
Used vehicle depreciation in 2026 looks stable on paper. Dig one level deeper and the picture is more complicated, and more consequential for anyone buying, selling, or filing an insurance claim. After years of pandemic-era volatility, the market has found a kind of equilibrium, but it is not the equilibrium anyone expected. Values are elevated well above pre-2020 benchmarks, depreciation has returned to something resembling historical seasonal patterns, and yet the market is splitting into distinct segments that no longer behave the same way. For vehicle owners, this fragmentation has direct implications for how much your car is worth, how much an insurer will offer after an accident, and whether a generic online estimate comes anywhere close to your vehicle's actual market value.

The Headline Numbers for 2026

Annual depreciation for 2- to 6-year-old vehicles came in at approximately 13.9% for 2025, closely aligned with historical norms. The forecast for 2026 is around 11.9%, a modest improvement that signals continued stability rather than any dramatic correction. On the surface, that sounds like a well-behaved market. The problem is that 'stable' at this level still means values are far above the pre-pandemic baselines most consumers, and most insurance adjusters, grew up using as reference points.

The Used Vehicle Retention Index, which measures how well vehicles hold their original MSRP value over time, closed 2025 at 140.3 and is forecast to end 2026 near 139. For context, that index averaged in the low 110s to low 120s during the 2013-2019 period. In plain terms: used cars are still worth dramatically more than they were before the pandemic disruptions, and that elevated baseline is not going away anytime soon.

***Why this matters for your appraisal:** If your vehicle is totaled or damaged, the insurer calculates your payout based on actual cash value. An ACV calculation that uses outdated market benchmarks, or algorithms calibrated for a lower-value environment, will undervalue your vehicle. The current elevated market makes an **independent appraisal** more important, not less.*

What Drove 2025: Tariffs, Pull-Forward Demand, and a Q4 Payback

To understand where values are headed in 2026, you need to understand what distorted 2025. The year started on a predictable path, with spring appreciation, summer softening, and expected fourth-quarter declines. Then came the announcement of a 25% tariff on imported vehicles in April. The direct effect on new vehicle transaction prices was limited within 2025, but the anticipated effect on consumer behavior was immediate.

Buyers accelerated their purchasing decisions, pulling demand forward into spring and early summer in anticipation of higher prices later. This surge temporarily supported used vehicle values, tightened inventory, and pushed wholesale prices higher than seasonal trends would have predicted. By late summer, that borrowed demand had been absorbed. The market entered the fourth quarter with a smaller active buyer pool, softer retail conditions, and heightened price

sensitivity. The result was accelerated depreciation through October and early November, followed by a return to more typical seasonal behavior by year-end.

The key takeaway is that 2025 was not a year of stronger demand. It was a year in which demand was redistributed within the calendar, creating both a stronger first half and a weaker fourth quarter than a true demand expansion would have produced.

2025 Depreciation by Segment: Not All Vehicles Are Moving the Same Way

The most important development in the current market is how differently vehicle segments are performing. The overall depreciation rate of 13.9% is an average that masks significant variation beneath the surface. Understanding where your vehicle falls in this landscape directly affects what it is worth and how aggressively you can negotiate an insurance settlement or resale price.

Segment	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Full Year
All Vehicles	-2.0%	-0.2%	-4.5%	-8.9%	-13.9%
Sub-Compact Car	-4.4%	-2.1%	-6.9%	-13.5%	-22.9%
Full-Size Van	-5.0%	-3.4%	-6.9%	-8.2%	-21.5%
Full-Size Car	-3.5%	+0.7%	-5.1%	-11.6%	-17.6%
Compact Crossover/SUV	-1.2%	+0.3%	-5.6%	-10.5%	-15.1%
Mid-Size Crossover/SUV	-1.1%	+0.4%	-5.0%	-9.5%	-14.1%
Prestige Luxury Car	-3.8%	-1.2%	-4.2%	-6.3%	-15.3%
Full-Size Pickup	-0.5%	-0.2%	-3.5%	-7.1%	-10.8%
Premium Sporty Car	-1.8%	+1.7%	-1.8%	-4.5%	-6.2%

A few things stand out in this data. Sub-compact cars took the steepest hit at nearly 23% for the full year, while full-size pickups held up comparatively well at just under 11%. Premium sporty cars showed the most resilience, depreciating only 6.2%. Prestige luxury cars landed at 15.3%, slightly above the all-vehicle average, driven by affordability constraints pushing buyers away from high-payment purchases.

This segment-level divergence has a direct impact on **insurance claims and diminished value calculations**. An insurer's algorithm that applies an average depreciation rate to your specific vehicle can easily be off by five to ten percentage points, which on a \$45,000 vehicle translates to a \$2,250 to \$4,500 discrepancy in the settlement offer.

Supply Constraints Are Keeping the Floor High

One of the structural reasons values remain elevated is simple: there are not enough late-model used vehicles to fully meet demand. The pandemic-era collapse in leasing and fleet activity in 2021 and 2022 created a pipeline shortage that is still working through the system. Rental operators extended holding periods to manage acquisition costs, reducing the

volume of units cycling back into the secondary market. Lease penetration remains below pre-pandemic levels, limiting the flow of off-lease inventory that typically anchors used vehicle supply.

The result is a market where even as depreciation normalizes on a percentage basis, the absolute dollar values of used vehicles remain structurally elevated. Three-year-old vehicle retention is expected to come in around 58% for 2023 model year vehicles returning in 2026, down from the 63% recorded in 2024, but still far above the 49-50% range that was typical before 2020.

This supply constraint directly supports your negotiating position in any insurance dispute. When a vehicle has elevated retention value because the market simply does not have comparable replacements at lower price points, that should be reflected in your settlement. It rarely is unless you document it. Our guide on [how to document diminished value](#) covers exactly how to build that case.

The EV Wildcard

Battery electric vehicles are the one segment that does not fit the general narrative of stability. While ICE and hybrid vehicles are behaving predictably, BEV values remain in active price discovery mode. A growing wave of off-lease electric vehicles is entering the used market in 2026, compressing prices at the same time that new vehicle pricing adjustments have narrowed the gap between new and used BEVs.

Average used BEV price reductions in 2026 are expected to land in the range of \$1,500 to \$2,500 depending on model and segment, and three-year retention for electric vehicles is forecast at approximately 38% for 2026, compared to 58% for the broader market. Factors pulling BEV values down include faster product and technology cycles, uncertainty around long-term battery performance, and the removal of federal tax credits that had previously propped up demand.

If you own an electric vehicle and are dealing with a total loss claim or a diminished value situation, the standard valuation tools are particularly unreliable. The spread between what a generic algorithm produces and what the actual market reflects can be substantial. An **EV-specific appraisal approach** is not a luxury in this environment. It is a necessity.

What 'Stable' Actually Means for Insurance Claims in 2026

When analysts describe the 2026 used vehicle market as stable, they mean depreciation rates are predictable and large swings in either direction are unlikely. What they do not mean is that the market has normalized, or that the tools insurers use to calculate vehicle values have caught up with current conditions.

Insurance company valuation platforms pull from historical comparable sales data. In a market that has been structurally elevated for multiple years, those comps require careful scrutiny. The **comparable vehicle selection methodology** used by insurers is not neutral. Understanding how the current market is segmented, and having a professional appraisal that reflects your specific vehicle's position in that market, is what closes the gap between what they offer and what you are actually owed.

Two situations where this matters most right now:

- **Total loss claims on newer vehicles:** Vehicles in the 0-2 year range experienced significant pricing pressure in the second half of 2025 as the new-to-used price spread compressed. If your newer vehicle was totaled in late 2025 or early 2026, the timing of the loss affects the comparable pool your insurer is drawing from.
- **Diminished value on luxury and premium segments:** Prestige luxury vehicles are under above-average depreciation pressure right now. An accident history compounds that. A diminished value appraisal that reflects where prestige luxury is actually trading can recover substantially more than a standard formula-based approach.

The Affordability Divide and Its Implications for Owners

The most important structural shift in the current market is the split between affordability-driven segments and discretionary segments. Compact cars, small pickups, and high-utility vehicles are holding value better because buyers need them and cannot find equivalent new options at accessible price points. Prestige luxury, full-size cars, and higher-priced crossovers are under more pressure because buyers are stretching to afford them at all.

This divide has a practical implication for anyone dealing with an insurance claim: your vehicle's segment position matters. The insurer's offer on a Honda Civic and the insurer's offer on a Mercedes-Benz C-Class should be based on entirely different market dynamics. A generic ACV calculation that does not account for segment-level performance is an incomplete one. Our breakdown of **diminished value loss by vehicle segment** shows exactly how wide these differences can be.

Your Vehicle's Value Is Not an Average

Market conditions in 2026 are favorable to vehicle owners who know what their car is actually worth. An independent appraisal from Appraisal Engine puts a documented, defensible number on your specific vehicle, based on real current market data, not an algorithm's best guess.

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Frequently Asked Questions

Why are used car values still so high in 2026 if the market has stabilized?

Stabilization means the rate of depreciation has returned to something close to historical norms. It does not mean prices have returned to pre-pandemic levels. The supply of late-model used vehicles remains constrained due to reduced leasing and fleet activity in 2021 and 2022, and that supply gap is not expected to fully close until later in the decade. Values are declining at a normal annual rate, but from a much higher starting point than existed before 2020.

How does current market depreciation affect a diminished value claim?

Diminished value measures the gap between what your vehicle was worth before an accident and what it is worth after, accounting for its accident history. In a market where segment-level depreciation varies widely, an accurate calculation must reflect where your specific vehicle type is actually trading. Compact SUVs, full-size pickups, and prestige luxury vehicles are all experiencing different depreciation trajectories right now, and that variation directly affects the magnitude of diminished value loss.

Do tariffs on imported vehicles affect my car's value or my insurance claim?

Tariffs on imported vehicles primarily affect new vehicle pricing. Their indirect effect on used vehicles is to support elevated values, because higher new vehicle prices push buyers into the used market, increasing demand and slowing depreciation. For insurance claims, this means the actual cash value of your used vehicle is arguably higher than it would be in a tariff-free environment. If an insurer's offer does not reflect this dynamic, an independent appraisal with current market data is the most direct way to challenge it.

Are electric vehicles worth less after an accident than gas-powered vehicles?

In the current market, used BEVs are depreciating faster than ICE vehicles, with three-year retention rates running roughly 20 percentage points below the broader market average. An accident on top of that accelerated depreciation can compound the loss significantly. EV-specific appraisals are important because generic valuation tools do not reliably track the faster-moving EV market, and the gap between a formula-based estimate and the actual market value tends to be larger for electric vehicles than for traditional ones.

What makes an independent appraisal different from what the insurance company produces?

An insurer's valuation tool selects comparable vehicles and applies adjustments based on proprietary methodology optimized for their settlement targets. An independent appraiser works from the same market data but applies it without a conflict of interest, often identifying comparable sales that more accurately reflect your vehicle's specific configuration, mileage, condition, and local market demand. The difference in the final number can be significant, particularly in a segmented market where vehicle-specific factors matter more than broad averages.