

Premise:

There has been historic inflation in JDM car prices in the last three years. Now that interest rates are rising, prices appear to have decreased. Is that the case?

JDM cars, especially those from the late 1980s and early 1990s, are some of the most imported cars to the United States and make up [57% of total JDM cars imported to the United States](#). That figure is expected to [increase by a minimum of 3.5% annually for the next 3-5 years](#), regardless of the ever-increasing JDM car prices.

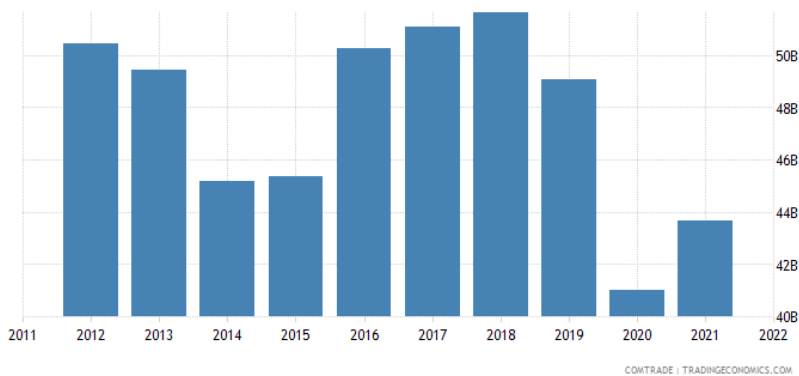
However, experts say that prices are expected to drop due to a couple of factors, including recession and increasing interest rates, among others, but is this true? Currently, JDM car prices are at an all-time high compared to previous years, especially if you buy one from a local JDM car dealer, owner, or auction. For example, before Covid 19, you could get a [Nissan Skyline R32 GT-R](#) for approximately \$35,000, which is not the case today. Getting one for less than \$40,000 is impossible unless it's a high-mileage unit or has a restored title. (Source; [Classic.com](#))

Compared to new and fairly used cars produced in recent years, JDM car prices have been increasing. In this article, we look at the reasons behind ever-increasing JDM car prices in the United States, why we think prices will drop, and our speculations on the JDM car price bubble.

Factors that drive up JDM car prices in the United States

Increasing demand for JDM cars

Some will say there's no bad JDM car. It's about how much you are willing to dish out to buy one. There's a car for every budget. Based on [JDM import statistics](#), JDM car imports have been rising since 2016 and only dropped in 2019 and 2020 due to Covid 19. 2021 saw an increase in JDM vehicle import by over \$2 billion, and the value of JDM cars imported to the United States is projected to be above \$44 billion in 2022. These stats show an increasing demand for JDM cars which translates to higher market prices.



So, what drives the high demand for JDM cars in the United States. The most sought-after JDM cars are sports cars or cars with a high cult following in the JDM car scene. For example, the Toyota Supra is among the most iconic JDM cars, but no one would pass the chance at buying a Chaser or Mark II with a 1JZ or 2JZ engine.

The Honda Civic is just an ordinary hatchback, but in the hands of the right tuner, it can decimate any car at the drag strip. For that reason, it's among the most sought-after JDM cars, and prices have not been pocket-friendly lately since most go for more than \$12,000.

Aftermarket support is a major factor when considering buying a JDM car in the US. Aftermarket parts manufacturers have made it easier and cheaper to own and maintain JDM cars; thus, more people feel more comfortable buying them, thus creating a high demand.

Lastly, JDM cars represent some of the last great cars ever made. As we entered the 21st century, manufacturers shifted towards safety and other non-driver aspects of vehicles, and very few new cars meet enthusiastic drivers' expectations, especially new JDM cars. For instance, the MK5 Supra is nothing like its predecessors. Hardcore enthusiasts will even say it's not even a Toyota Supra.

Semiconductor shortage

There have been semiconductor shortages in the past, but 2020 saw the biggest semiconductor shortage, and the effect was felt across different manufacturers, including automotive manufacturers. It was expected that the deficit would end in September 2020, six months after it had begun in March, but that was not the case.

Semiconductor manufacturers depleted their inventories due to massive accumulated orders, and more orders piled up after the September 2020 shortage. In 2021 the Renesas factory in Japan caught fire, and an ice storm in Texas took out Samsung, NXP, and Infineon semiconductor factories. These are just the major calamities that led to semiconductor shortages across automotive manufacturers.

Fewer cars were produced in 2020, 2021, and 2022 leaving buyers with no options to turn to used cars, and JDM cars fall into this category. Used car prices went up by 30% in 2021, bringing the average cost of a used car to around \$33,000. Some buyers who wanted something reliable and fun to drive opted for JDM cars for that price. JDM import figures dropped during the Semiconductor shortage period, but local sales were like any other year.

New car prices are still increasing as more orders pile up and waiting times lengthening as the semiconductor shortage effect is still being felt by manufacturers. However, used car prices are dropping, averaging a 0.2% to 2.1% decline since January 2022. It remains uncertain whether JDM car prices will do the same, but if they do, they will not be the same as during pre-covid times. (Source [car dealer magazine](#))

Psychological element

In the 20th Century, Japanese manufacturers didn't have mass manufacturing capabilities as today, including automotive manufacturers. Fewer JDM cars were produced then, meaning it won't be long before some top-of-the-line sports cars and sedans start disappearing on auctions and prices increase due to the rarity factor.

This creates the fear of missing out, causing buyers to flock the market in search of a specific make and model, and sellers hike the prices due to high demand. Prices for other cars in the class will also steadily increase, which is the case with the Mazda RX-7 FD.

There's also no surety whether JDM car prices will increase or drop, especially with the 2022/2023 recession making it even more difficult to predict what will happen. No one knows when the JDM car price bubble will pop, and most buyers and sellers are waiting to see what happens. However, prices won't go down like in pre-covid times, and more buyers are accepting to buy JDM cars even at current prices due to the fear that prices might increase in the coming years.

Market Manipulation

Over time there have been instances where fraudulent importers have held on to inventories, creating demand and then releasing the inventory when the prices get to where they want. Something similar happens in Japanese auction houses where some exporters buy JDM cars at auction in bulk when prices are low and then relist the cars again when the prices are high. Both situations create a false high demand and low supply, which hikes prices even when buying from individual sellers and importers.

Some playmakers and wealthy buyers also love playing around with JDM car prices behind the scenes by bidding outrageously at auctions and paying more than the car's value. This causes sellers to up their prices as they believe the cars will sell for more than they're worth. Slowly JDM car prices increase; even individual sellers will price their JDM cars at dealership prices.

Reasons why JDM car prices might drop

2022/2023 Recession

As said earlier, used car prices are dropping, unlike in previous recessions. It's still unclear whether the price drop will affect JDM car prices, but it's expected that it will. However, despite the expected drop, popular JDM cars such as the Nissan Silvia, Toyota Supra, Nissan Skyline, and Honda NS-X are still rising.

On the other hand, 350Zs and other small sports cars, such as the Mazda Miata, are becoming more affordable due to continued production, which makes newer model years more desirable. Kei cars, vans, and truck prices are also expected to drop.

People are beginning to realize JDM cars aren't what they seem

The JDM car culture is one of the most welcoming, regardless of what car one drives. Whether it's an old Nissan Pao or an award-winning Nissan Silvia drift car, all are JDM cars. This drives more people to want to buy JDM cars, drive them, spend money on them and make great memories. But this has not been the case lately, especially after hard economic times during and after Covid 19.

Over time, JDM cars have earned a reputation for being money pits, especially when sourcing parts and maintaining highly tuned cars. Most JDM cars develop issues due to old age, such as rust and worn-out parts, which can be expensive to repair or replace. Also, you can never expect a car to be in 100% driving condition, especially if it's over 20 years old.

Tough economic times deem JDM cars non-economical to buy and maintain, which drives down the demand. Due to this, more will flood the market, and prices will drop with a reduced buyer pool.

JDM cars are also considered more of a hobby or luxury than a necessity. Most owners rarely leave their cars stock and pour finances and time into them only to sell them. They might sell at a profit or loss, but fewer people buy JDM cars to build and flip.

Prices are dropping rapidly in Japan

JDM car prices have been fluctuating, especially at auction houses, in the past few months to what some might say is the "market correcting itself." Some cars don't meet the reserve price. Thus, auction houses end up with dead stock forcing them to lower the prices for the cars to sell. Inventories are also still high as few JDM cars were imported to the USA in 2019 and 2020 due to the Covid 19 pandemic, and the US is one of the biggest JDM car importers.

Dealers and auction houses who rush to clear inventories will slightly lower their prices. However, most of the cars at JDM car auctions are not pristine as cars in dealerships; thus, dealership prices are higher than auction prices.

The weakening of the Japanese Yen against the US dollar will also likely influence a drop in JDM car prices. However, it's still early to determine this since used car prices in Japan are still high. It might not also affect total importation costs to the United States since most shipping companies quote shipping costs in USD, which increases the cost of buying, inspection, and shipping.

Our Speculations

When will the bubble fully pop?

With the JDM car market crashing in Japan, prices are expected to decrease in the United States in the next 3.-5 years, but the price decrease will not affect all makes and models. For example, prices for the Nissan Skyline R34 will skyrocket as 2022 comes to a close and in 2023 when early production units become legal for importation in the United States.

Are the current prices temporary, and will they increase after the recession?

During a recession, people reduce spending to save more and prioritize needs over wants; thus, buying a car is only prioritized if it's a need. A car, especially an old JDM car, is unnecessary in most households. Thus, JDM cars have low demand, and people who need cars turn to hybrids, thus crippling normal car prices and inflating hybrid car prices.

Unlike previous recessions, new and used car demand is higher now due to low production in the previous years caused by semiconductor shortage, and used cars don't include JDM cars. The Low demand for JDM cars does not decrease prices but rather stagnates them in the US market as they drop in Japan due to the weakening Japanese Yen.

Should I wait for prices to drop or buy now?

There has never been a good time or bad time to buy a JDM car, but if you can buy one, leap before prices skyrocket if it's rare or popular in the JDM car scene. For example, buying a 1998 Nissan Skyline R34 in Japan and storing it until it becomes legal for importation is cheaper than waiting to buy one in 2023.

Waiting for prices to go down has its cons. For starters, JDM cars will never be affordable like they were five years ago, it might take a while before prices go down, and waiting might not save you not save a lot of money. On the brighter side, older JDM cars' production models depreciate. For example, the Nissan 350Z and the Mazda Miata.

What are the key indicators I should look for?

Following JDM car auctions in Japan and local sales and auctions such as [Bring a trailer](#) is the best place to watch JDM car prices. You can determine if prices are increasing or decreasing by observing current bids and recent sales and comparing them with sales from 2-3 years ago to see where prices will be in the coming years. Also, inflation, shipping, and USD/YEN exchange rates help determine prices if you buy and ship a JDM car from Japan.