



Capital electric vehicle costs

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How Much Do Electric Cars Cost? According to Kelley Blue Book, the average transaction price for EVs is around \$5,000 more than gas-powered cars. However, the cost of electric cars does vary depending on the manufacturer, with some models starting at less than \$30,000.

For most buyers, determining EV affordability starts with calculating monthly payments. At an average transaction price of about \$53,000, the average EV will cost about \$1,100 per month before interest on a typical 48-month loan.

Venture capital investments in electric vehicle start-ups dropped in 2023, following the global trend. Venture capital (VC) funding to EV start-ups has boomed in the past decade. Financial investors such as banks and VC or private equity funds see in EV start-ups a potential for significant future returns.

The first successful mass market electric car, the Tesla Model S, made waves not just for its innovation, but also for its relatively eye-watering price tag: \$87,900 in 2012 (equivalent to about \$118,000 in 2023). Electric vehicle prices may have fallen since then, but they still remain higher than those for internal-combustion-powered vehicles.

According to data from Kelley Blue Book, the average transaction price (ATP) for EVs was \$53,438 in June 2023. This ATP is 20% lower than the peak price of \$66,390 from June 2022. Much of this price drop can be directly attributed to Tesla, which has slashed prices by more than 11% over the course of 2023.

This downward trend, according to KBB, brings the EV ATP much closer to the current \$45,291 average for non-luxury vehicles. That's a good sign for consumers looking to purchase an EV. Just a year ago, EV prices were higher than the average luxury cars. An increase in inventory and availability, coupled with price cuts, makes affording an EV potentially feasible for many who previously couldn't.

The short answer is typically batteries. EV batteries require a lot of minerals that are difficult to acquire, such as lithium and cobalt. Battery production increased so suddenly -- in just about a decade, the world went from no mass-market electric vehicles to almost one in five new cars being electric -- that supply chains for these materials haven't been able to keep up.

The other component of why EVs are so expensive could be attributed to research and development costs. Researching, designing, and building an entirely new class of cars is expensive, and most of these costs come at the beginning of the process.

However, those same financial experts recommend spending no more than 15% to 20% of take-home pay on "transportation costs." That includes a car payment, as well as insurance, gas, and maintenance. This total cost

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is where the balance might shift toward an EV.

For starters, EVs don't require gas, and they tend to get much better mileage (or travel farther per unit of energy) than traditional internal combustion engine (ICE) vehicles. While electricity prices have been rising in the United States, they have typically increased less than gasoline prices. How much this can save from your monthly transportation budget will depend on the exact mileage of the vehicle you're considering, the cost of electricity in your area, how much you drive, and the average gas mileage of comparable ICE vehicles.

EVs also tend to require fewer and less costly maintenance visits. Instead of having to deal with things such as oil changes or other fluid flushes, most EV maintenance comes down to replacing the tires and windshield wipers. How much this could potentially save is again going to vary but may average about \$600 per year.

On the other hand, electric vehicles can have higher insurance costs than similar ICE cars, due to a combination of higher vehicle prices and more expensive repairs. These costs could offset some of the fuel and maintenance savings consumers can see.

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