

What we can learn from Far East Drivers approach to Residual Value of vehicles

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This year I traveled from Moscow on the Trans-Siberian railway to Far East to see the famous Vladivostok. It is an amazing and beautiful city - really worth it to visit - but what I saw there really surprised me.

As a professional EV carmaker & enthusiastic vintage car collector, I just could hardly believe what I found on this other side of the world.

70-80% of all driving cars there were right-hand drive models with a simple clear dominance of the Toyota Prius hybrid.

As I was very curious, I asked some of the taxi drivers where so many Toyota hybrid cars came from. The answer was, unsurprisingly, from Japan. At first, I thought the reason is that these cars are very cheap here. But they are not. All those cars are second-hand cars mostly 3-7 years old but with the price tag between 0.5-1 Mil rubles (8-15K euros).

The natural question as I was even more curious - why they don't prefer rather to buy a brand new European or national brand car, surely for the same if not better money? The answer was surprisingly straightforward.

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The local drivers come to understand that if instead of a new petrol car they buy an equally expensive, used but reliable, Japanese hybrid car, they save big on running costs. Because of its value, it has come to be a very popular solution there.

After 3-7 years of usage, the hybrid cars still have 30-50+% of their former list price. Very much like electric cars and in contrast to the falling prices of petrol/diesel cars (especially now in the EU).

The majority of the EU passenger car markets are dominated by leasing companies and the pricing is from the large part influenced by estimated residual value. As we can see, people have their own ways but the trend is clear -we can see a strong preference to buy a used hybrid or – once they hit the market in large numbers - electric cars over new cars with combustion engines due to their higher operating costs.

The leasing companies are still kind of afraid of the residual value of the electric cars. I don't think that a valid question is like: „What will be the residual value of the hybrids or electric cars after 3-4-5 years" but rather „What will be the residual value of diesel cars in very near future".

And, an even better question is "What will the leasing companies do with hundreds of thousands – and for those biggest players even millions - of used diesel cars in their portfolios when the first ten thousand used hybrid and electric cars arrive on the secondary market?" "Who will then buy these inefficient, environmentally harmful, old fashioned cars with no future potential to use them due to city bans?"

That the much better question we should be asking.



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