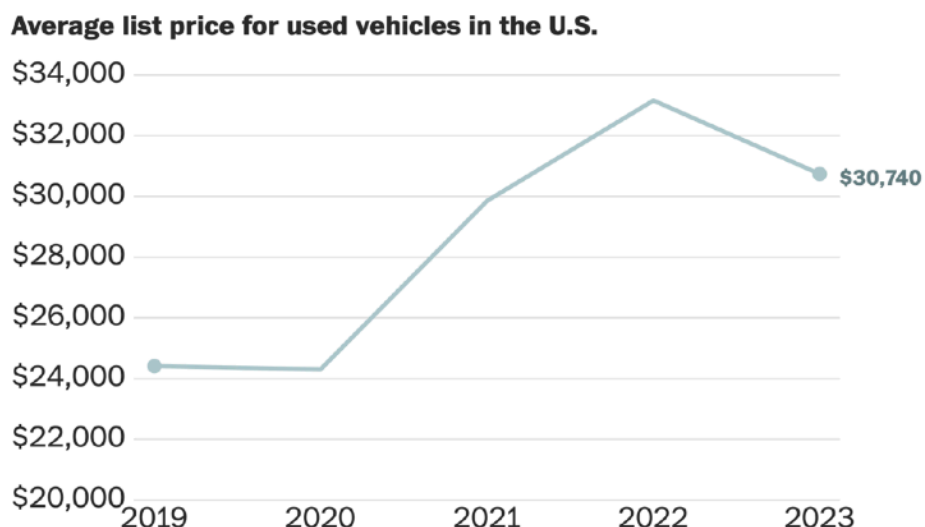
### Should I lease an EV?

There’s one way to sidestep many of these restrictions: Lease an electric vehicle. Baldwin says all leased EVs qualify for the full \$7,500 tax credit because auto dealers are eligible to take the tax credit as commercial entities. “For those eager to start driving an EV immediately and start saving on fuel costs, a leased EV may offer a great interim solution,” she says.

### Should I buy a used EV?

A second option is buying used. It’s a much cheaper way into the EV market, and there are no restrictions on the make or model for a tax credit of 30 percent up to \$4,000, assuming vehicle price and buyer income requirements are met. Check out this flow chart to see if you qualify. “This tax credit could prove to be a game changer for the market given that most people buy used vehicles today,” says Baldwin.

And used-car prices are finally coming back down. On the high end, the automotive research company iSeeCars.com found electric models like the Audi e-tron, Volkswagen ID.4, and Ford Mustang Mach-E were discounted by 20 percent or more below new-car prices on average, a savings of up to \$23,000. “There are deals out there if you do some research,” says Karl Brauer of iSeeCars.com.



Pricing of 1- to 5-year-old used cars. Excludes heavy-duty models, those with low sales volumes, and out-of-production models. 2023 data only includes Jan. - March.

Source: iSeeCars.com

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For a more affordable option, early versions of the Nissan Leaf, Ford Focus electric hatchback and Fiat 500e selling for \$5,000 to \$9,000 can be found. Their battery range may be degraded to 50 miles or less, but if you want a city car or a second vehicle, older models might be the ticket.

### **The bottom line?**

From a strictly financial standpoint, it's better to wait if you can. New cars are a financial loss the moment you drive them off the lot, collectible Tesla Roadsters aside.

“Buying a new car is never a good investment,” says Wakefield at AlixPartners. “These are depreciating assets.” Putting off the purchase until you really need it allows you to get the most out of your existing vehicle.

But there are exceptions: Do you have a long commute? Are you still driving a 30-year-old gas guzzler? Did your old vehicle conk out? Then EVs can have a significantly lower lifetime cost and emissions. Electricity is generally cheaper and cleaner. Maintenance like brake pads and oil changes are not required. And EVs are expected to last much longer, with some manufacturers talking about million-mile batteries.

So if you need a car right now, you're in a better place than even a few months ago. If you can wait, your bank account will thank you.

But for many people, cars are not just rubber, metal and batteries. As researchers and marketers realize, a car purchase is not an economically rational decision. It's about what we value.

For those who want to have less impact on the climate, and need a car, an EV might be worth every penny.

correction

A previous version of this article incorrectly said the Chevy Bolt's base price was \$40,875. The Bolt starts at \$26,500. The article has been corrected.