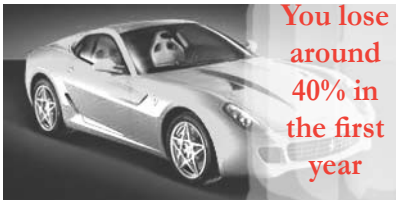


Depreciation in New Zealand



New cars don't break down all that often, but in every other way their owners take a bath. If you buy a new car:

1) You'll lose around 40% in your first year. In other words, if your car cost, say, \$100,000 when you bought it, one year later it's probably worth \$60,000. It varies from vehicle to vehicle and depends on market conditions, mileage and the like. It's difficult to fix precisely; some models drop a bit less, some a bit more.

As a rule, large cars and luxury cars have the worst depreciation, which can leap as high as 65% in the first year. Small cars tend to keep their value a bit better, especially during times of high fuel prices.

It also depends on how you dispose of your vehicle. If you buy a vehicle new from a dealer and then sell it back to him for cash a year later, you'll probably lose far more than 40% (see the example in our 'Luxury Cars' article).

2) You lose around 20% of your remaining value each year from the second year on. After five years it's worth around one third of what you paid for it.

3) It's important to note that our formula (deduct 40% for the first year, 20% of the remaining total for each year after that) is not intended as an absolutely accurate guide. It's an educated guess. It was developed to make it quick and easy for you to guesstimate the value of a car up to five years old. Our prices assume that you will be selling your car privately, directly to a car dealer for cash or through an auction.

Trade-ins are not included in our pricing because they are generally not a true sale price (obviously the dealer gives you a bit more on a trade-in because he's getting most of it straight back on the car he's just sold you). The best example of this we can think of was on a sale of a Fiat a while back.

A dealer offered \$3500 for it as a trade-in on a \$13,000 Japanese import Toyota. Instead the lady owner ended up buying a cheaper Japanese import through the auctions and selling her own car herself. After several weeks of advertising she managed to get around \$2200 for the car. Therefore the true market value for her car was \$2200, not \$3500.

The Dog & Lemon Guide rough & ready depreciation formula:

New:
\$100,000

2nd year: (less 40%)
\$60,000

3rd year: (less 20%)
\$48,000

4th year: (less 20%)
\$38,400

5th year: (less 20%)
\$30,720

