

Buyers prefer second-hand SUVs to new small cars

SUVs hold stronger residual value than hatchbacks

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Mumbai, 4 January

India's used-car market continues to tilt decisively toward SUVs, even as small cars are becoming affordable under the revised GST regime. Sport utility vehicles are clocking faster inventory turnover and holding on to stronger residual values than hatchbacks, according to industry executives.

Data from used-car platforms suggest that buyer preferences have remained broadly stable post-GST, with SUVs retaining their dominance even as price adjustments played out across segments. While hatchbacks saw a moderation of about 21 per cent following pricing changes, SUVs recorded a sharper adjustment of around 29 per cent, but managed to preserve demand more effectively.

"Buyer preference continues to favour larger vehicles, reflecting the importance placed on space, comfort and road presence," said Abhishek Patodia, president – used cars at CarWale, adding that SUVs continue to move faster in the secondary market despite higher ticket sizes.

"SUVs continue to witness faster inventory turnover and stronger residual values, reflecting sustained buyer confidence even at higher price levels," Patodia added.

Executives pointed out that SUVs offer a blend of aspiration and practicality that resonates strongly with used-car buyers. Many vehicles entering the resale pool are relatively new and well-equipped, allowing customers to access premium features at attractive prices. This has helped SUVs and premium sedans maintain stronger residual values, while hatchbacks have needed steeper pricing adjustments to sustain transaction momentum.

Pricing dynamics also vary by geography. As per Carwale's data, the top 30 cities have seen price adjustments of roughly 28 per cent, compared with about 17 per cent in smaller markets, driven largely by differences in demand composition rather than structural shifts. Certi-

fied used vehicles and warranty-backed offerings have further accelerated SUV turnover, reinforcing buyer confidence, especially in metros. From a consumer standpoint, demographics remain largely steady, though younger buyers are becoming more influential.

Metros continue to account for nearly 80 per cent of used-car traffic, with buyers aged 25 to 35 increasingly opting for near-new vehicles with modern features. In Tier-II and Tier-III cities, demand is

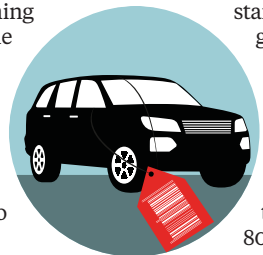
more utility-driven, with rugged SUVs and MPVs preferred for family and business use.

The recent GST rationalisation has also reshaped the competitive landscape between new and used cars. According to Spinny's Senior Vice President and Business Head, Hanish Yadav, the immediate impact has been most visible in the ₹8 lakh to ₹12 lakh new-car segment, which competes directly with ₹5 lakh to ₹9 lakh used vehicles. "There is some softening in mid-used price bands, but it's not a structural migration back to new cars," he said, noting that entry-level used cars remain resilient and premium used cars largely insulated.

Used-car prices have corrected by about 5 to 7 per cent, mirroring declines in new-car prices, which industry players view as a structural reset rather than a temporary blip. Faster ownership cycles now averaging 6.5 to 7 years are feeding supply, as improved reliability, easier financing and digital resale platforms encourage quicker upgrades.

Luxury used-car retailers are also seeing a pickup. Jatin Ahuja, founder and managing director of Big Boy Toyz, said the festive season following the GST changes delivered the best monthly performance in three months, with higher demand for pre-owned luxury cars.

Executives believe that if new-car volumes remain elevated due to tax cuts, it will lead to a natural increase in supply and demand in the pre-owned ecosystem over the long term.



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