

High prices, low inventory, a new norm for car shoppers

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Customers confer with a salesperson as a 2022 Ridgeline pickup truck sits on the showroom floor of a Honda dealership, Friday, April 15, 2022, in Highlands Ranch, Colo. Credit: AP Photo/David Zalubowski, File

Shopping for a new or used car over the last couple of years has become

a more challenging endeavor. Because of the COVID-19 pandemic and its after-effects, we've had to deal with factory closures, supply chain issues, a worldwide shortage of semiconductor chips, vehicle shortages, price hikes on dealer lots and fewer discounts. Throw in sky-high fuel prices and [rising interest rates](#), and it's enough to make people throw their hands up in resignation.

"Consumers in need of a new ride this summer need to break old habits and relearn how to smartly navigate today's market," said Ivan Drury, Edmunds' senior manager of insights. "You can't simply walk into the dealership expecting to find bargains, incentives or even the vehicle you want."

With this in mind, here are a few issues you need to know about the current car-buying climate, plus tips on best managing them.

WAITING IT OUT MAY BE TOUGHER THAN EXPECTED

Many people who were on the fence about buying a new car likely decided to wait out the chip shortage. In a recent interview, however, Intel's CEO, Pat Gelsinger, was quoted as saying he expects the chip shortages to persist until 2024.

Part of the problem is that building new semiconductor factories is a complicated and expensive process that takes years. Another issue is somewhat of a Catch-22: There are shortages of chipmaking machines and they themselves need chips to run as well. Plus the lead time on those machines can be about two to three years before they're up and running.

Tip: If you choose to wait this out, make sure your vehicle is able to last for at least a few years. Now is the time to fix any lingering issues or give it that much-needed maintenance.

PAYING STICKER PRICE, OR MORE

The good old days of steep discounts or bonus cash from manufacturers are long gone. You're far more likely to run into vehicles with markups or "market adjustments" than one with a discount. We've seen markups as low as \$1,000 and upward of \$50,000 for high-end luxury vehicles.

You'll also find vehicles with numerous dealer-installed accessories that can add thousands to the price of a car. Customers don't have much leverage in negotiations these days, and if you're not willing to pay the asking price, there's a good chance someone else will.

Tip: It may take some searching, but there are a number of dealerships that choose not to add markups. They'll usually advertise it on their website or you can call ahead to ask. If you must deal with a markup, know that the dealership is sometimes willing to negotiate on that amount.

SELECTION MAY REMAIN LIMITED

"While inventory numbers will eventually normalize, consumers should probably get used to the idea of ordering their vehicle rather than be presented with a surplus of choices at a dealer's lot," said Jessica Caldwell, Edmunds' executive director of insights.

Caldwell says it is likely that automakers will be more conservative with their production numbers in the future and attempt to shift some of their sales to build-to-order.

Tip: Those set on a certain color or hard-to-find combination of options are better off ordering the vehicle. Patience is a must, as a special-ordered car can potentially take many months to arrive. If you need a new car in a shorter time frame, you'll need to be flexible on colors,

options or even the model itself. This is the best way to increase the number of in-stock vehicles you can choose from.

LOANS WILL BE MORE EXPENSIVE

In May, the Federal Reserve announced that it had raised interest rates by a half a percentage point, the highest increase in over 20 years. Edmunds data shows that the average annual percentage rate, or APR, for new financed vehicles in April was 4.7%. Used cars tend to have higher rates, and in April, the average used car loan APR was 8%. This isn't much higher than a year ago, but the Fed has indicated that it plans to increase rates a few more times in 2022.

Tip: If your credit isn't the best and you're shopping for a used car, make sure to check with different lenders before the purchase to secure the best rate. Look into certified pre-owned vehicles as an alternative. They cost more than the average used car, but they're more likely to have promotional [interest rates](#) that are lower than the average APR. Plus they come with the peace of mind of an added warranty.

EDMUNDS SAYS: Shopping for a car today can seem daunting, but if you temper your expectations, shop with reputable dealerships and, if possible, plan to order your [vehicle](#), you'll be way ahead of the curve.

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