

## Top 10 Luxury Vehicles with the Lowest Resale Value

### Watch for reliability and obsolete technology when car shopping with an eye toward resale values.

Poor reliability, aging designs and supply that exceeds demand are the main culprits for low resale values. The 10 luxury vehicles likely to shed the most value over time each have at least one of those qualities.

The top two value losers on our list, the Lincoln Town Car and Mercury Grand Marquis, which are based on the same Ford platform, have at least two counts against them. Both cars are sold in large numbers to various vehicle fleets, such as limo, taxi and rental agencies, and they use decades-old technology. At least their predicted reliability, as rated by Consumer Reports, has improved in recent years to “average.”

Larry Batton, president and founder of Auto Appraisal Group Inc., says that these two cars “are archaic and don’t fulfill the requirements of modern buyers.” The average age of a Lincoln Town Car buyer in 2006 was 69; for a Mercury Grand Marquis buyer it was 67, according to a Ford spokesperson. “That plus the high supply due to heavy fleet use adds up naturally to dismal resale values,” Batton says. He’s referring to the fact that every year the market is flooded with vehicles retired from fleet use, which creates a huge supply that outstrips demand.

The Lincoln Town Car, our list’s top loser, is plagued by another problem: Starting at \$45,000 and easily selling for well over \$50,000 with options, it’s “dangerously in the price category of some really excellent cars,” Batton says — cars like the BMW 5 Series, Infiniti M35 and Lexus GS. “All are significantly more modern and more appropriate to a wider cross-section of buyers,” Batton says.

Other cars on this list have a similar issue: Their price is too high for the value they offer. The Mercedes-Benz E550 on the list is a good car but seems overpriced at more than \$60,000, especially with reliability ratings much lower than those of a competing BMW 5 Series or Lexus ES. Plus, the six-cylinder-powered Mercedes E350 costs \$8,500 less than the V8-powered E550. The E350 is a better deal and its residual values show it: Kelley Blue Book projects that the E350 will retain 37 percent of its value after five years and the E550 only 26 percent.

### Reliability is Key

Reliability didn’t play as great a role on our previous list of [Top 10 Luxury Vehicles with the Highest Resale Value](#), but it figures prominently into the bottom 10. “Any reliability hiccups or predicted quality issues will likely show up once the car is used, after some wear and tear,” Batton says.

And this has significant implications for those who lease vehicles. “The lease is heavily determined by the residual value,” says Eric Ibara, director of market valuation at Kelley Blue Book. “You’re paying for the depreciation from when you purchase the car to when you return the vehicle. You’ll often get a great deal on vehicles that have a high resale value because the dealer will be able to sell it for more when used.” So vehicles with the lowest residual values are a double-edged sword: They offer the lowest potential return on resale for those who buy and require more money upfront to lease.

It’s important to note that this list isn’t comprised of a bunch of bad cars. Based on our test-drives, the Cadillac STS and Lincoln MKZ that made our value-losers ranking actually perform well. And others on this list are desirable image-wise. The question is, how much are you willing to pay for perceived prestige? For instance, the elegant Jaguar S-Type, with its fragrant leather interior, might instantly appeal to those who always dreamed of owning a Jag; same with the Mercedes-Benz E550.

“Buying a car is an emotional decision, and for some, a snap decision,” Ibara says. “Despite some potential red flags — overly high lease prices, lower quality ratings and bad resale value — people still buy them. But if you’re really interested in getting a good price for the used car, it’s worth it to take time and evaluate all the facts when buying — rather than just go with your gut.”

### Graceless Aging

Another important aspect to keep in mind for mainstream vehicles, the longer they are on the market without getting significant updates or redesigns, the more likely residual values will suffer. "It's almost a given that cars near the end of their life cycle — unless they're cultural icons — are going to suffer in the residual value department, simply because they're lagging behind newer designs in technology, comfort and safety features, which in the auto industry are changing fast," says Auto Appraisal Group's Batton.

The Jaguar S-Type and X-Type on this list are good examples of this. The S-Type was first introduced for the 2000 model year and the X-Type for the 2002 model year. Neither vehicle has seen significant updates since their debut, while competing models have been revamped. "Consumers are going to gravitate toward newer, fresher choices.... No amount of 'freshening-up' during a life cycle can make up for a redesign," Batton says.

Our list of the Top 10 Luxury Vehicles with the Lowest Resale Value was compiled using Kelley Blue Book data for new vehicles with manufacturer suggested retail prices (MSRPs) of \$30,000 and up, including specific trims of vehicles, not just base MSRPs. The residual values are expressed as a percent of the original MSRP five years into the future. We've put the vehicles in ascending order. Those that tied for a particular ranking are in alphabetical order.

Kelley Blue Book estimates future vehicle values based on a model's past performance as well as new or notable features. "The best indicator of future performance is past performance," Ibara says. For newly introduced models, Kelley Blue Book looks to past similar models from a given manufacturer.

#### 10. Cadillac SRX V8

**MSRP:** \$43,870

**Residual Value After Five Years:** 27 percent\*

A "Poor" reliability rating from Consumer Reports sheds a negative light on this midsize SUV. In this extremely crowded and competitive segment, that can really hurt a vehicle's success.

The current-generation SRX is nearing the end of its life cycle and soon will be replaced by an all-new version. Despite Consumer Reports' poor reliability rating, we think the SRX's sporty performance and versatility are appealing.



#### 9. Ford Expedition V8 4WD

**MSRP:** \$32,895

**Residual Value After Five Years:** 27 percent

As we wrote in the Top 10 Luxury Vehicles with the Highest Resale Value feature, performance is a primary driver of used car values. The Ford Expedition makes this list largely because of sluggish performance compared to other big SUVs. It has a 300-hp V8, which sounds powerful, but really isn't for a vehicle that weighs well over three tons.

On top of being rather under-powered, the Expedition guzzles fuel. "It's just not at all ideal for what's going on right now in the world — namely, rising gas prices and increasing interest in 'green' vehicles," says Auto Appraisal Group's Larry Batton.



#### 8. Cadillac DTS V8

**MSRP:** \$41,990

**Residual Value After Five Years:** 26 percent\*

The Cadillac DTS is another solid performer marred by low residual values. Part of the problem is that, like the Lincoln Town Car and Mercury Grand Marquis on this list, the DTS is sold to fleets for use as a limo, livery cab and the like. Lots of them get pumped into the used-car market once they're retired from fleets and throw off the supply-demand ratio.

Also working against the DTS is the fact that it competes with full-size sedans from Audi, BMW, Lexus and Mercedes-Benz. Those brands have more clout than Cadillac and are currently regarded as leading innovators. In the upper echelons of the luxury-sedan market, where "mine is better than yours" is a mantra, clout and innovation are key.



#### 7. Cadillac STS V6

**MSRP:** \$42,765

**Residual Value After Five Years:** 26 percent\*

Like the larger DTS, the Cadillac STS is a solid performer and appealing in many ways. But, "American cars are having a tough moment," says Auto Appraisal Group's Larry Batton. General Motors, Ford and Chrysler are struggling to regain a competitive edge long lost to foreign manufacturers.

Just as the DTS competes in a heady field, so does the STS. It goes up against the Audi A6, BMW 5 Series, Infiniti M, Lexus ES and Mercedes-Benz E-Class, all of which have higher residual values; the Infiniti M even made our top 10 list for highest residual values. For the STS, power pays: the V8-powered model has a five-year residual value of 30 percent and the hot rod STS-V 39 percent.



## 6. Lincoln MKZ AWD

**MSRP:** \$31,765

Residual Value After Five Years: 26 percent\*

The Lincoln MKZ (formerly the Zephyr) is based on the Mazda 6 platform. The Mazda 6 is an excellent car and so is the MKZ, but the \$5,000 to \$10,000 price premium for the Lincoln makes it less appealing, despite its luxury features and respectable performance. In its favor, the MKZ gets an "Excellent" predicted-reliability rating from Consumer Reports.



Like with most luxury cars, the MKZ offers what auto analyst Ricky Beggs of Black Book Auto Research calls "fluff features." Some of these options, such as pricey navigation systems, quickly become obsolete and can drag down residual values.

## 5. Mercedes-Benz E550

**MSRP:** \$59,775

Residual Value After Five Years: 26 percent\*

Reliability of Mercedes-Benz vehicles has plummeted, says Larry Batton of Auto Appraisal Group. Poor reliability erodes resale value. Mercedes execs have unofficially admitted to us that adding too much new technology without enough time to fully test it was a downfall with the E-Class and caused many of the model's widely documented problems in recent years.



Compared to the V8-powered E550, the six-cylinder-powered E-Class sedans and wagons — E350 and E320 diesel — retain more value: 37 percent after five years, according to KBB. Likewise, the low-production, high-performance E63 AMG, with 41 percent of its value retained after five years. The E550 cranks out 114 hp more than the E350 but costs a whopping \$8,500 more.

## 4. Jaguar S-Type V6

**MSRP:** \$49,000

Residual Value After Five Years: 25 percent\*

The current-generation S-Type debuted as a 2000 model and is near the end of its life cycle and will be replaced by an all-new sedan called the XF. Auto Appraisal Group's Batton says that residual values almost always suffer when vehicles are at the end of their life cycle as consumers gravitate to the latest and greatest offerings.



Besides being long in the tooth, the midsize Jaguar S-Type also suffers from poor reliability, according to Consumer Reports, a double-whammy for residual values. And its retro styling, though elegant, no longer stands out against jauntier competitors.

## 3. Jaguar X-Type Sedan and Wagon

**MSRP:** \$34,995

Residual Value After Five Years: 25 percent\*

The X-Type has struggled since its 2002 debut. It never quite mustered the appeal and performance of more-capable competitors such as the BMW 3 Series, Infiniti G35, Lexus IS and Mercedes-Benz C-Class.



Jaguar plans to quietly phase out the lame duck X-Type. Poor reliability, as rated by Consumer Reports, is only one knock among many. Auto industry insiders fault the X-Type for being little more than a dressed up Ford Mondeo.

## 2. Mercury Grand Marquis LS

**MSRP:** \$30,320

Residual Value After Five Years: 23 percent\*

The Mercury Grand Marquis is "a big, bulky vehicle that simply doesn't reflect trends in the current market," says Auto Appraisal Group's Larry Batton. Buyers of the Grand Marquis owners are 67 years old on average. "The market for this huge car is small and getting smaller," Batton says.



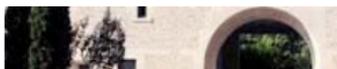
Even though the Grand Marquis is a good value for its sheer size and features, the fact that so many are sold to fleet operations such as cab services hurts resale values. "When cars are used heavily in fleets, supply goes up, and demand — and prices — go down," Batton says.

## 1. Lincoln Town Car

**MSRP:** \$42,985

Residual Value After Five Years: 17 percent\*

The Lincoln Town Car is archaic by today's automotive standards, much like the Mercury Grand Marquis that shares its



platform. "It doesn't reflect the needs and wants of a modern consumer anymore — it's a niche vehicle," says Auto Appraisal Group's Batton. Not only that, but at nearly \$45,000 to start and well over \$50,000 with options, "it has dangerously entered the same price territory as significantly more sophisticated import luxury sedans," he says.



The average age of Town Car buyers is 69 — an indicator of the dwindling group of potential buyers for this vehicle. And like the Mercury Grand Marquis, the Lincoln Town Car is sold in large numbers to limo and other fleet services, which boosts the supply way past the demand once these vehicles hit the used-car market.

\* Residual values are courtesy of Kelley Blue Book and expressed as a percentage of the original MSRP.

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