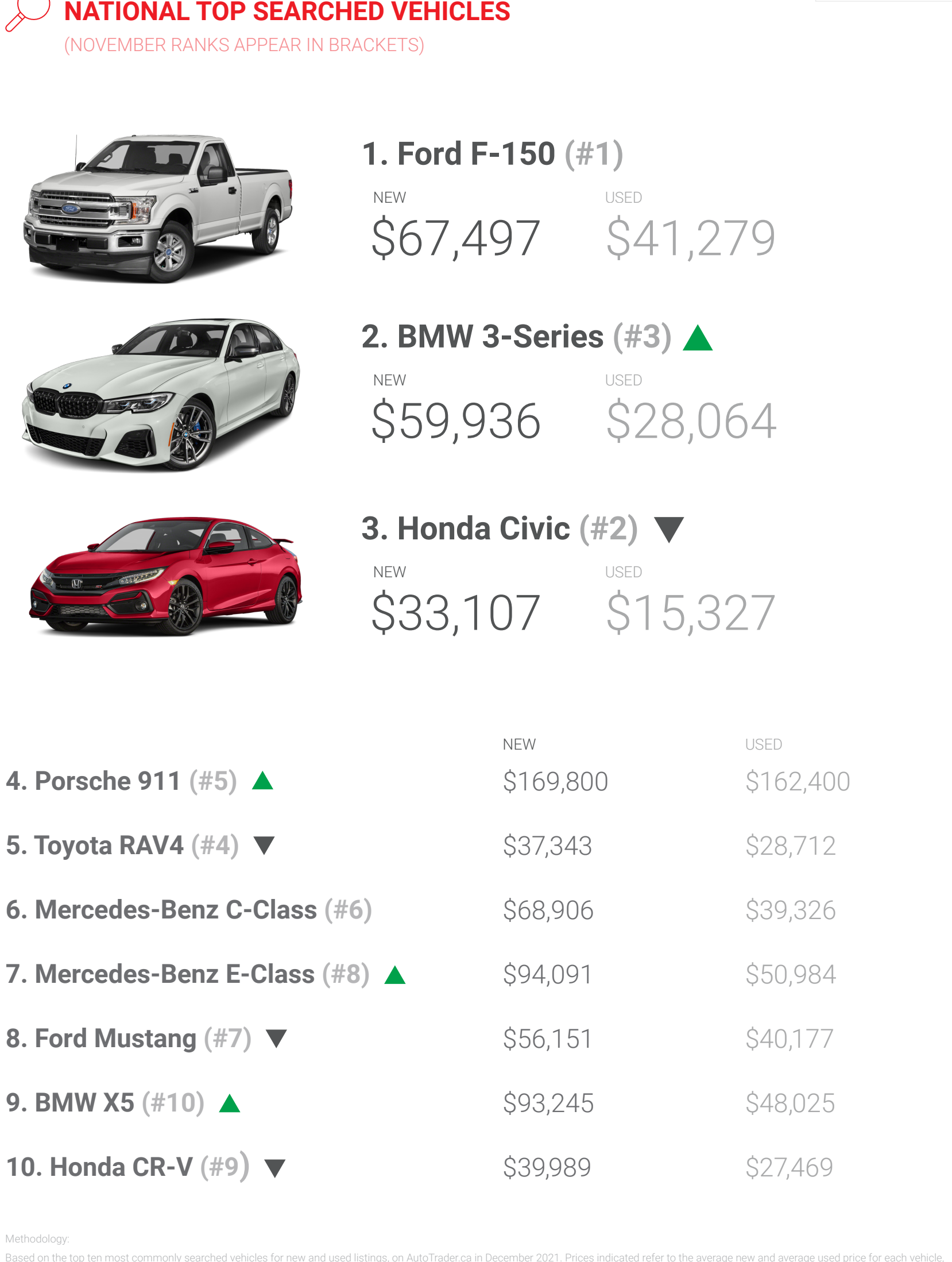
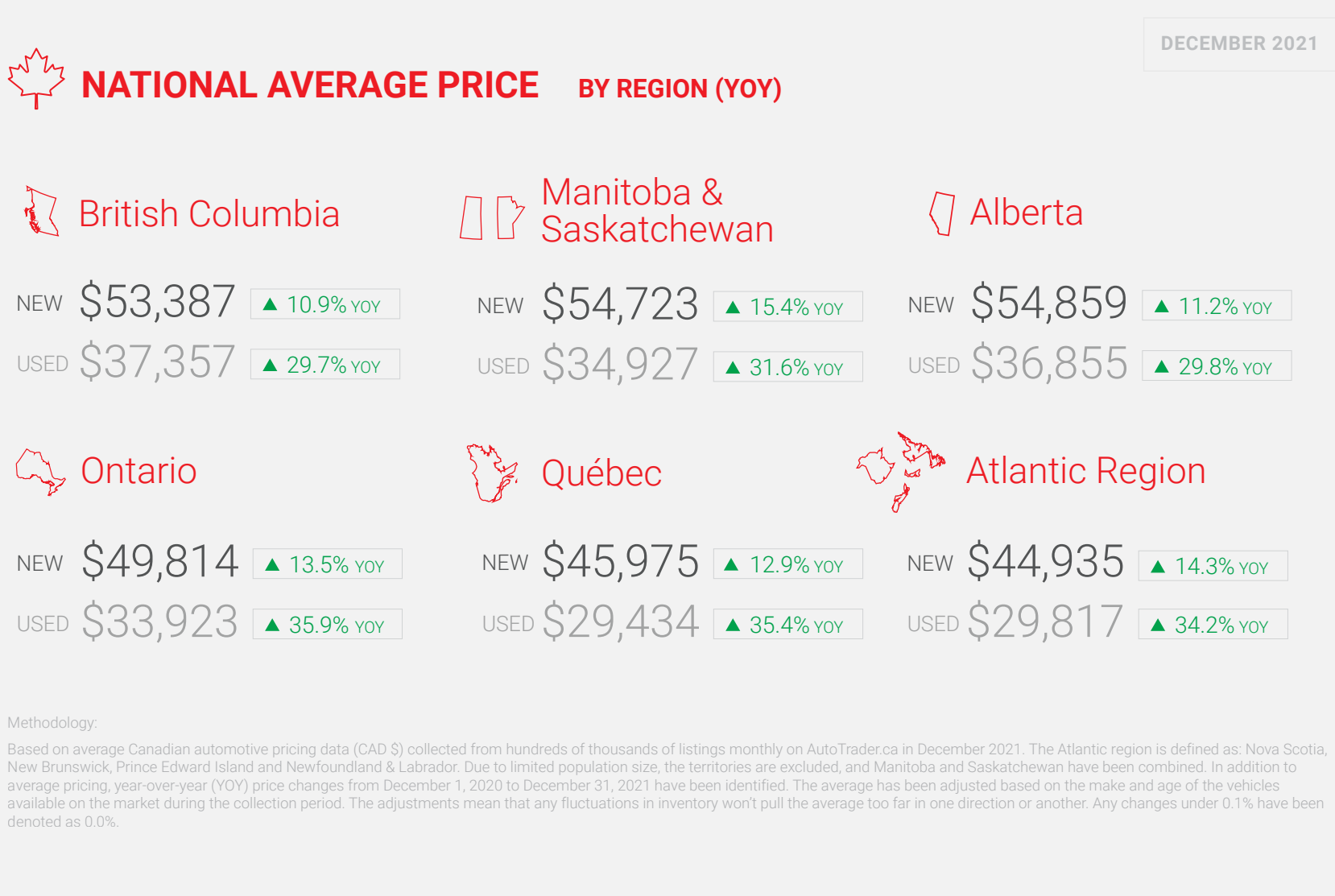
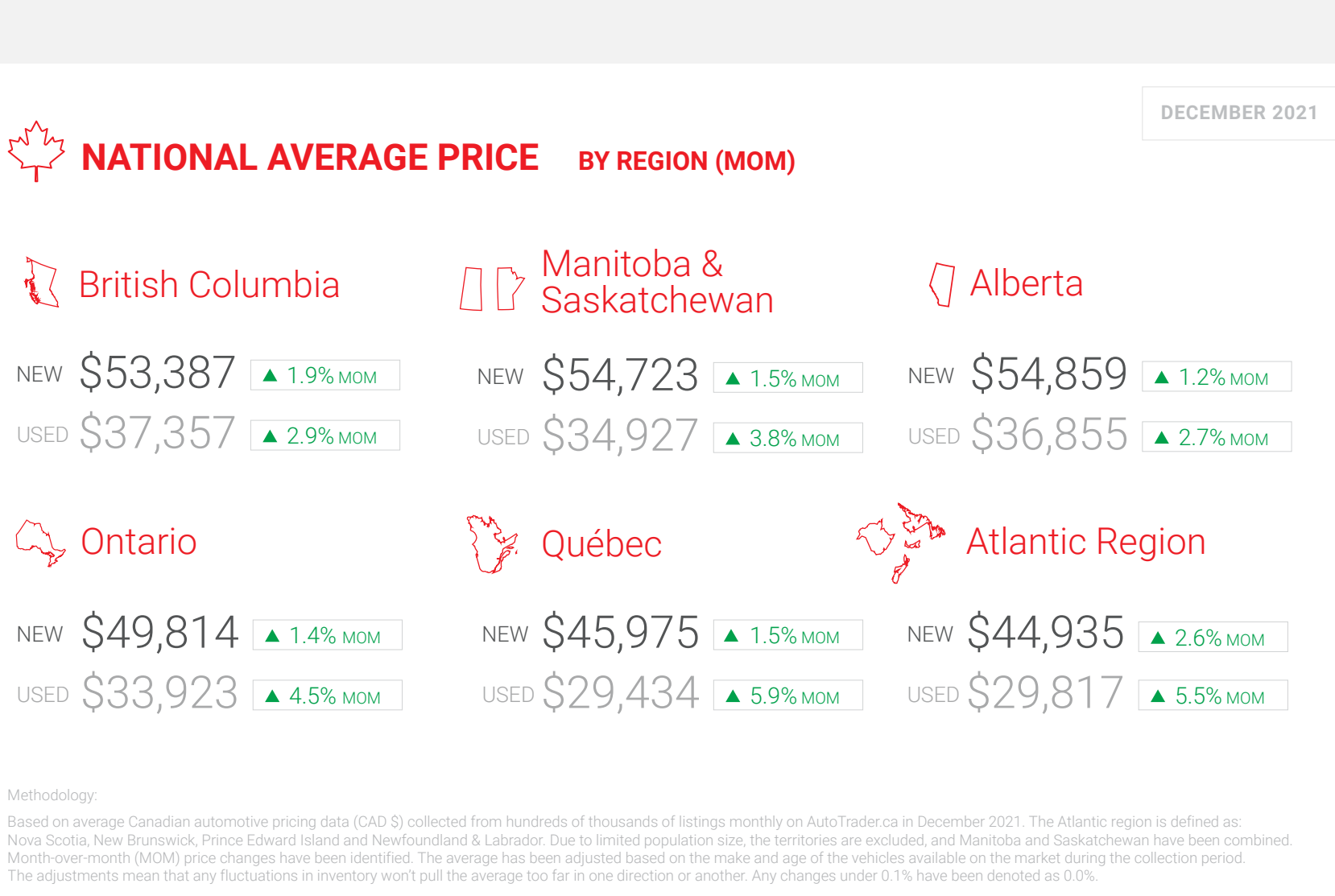
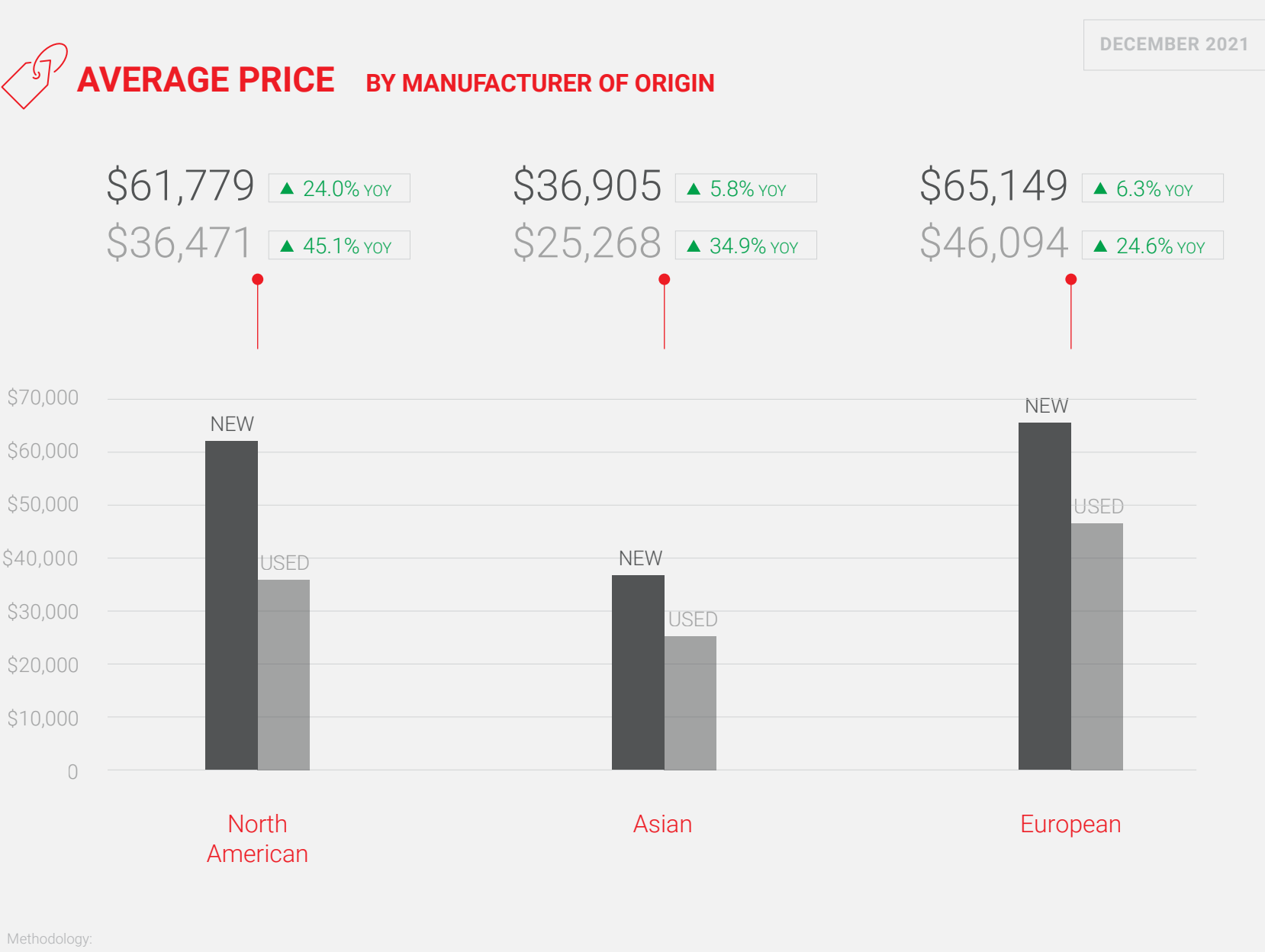
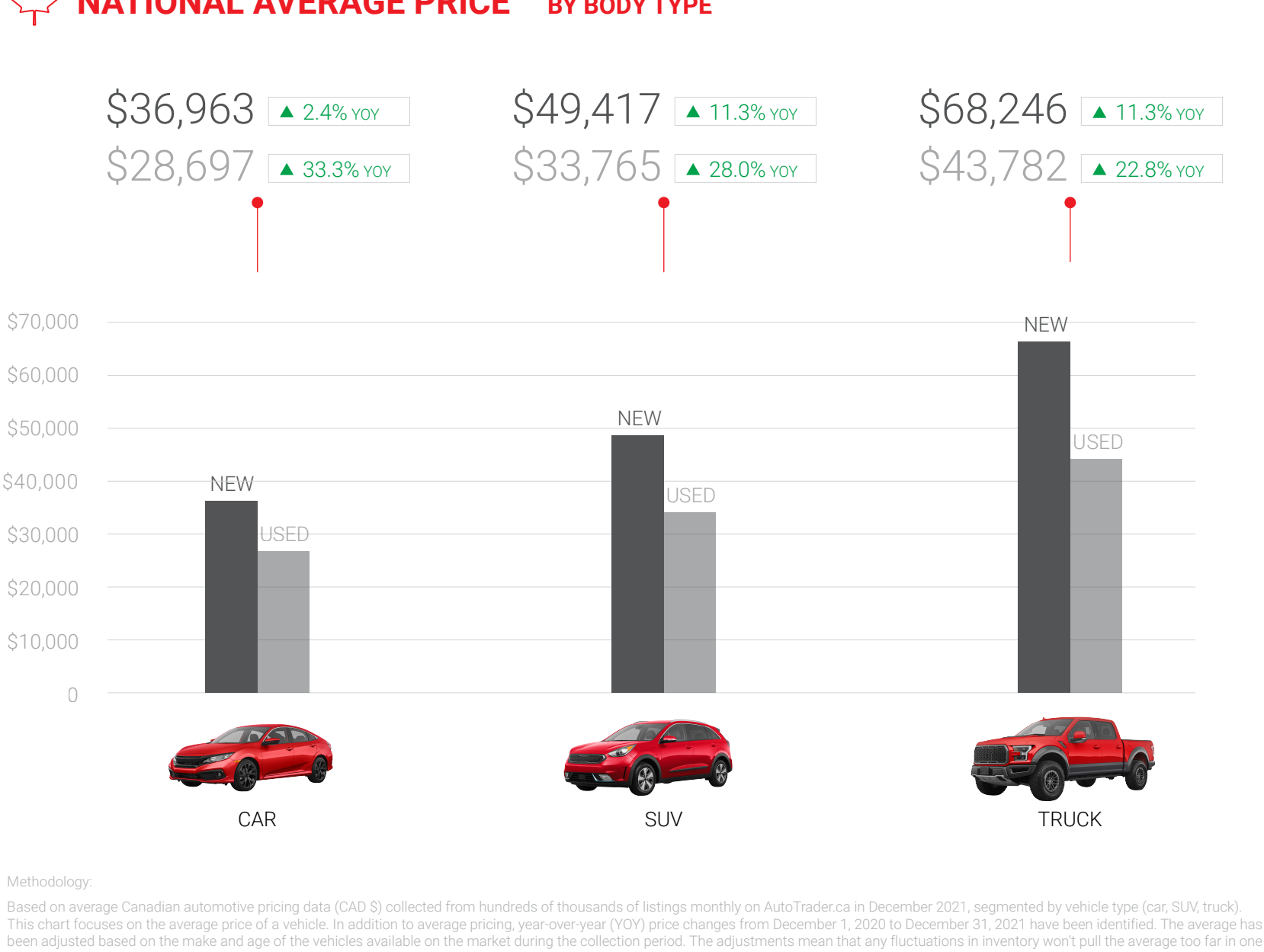
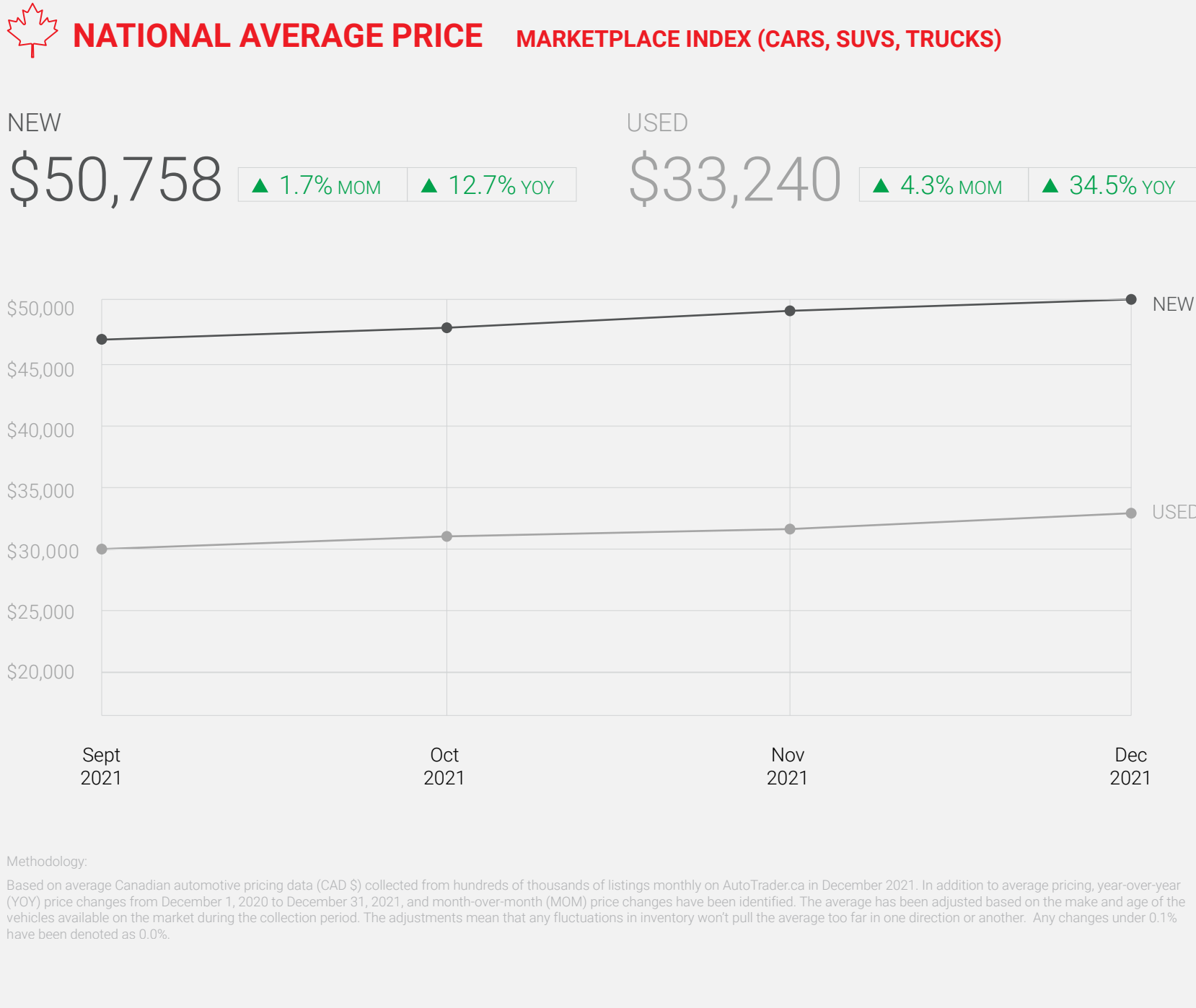


OVERALL VIEW

2021 Closes with continued price growth for new and used vehicles in Canada, as automotive production ramps up

WHAT IT IS

The AutoTrader.ca Price Index offers a monthly view of the Canadian automotive market by analyzing vehicle pricing associated with hundreds of thousands of new and used vehicle listings, bringing you the latest in pricing shifts and trends over time



SUMMARY

2021 marked another memorable year for the automotive industry in Canada. Consumer demand returned stronger than ever, but production delays to new vehicles made for an unusual year. The long-term impacts of the pandemic continued to manifest in a global shortage of microchips, which put strain on new car inventory. Paired with pent-up demand, new and used vehicle pricing reached record highs in Canada. From January to December, the average price of a used car declined by 7% in 2019 and 9% in 2020 but increased by 22% in 2021. The story is similar with new car prices where the average price declined by 4% in 2020 and increased by 12% in 2021.

In December 2021, the average price of a used vehicle increased 34.5% year-over-year to \$33,240, the highest recorded price of a used vehicle to date. The average price of a new vehicle increased 12.7% year-over-year to \$50,758, for the first time surpassing \$50,000.

PANDEMIC ALLOWED SOME CANADIANS TO SAVE MORE, DRIVES UP DEMAND FOR CAR OWNERSHIP

Over the past 18 months, the automotive industry faced challenges due to ongoing inventory shortages, stemming from the global microchip shortage and early plant closures at the onset of the COVID-19 pandemic. Consumers began to stock up on all types of electronics such as laptops and gaming consoles during the earlier days of the pandemic, and this led to tight chip supplies. COVID-borne supply chain disruptions forced a prolonged amount of time for microchips to make it to vehicles, which in turn exacerbated the inventory production.

During this time, Canadians expressed greater desire for vehicle ownership, citing a variety of factors related to the pandemic including hygiene, desire for local travel, and declining interest in public transportation. Statistics Canada reported a substantial decline in Canadian bus and urban transit passenger trips since the beginning of the pandemic, going from approximately 160 million to 60 million trips per day, a 60% decline in the average number of monthly trips. Further, research conducted by AutoTrader.ca, revealed comfort levels with public transit remained low. While more than half of car shoppers thought the situation was improving (55%), many still stated they were using public transit (45%), cabs (44%), ridesharing services (42%), and carpooling (39%) less often compared to pre-pandemic. In contrast, Canadians opted to walk (40%) and drive themselves (36%) more often than before. Along with the pent-up demand due to early shutdowns, and appetite to purchase a vehicle remains high, as almost 1 in 5 Canadians are still looking to buy a vehicle within the next six months.

Some Canadians were also able to save more during the pandemic. The Bank of Canada estimates that Canadians saved an additional \$100 billion, as the household savings rate increased substantially over the past 18 months. The average household savings rate, which was 2.8% in the last 25 years up until March 2020, went up to 28% in the beginning of the pandemic. The figure is hovering around 11.5% at the end of 2021. AutoTrader.ca's research suggests 63% of the respondents who were able to save during the pandemic, plan to use these extra savings to purchase a vehicle. Moreover, 34% of those who plan to buy a vehicle are planning to buy a more expensive vehicle than originally planned.

The impact of new car shortage on the used market can be summarized by the decline in trade-ins from retail consumers and returns from fleet companies (organizations that buy over 30 vehicles [i.e., government, police, rental companies, etc.]), where 70% of new car retail sales bring in used car trade-ins and 100% of the fleet returns end up in the used market. The decline in new car sales, both in retail and fleet have a direct and substantial impact on the used market.

Moreover, although the total volumes haven't changed dramatically, Canada exports approximately 300,000 vehicles to the United States, which in turn puts pressure on the used car market, the especially nowadays given the lack of inventory in the market. The combination of all these factors is believed to be, the main drivers behind the increase in average vehicle prices in Canada.

CANADA'S AFFINITY FOR LARGER VEHICLES GROWS DESPITE RISING PRICES

Prices increases across new and used vehicle segments, rose more prominently in the larger vehicles such as SUVs and trucks. The average price of a used truck increased by 22% year-over-year and the average price of a new truck increased by 11.3% year-over-year in December. Meanwhile used SUVs increased by 28% and new SUV prices increased by 11.3% respectively.

A recent study by AutoTrader.ca found that 30% of car shoppers intend to purchase a larger vehicle to a larger vehicle from their current car. Among those who plan to upgrade, nearly half (48%) intend to upgrade to a SUV, while a third (32%) said they would pivot to a truck. Respondents cited more cargo space, better seating comfort, and more seats as the top reasons for going big. Thirty-three percent of car owners, intend to switch to SUVs as well, reinforcing a notable shift in consumer preference for larger vehicles.

MICROCHIP SHORTAGE IMPACTS MANUFACTURERS ACROSS THE GLOBE

Despite the manufacturer of origin, all used vehicles experienced a double-digit year-over-year increase in pricing, ranging from 24.6% for European vehicles to 45.1% for North American vehicles. For new cars, the increase in prices for domestic manufacturers is up 24%, while prices for Asian and European manufacturers increased at a more subdued rate of 5.8% and 6.3% year-over-year.

PRICES UP ACROSS CANADA WITH ALBERTA LEADING FOR PRICEST NEW VEHICLES

Used vehicle prices experienced double-digit growth in all regions across Canada at the close of 2021. British Columbia recorded the lowest, yet still notable increase of 29.7% year-over-year, while Ontario saw the highest growth nationally, as the average used vehicle price rose 35.9% year-over-year. Prices also increased nationwide for new vehicles, ranging from 10.9% in British Columbia to 15.4% in Manitoba and Saskatchewan. The highest new vehicle prices belong to Alberta at \$54,859, which could be attributed to higher than average interest in trucks that tend to skew higher than other segments.

As ever, AutoTrader.ca continues to work with its dealer network, industry experts and internal marketplace resources to provide Canadians with a fulsome picture of what is happening across Canada.

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