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## Used-car prices coming down quickly

### **REPORT FROM SCOTIABANK Crossover utility vehicles have become the most coveted new vehicles recently**

*JOHN MORRISSY CANWEST NEWS SERVICE*

OTTAWA – Used-car prices are hitting the skids in Canada and the U.S., falling in some cases at the fastest pace on record as the North American economy continues to falter, Scotiabank says in its Global Auto Report.

That's good news for consumers but a blown gasket for manufacturers, as the decline is expected to extend through 2008 and into 2009, and as a flood of vehicles coming off lease pressures auto makers.

In the first quarter alone, Scotiabank's used-car price index fell seven per cent below a year ago, led by an 11-per-cent plunge in one-year-old models, the weakest performance on record for data going back to 1978.

The decline is being propelled by rising imports of secondhand models into Canada from the U.S.

They have more than quadrupled to 64,000 cars a quarter vs. 60,000 a year in 2004, and show no signs of slowing, as the loonie remains on near-equal footing with the U.S. dollar.

"A record number of vehicles coming off-lease in Canada is also dampening used-car prices," said Carlos Gomes, senior economist and auto industry specialist for Scotiabank.

This is hurting automakers and finance companies, as many of the expired-lease vehicles are being returned to the manufacturer, creating losses of more than \$8,000 for each vehicle repossessed, according to one analysis the report quotes.

Another victim will be car rental companies, which traditionally sell off their fleets after a few years' use, and will be doing so now at considerably lower prices than expected.

The downturn is leaching its way as well into new-car sales, which in March fell 11 per cent across North America compared with a year ago.

Softness in the sector is showing up in recent earnings reports from Ford and GM, both of which were making strides overseas but still suffering in North America, Gomes said.

The trend won't ease until employment growth solidly rebounds, and as a result, "we expect used-car prices to continue to soften through the first half of 2009," Gomes said.

The silver lining is that autos haven't been as affordable in 20 years.

The Scotiabank report said the most coveted new vehicles these days are crossover utility vehicles, or CUVs, such as the Ford Edge or Lincoln MKX, which have SUV-like functionality but lower fuel costs.

CUV purchases have soared 30 per cent year-over-year and now account for 20 per cent of new vehicle sales in Canada.

That popularity has helped prop up Canada's ailing auto sector with the recently announced hiring of 500 additional workers at Ford's Oakville, Ont., plant, where the Edge and MKX are made.

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