

AUTOMOTIVE

Luxury consumers ditching leases, purchasing cars outright per rising rates: Edmunds

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Luxury consumers opt for purchasing, rather than leasing vehicles as a move to sidestep climbing costs. Image credit: Black Tomato

By LUXURY DAILY NEWS SERVICE

Automotive reviewer Edmunds' latest reports, reflective of 2022's final fiscal quarter, show a shift in purchase preference for luxury consumers.

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Vehicle transaction data suggests a rise in purchases versus lease agreements. The fourth quarter reports outlined that new luxury car leases dipped to 26 percent in 2022's last quarter, compared to 53 percent in 2019's same period.

"Although the last quarter of the year typically skews toward luxury vehicle purchases, this near-record percentage of vehicles that are being purchased rather than leased reflect tougher market conditions far more than affluent consumers shelling out a bit more than usual to treat themselves over the holiday season," said Ivan Drury, director of insights at **Edmunds**, in a statement.

Hard sells

Rising interest rates are prompting consumers to put more money down on their new car purchases, in order to offset rising costs over time, per a new company release.

Edmunds reports that consumers are spending more upfront to combat the inconveniences and higher costs associated with interest rate hikes to come, as even those with high-net worths are tightening their wallets to the tune of an upcoming recession ([see story](#)).

According to Edmunds, 15.7 percent of those who opted for a new car in the fourth quarter are on the hook at record rates.



Climbing interest rates, record monthly payment costs and declining car resell values are leading consumers to pay upfront versus leasing. Image credit: ChiefOutsiders

During the same period in 2021, only 10.5 percent of consumers were paying at comparable new car rates. In 2020, that figure was only 6.7 percent.

New vehicle interest rates rose to 6.5 percent in 2022's final quarter, compared to 5.7 percent in the quarter before. In 2021, it was at 4.1 percent during the same period.

Used vehicles are also mirroring the trends of luxury vehicles in this regard. The interest rate this quarter for used cars rose to 10 percent, from last year's rate of 7.4 percent.

Experts advise that as all of these elements combine, negative equity will likely worsen for consumer vehicles in the aftermath of rate hikes.

During Q4 2022, 17.4 percent of new vehicles had negative equity. During the same period in 2021, this figure stood at 14.9 percent.

To help cushion the shock of dropping values, Edmunds is providing [appraisals](#) on its site, allowing consumers to keep track of their luxury vehicle's value.