

Breaking News from The Globe and Mail

Cars now most affordable since1991

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Vehicle prices fell more than 2 per cent in Canada last year pushing affordability to levels not seen since 1991, as auto makers reacted to the high Canadian dollar by offering hefty incentives.

It took the equivalent of 18.9 weeks of pretax income to buy a new passenger car in Canada last year, the lowest measure for that reading since 18.5 weeks in 1991, according to a report by DesRosiers Automotive Consultants Inc.

Prices over all dipped to an average of \$31,875 – including medium and heavy-duty trucks – from \$32,609 in 2006.

“So relative to before-tax income, Canadians paid almost the same for a new vehicle in 2007 as they did in 1991,” president of the consulting firm, said in a note to clients.

“Not a bad deal, especially since vehicles are vastly superior today from virtually all perspectives.”

Quality, performance, content and design have all improved since 1991, he said. “The consumer is winning and winning big,” Mr. DesRosiers said.

In comparison to the auto industry, resale house prices in Canada more than doubled between 1991 and 2007, hitting \$307,256 last year, compared with \$148,514 in 1991, according to data from the Canadian Real Estate Association.

The auto price discounts came amid a flurry of cross-border car shopping last year as the Canadian dollar rose, hitting parity with the U.S. dollar last fall. That rise exposed a price gap between U.S. and Canadian vehicles that auto makers on this side of the border began addressing with rebates, subsidized leases and price cuts. The discounts have been made more formal this year with price cuts by Toyota Canada Inc. and Volkswagen Group Canada Inc.

The lower prices mean the vehicle market is likely to be fairly steady in Canada this year, Mr. DesRosiers said, unlike the deterioration expected in the United States.

Canadian sales are likely to be down slightly, but not the large slump that is being predicted by some in the industry, he said. Levels of affordability have improved every year since 1997, when it took 24.1 weeks of pretax income to buy the average new vehicle, which was priced that year at \$27,371.

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