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## Prices on Used Luxury Cars Drop Near Five-Year Lows

By KAREN LUNDEGAARD  
Staff Reporter of THE WALL STREET JOURNAL

Looking for a luxury car bargain? Try the used-car lot.

For the past year, used-car prices have been falling drastically. But until recently, the big drops were largely confined to mainstream cars, vans and sport-utility vehicles. Now, the discounting is hitting used luxury cars.

A 2001 Saab 9-5 is currently selling for an average of \$23,751, down 23% from a year earlier, according to Edmunds.com ([www.edmunds.com](http://www.edmunds.com)), which tracks used-car prices. While prices of particular model years always fall from year to year, that's a much bigger-than-normal drop.

It's a similar story for the more luxurious Jaguar XKR. A 2000 model of that car with its hulking 390-horsepower, 8-cylinder engine has seen a 19% price drop in the past year. It now sells for about \$49,500, Edmunds says. To put those deals in perspective, a new Saab 9-5 goes for around \$35,000, while it would take about \$82,000 to buy a new Jaguar XKR.

The big drops in used-car prices are being fueled by the huge barrage of rebates, financing deals and subsidized leases in the new-car market. When manufacturers offer deals on new cars, that almost immediately begins undercutting the price of used cars as well. Since domestic cars have done the heaviest discounting, including plenty of 0% financing, domestic makes were hit first.

Luxury makes have mainly discounted through subsidized leases, part of the reason their used-car prices weren't hit as hard initially. But now a wide variety of makers are advertising very aggressive \$299 a month leases for new cars like the Audi A-4 or the BMW 325i, and that is pulling down used-car prices.

Overall, the price of used luxury cars is falling faster

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## LUXURY CARS ON THE CHEAP

Some popular vehicles that are selling for far less as used-car values have plunged during the past year.

Vehicle	March 2002	March 2003	Depreciation
2001 Chrysler 300M	\$23,182	\$16,906	27.1%
2001 Saab 9-5	\$31,012	\$23,751	23.4%
2001 Lexus LS 430	\$53,500	\$40,988	23.4%
2001 Mercedes-Benz C-Class	\$31,004	\$24,791	20.0%
2001 Infiniti I30	\$24,991	\$20,082	19.6%
2000 Volvo S80	\$27,850	\$21,098	24.2%
2000 Mercedes-Benz E-Class	\$43,469	\$33,666	22.6%
2000 Cadillac Escalade	\$33,021	\$26,128	20.9%
2000 Acura TL-Series	\$22,916	\$18,386	19.8%
2000 Jaguar XKR	\$61,273	\$49,467	19.3%
1999 Lincoln Continental	\$19,541	\$14,586	25.4%
1999 Saab 9-3	\$18,654	\$14,256	23.6%
1999 Infiniti Q45	\$26,500	\$21,597	18.5%
1999 Audi A6	\$24,876	\$20,305	18.4%
1999 BMW 7 Series	\$41,783	\$34,885	16.5%

Source: [Edmunds.com](http://Edmunds.com)

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than those of other used vehicles. The selling price of a model-year 2000 luxury vehicle fell 17% in March 2003 from a year earlier, compared with a 14.7% drop for the entire used-vehicle market, according to Edmunds. The average luxury car sold at auction in March for \$15,791, near its lowest price in almost five years, says Atlanta-based Manheim Auctions, the largest used-car auction company.

For years, the luxury cars have enjoyed a growing share of the vehicle market, and nearly every manufacturer has eagerly trotted new luxury models to grab a piece of the action. But the well-heeled Americans who buy luxury cars aren't feeling so wealthy these days. One factor, of course, is the bearish stock market of the past few years. More recently, house prices have begun to soften in certain parts of the country, and the drops have been most pronounced in high-end housing.

"Luxury sales are driven more on wealth and less on a monthly paycheck," says Raj Sundaram of Automotive Lease Guide, which predicts used-car prices.

The used-car market is also being hurt by the surge in luxury-car leases in 1999 and 2000, adds

Mr. Sundaram. Now many of these leases are ending, and the cars are flooding back into the market.

Manufacturers are offering their own incentives on used cars. Lexus is offering 1.9% interest for up to 48 months on select vehicles in certain parts of the country.

Audi shook up its prices when it rolled out a \$299-a-month lease on a new A-4. That wound up lowering the price on used models as well. Before the deal, a two-year-old A-4 would have leased for \$320 a month, says Ajay Singh, general manager of Lujack's Northpark Auto Plaza in Davenport, Iowa. Now, that same car leases for \$289 a month. Buyers might still find the used cars attractive because the lease requires less money down and comes with a more generous mileage allotment.

A year ago, Web site Cars.com ([www.cars.com](http://www.cars.com)) found only two auto makers that had subsidized financing rates for their certified used vehicles, says Mary Butler, senior editor there. Today, 18 are offering discounted financing on some models -- 11 of them are luxury nameplates.

Dealers are also bending more when it comes to used-car prices, Ms. Butler says: Today, they get about 90% of their asking price, compared with about 95% a year ago and 97% two years ago.

If you're interested in buying a used luxury car, the first step is checking Web sites such as Edmunds for the latest used-car pricing information. Prices change month by month for particular models, and it's important to have current information to make sure you're getting a good deal.

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Should you go through a dealer? You'll sometimes get a lower price buying from a private party. But only dealers offer subsidized financing from the manufacturer or used vehicles that are certified by the manufacturer.

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