

Price Index

June 2024

The AutoTrader 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

Starting in the third quarter of last year, used car demand softened slightly on a year-over-year basis. This trend, coupled with increased used car supply, resulting from strong new car sales and subsequent trade-ins, as well as a pivot in demand to new cars due to a ramp up in production and availability, has brought about declining used car prices.

On the flipside, new car prices show stability since the beginning of the second quarter of this year. Based on internal transactional sales data*, automotive manufacturers have resurrected incentives, through more competitive interest rates, making new cars more affordable despite stable prices.

In June 2024, the average used car price dipped 1.1% to \$36,342 compared to the previous month, marking an 8.3% year-over-year decline. New car prices averaged \$66,807, a 0.8% increase from the same period last year. Additionally, new car interest rates from the lending arm of automotive manufacturers, (i.e., subvented loans), have dropped from 6.2% in November 2023 to 5.3% in June 2024, making new cars even more accessible for Canadian shoppers.

Looking ahead to July, we expect used car prices to continue to normalize and new car prices to remain at around the levels from the previous year. We believe vehicle prices for both new and used cars likely peaked in 2023, at least in the short term, however, a return to pre-pandemic prices is not anticipated any time soon.

Source: * Dealertrack Canada, a Division of TRADER Corporation, June 2024.

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Canadian Automotive Market

June 2024 Update

Recent interest rate hikes have softened the used car market, leading to a modest drop in demand, that started in Q3 2023. Internal sales data shows that this decline is particularly noticeable among lower income consumers, who are more sensitive to interest rate changes and have lower or negative household savings rates. These consumers spend a larger share of their income on essentials like housing and food, making them more affected by fluctuations to borrowing cost.

Following the initial rate cut in June, we expect a resurgence in used car sales in the latter half of the year, dependent on additional interest rate drops, as forecasted by major Canadian banks, (which anticipate 2 to 3 more cuts in 2024 and further reductions in 2025, returning to “unrestrictive” levels by year-end). We are closely monitoring these developments and their impact on the Canadian automotive market.

The new car market continues to recover from significant disruptions caused by the semiconductor shortage and supply chain issues from 2020 to 2023, resulting in an estimated 1.5 million fewer new cars sold. Internal transactional data and other external sources show strong year-over-year new car sales growth in the first half of 2024. Nonetheless, persistent issues with a prevalent dealer management system (DMS) vendor serving many North American dealerships appears to have caused flat year-over-year sales figures for June, breaking a 19-month growth streak. Given the ongoing pent-up demand due to the pandemic, we expect any sales shortfall in June to be offset by gains in July. We continue to be bullish about the new car sales growth forecast for the foreseeable future.

As new car supply returns to normal, prices flatten, and interest rates drop, affordability improves. During the peak of the shortage, AutoTrader research suggested that many

consumers avoided new cars due to lack of availability, but some of that demand is now shifting back to new vehicles given increased supply.

New car prices, which peaked in September 2023, decreased slightly in the first quarter of this year and have since stabilized. We do not anticipate a return to pre-pandemic price levels due to several factors:

- (1) Canadians’ preference for larger vehicles, which are generally more expensive than smaller offerings.
- (2) The higher cost of electric vehicles compared to their internal combustion engine counterparts.
- (3) Sustained inflation levels in recent years, which are likely to keep prices elevated for the foreseeable future.

Examining inventory supply, both used and new inventory availability is healthy, with increases of 28.2% and 70.4%, respectively, on a year-over-year basis, which, in turn, leads to relatively more affordable vehicles for Canadian car shoppers. June saw significant price reductions for used vehicles, with price drops applied to 31% of inventory listings on AutoTrader.ca – the highest amount in a single month dating back to the start of the pandemic.

AutoTrader’s Vehicle Affordability Index, which measures affordability in consideration of average weekly wages, indicates improvements for both new and used cars. As of June 2024, it takes 29 weeks of average earnings to purchase a used vehicle and 54 weeks for a new one. Although these figures are higher than pre-pandemic levels, they have improved from their peaks of 34 weeks for used and 56 weeks for new vehicles, signaling a positive trend for consumers as well as the Canadian automotive market.

Source: ** Distributions of Household Economic Accounts for Income, Consumption, Saving and Wealth of Canadian Households, Third Quarter 2023, StatsCan, January 22, 2024.

*** AutoTrader Analytics with StatsCan Base Data: Data Table 14-10-0222-01 Employment, Average Hourly and Weekly Earnings (Including Overtime), and Average Weekly Hours for the Industrial Aggregate Excluding Unclassified Businesses, Monthly, Seasonally Adjusted.



Marketplace Index

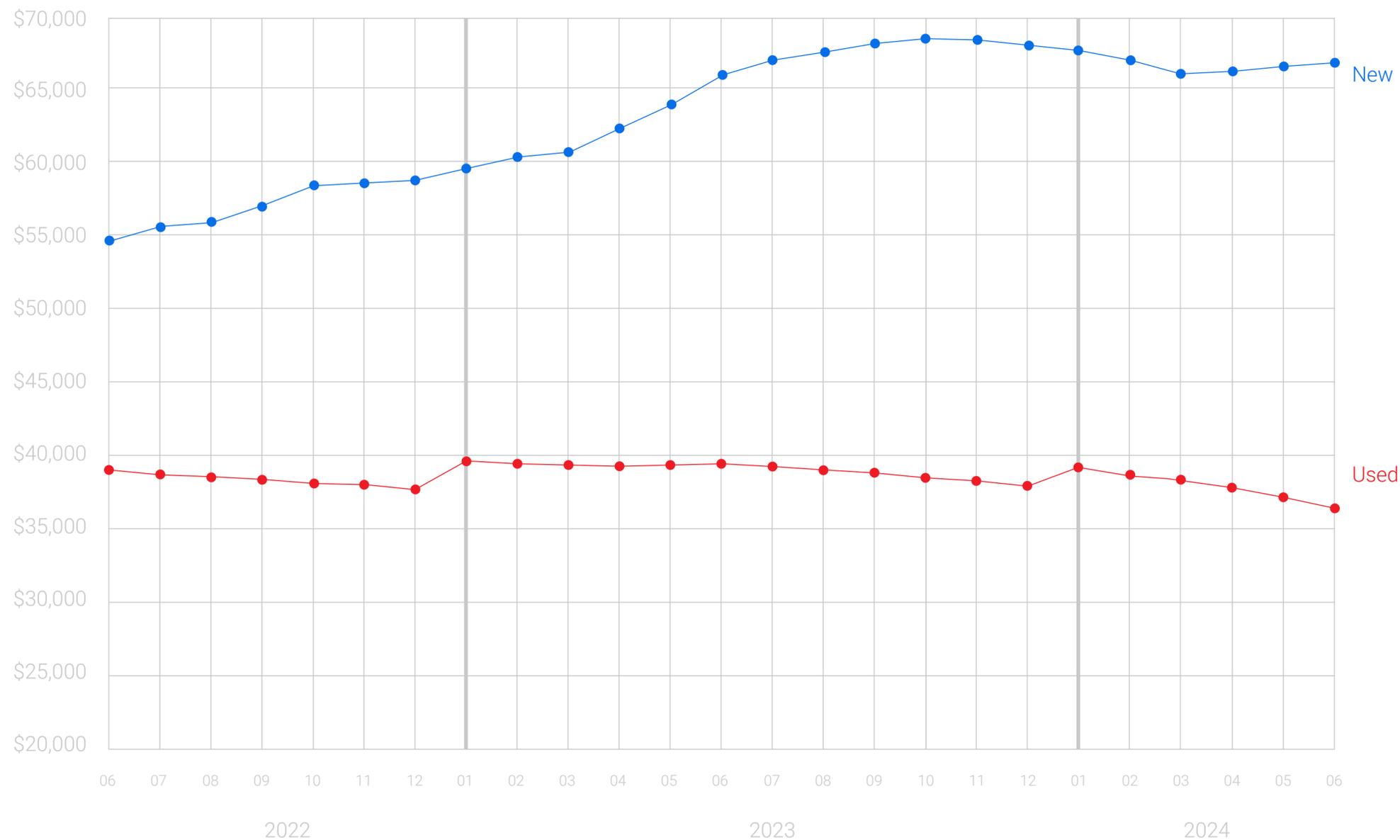
National Average Prices

Used Car Prices Continue to Soften with More Availability & Slower Demand, While New Car Prices Have Stabilized in the Last Few Months

Peaking at \$67,817 in September 2023, new car prices experienced a decline at the beginning of the year but have since stabilized with minimal month-over-month changes. Interest rates for new vehicles have been declining from their peak in November 2023, which is good news for Canadians as affordability improves.

Battery Electric Vehicle (BEV) prices remain down on a year-over-year basis, with double-digit declines – 14.7% for new and 13.7% for used BEVs. According to 2024 AutoTrader Electric Vehicle (EV) research, this decline is due to an increase in supply, (a combined 109.4% year-over-year lift in new and used BEV inventory on AutoTrader.ca), and a decline in demand, (EV purchase consideration is down from 68% in 2022 to 46% in 2024).

Segmenting used vehicle prices by mainstream and luxury brands, the decline is more prominent for luxury offerings (-10.4%), whereas prices for mainstream brands declined 7.1% year-over-year. This shift is understandable considering consumer sensitivity to financial issues, as high inflation and interest rates have a direct effect on purchasing decisions, leading to a preference for mainstream over luxury brands. Our own internal analysis as well as third party reports validate this shift, as mainstream brands appear to be selling at a higher and faster rate than luxury offerings.



New

\$66,807

▲ 0.3% MOM ▲ 0.8% YOY

Used

\$36,342

▼ -1.1% MOM ▼ -8.3% YOY

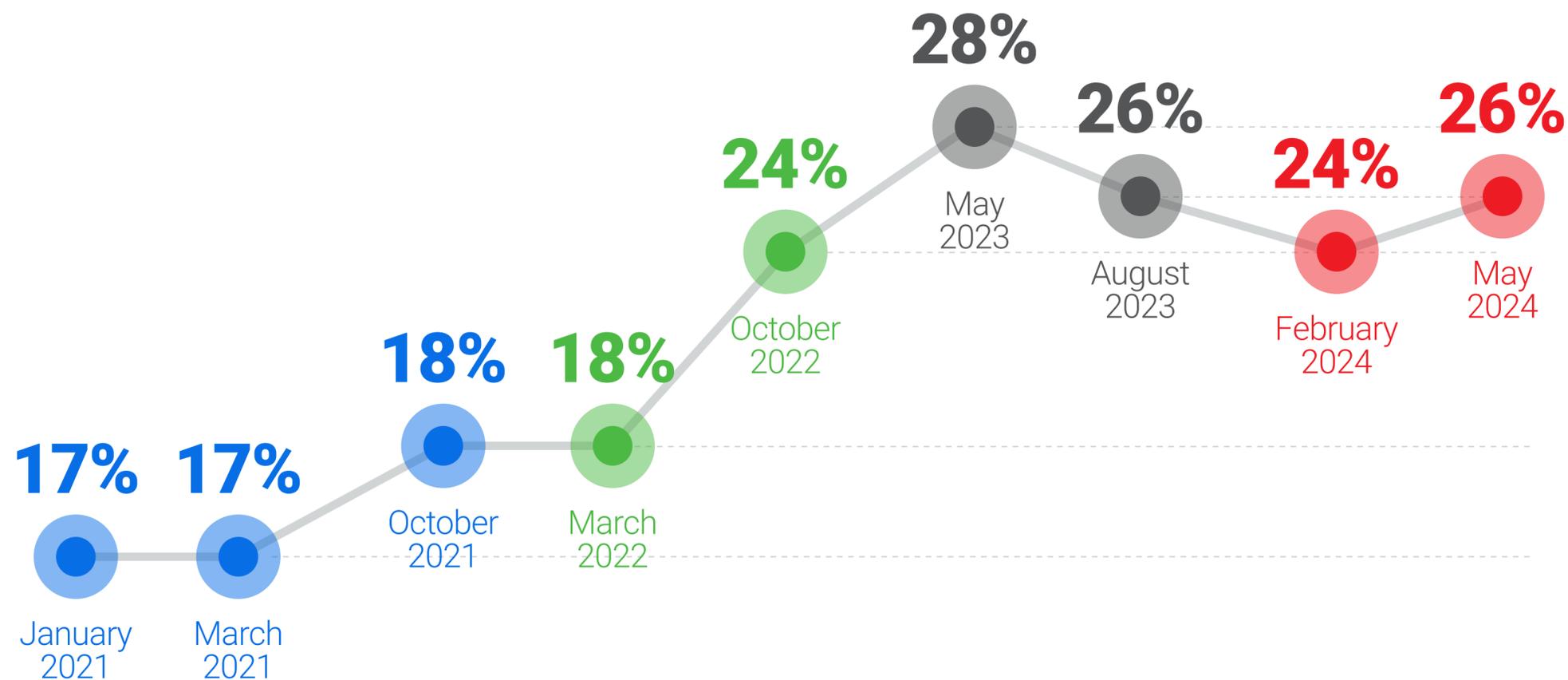
Methodology: Based on average Canadian automotive pricing data (CAD \$) collected from hundreds of thousands of listings monthly on AutoTrader from June 1, 2022 to June 30, 2024. In addition to average pricing, year-over-year (YOY) and month-over-month (MOM) price changes have been identified. The average has been adjusted based on the make and age of the vehicles available on the market during the collection period. The adjustments mean that any fluctuations in inventory won't pull the average too far in one direction or another. Any changes under 0.1% have been denoted as 0.0%



Vehicle Purchase Intent

Vehicle Purchase Intentions Are Up Slightly

After two consecutive waves of declining vehicle purchase intentions, the latest wave of our research shows a slight uptick in consideration levels. This renewed optimism appears to be linked to the increased confidence amongst Canadians in the current economy spurring a rise in their intention to make major purchases. The lift may be driven by the ongoing and anticipated interest rate cuts, which are encouraging to Canadian auto intenders. Our research findings suggest that Canadians contemplating a vehicle purchase are significantly influenced by prevailing macroeconomic conditions, with high vehicle prices and inflation being the top two factors.



Source: **** Vehicle Purchase Intention Research Conducted by AutoTrader with DIG Insights, Between May 1-7, 2024, with a Representative National Sample of 325 Canadians Aged 17-74.



Average Monthly Payments (Used)

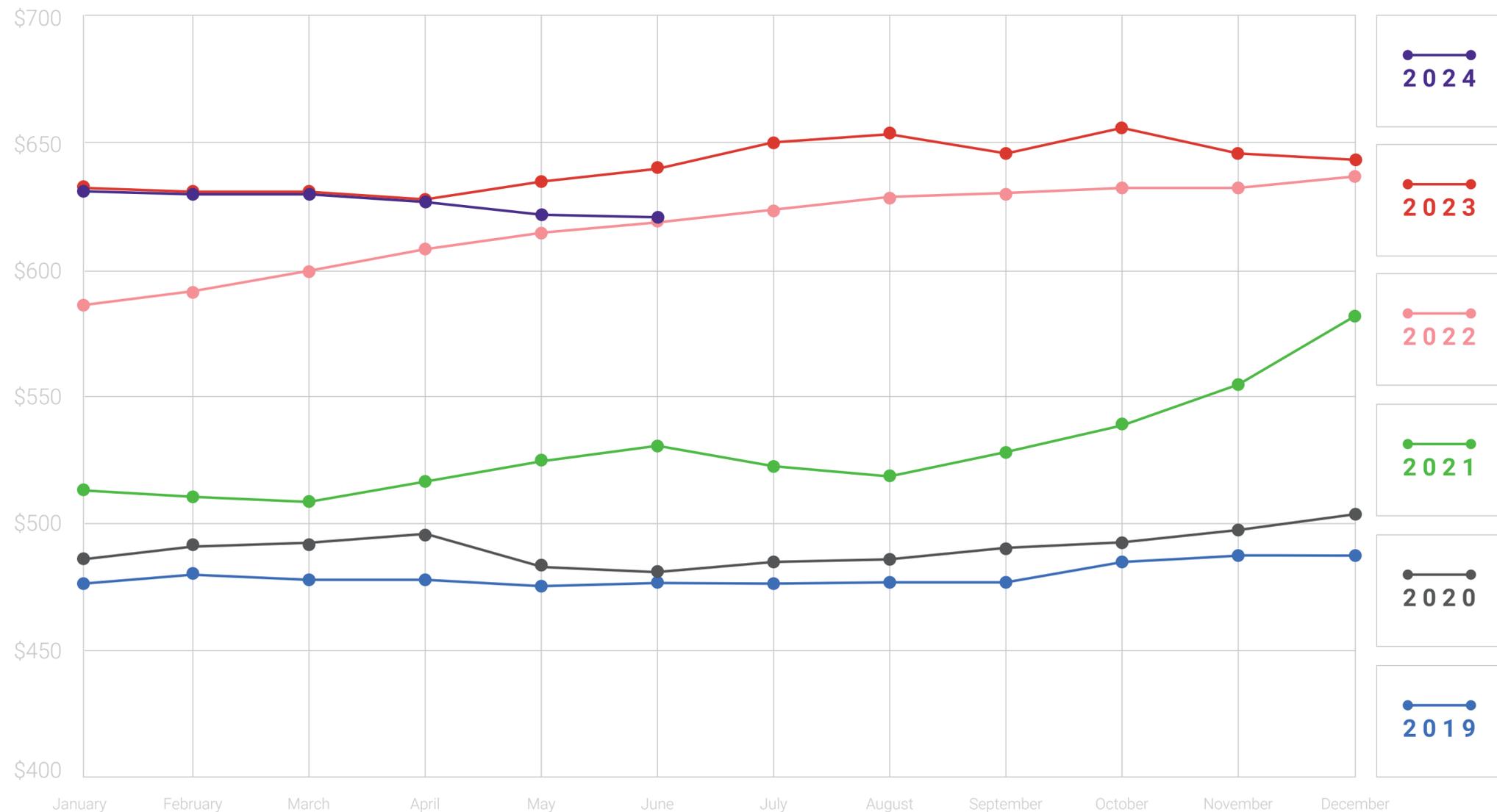
Monthly Payments for Used Vehicles are Slightly Down But Remain Higher Than the Pre-Pandemic Levels

In contrast to the levels observed before the onset of the pandemic, monthly payments for used cars have been decreasing slightly in the last quarter but remain substantially elevated, by 34.1%, compared to pre-pandemic levels***. The average monthly payment of \$624 is still on the higher side, however, with the first interest rate cut and additional much-anticipated interest cuts on the near horizon, we expect to see further declines in monthly payments in the short- to mid-term. Moreover, average loan duration is also higher compared to pre-pandemic levels, as consumers seem to be negating the impact of high interest rates with longer terms. In June 2024, the average loan term was 71 months compared to the 68 month average in June 2019.

Source: *** Dealertrack Canada, a TRADER Corporation Business, June 2024.

Methodology:

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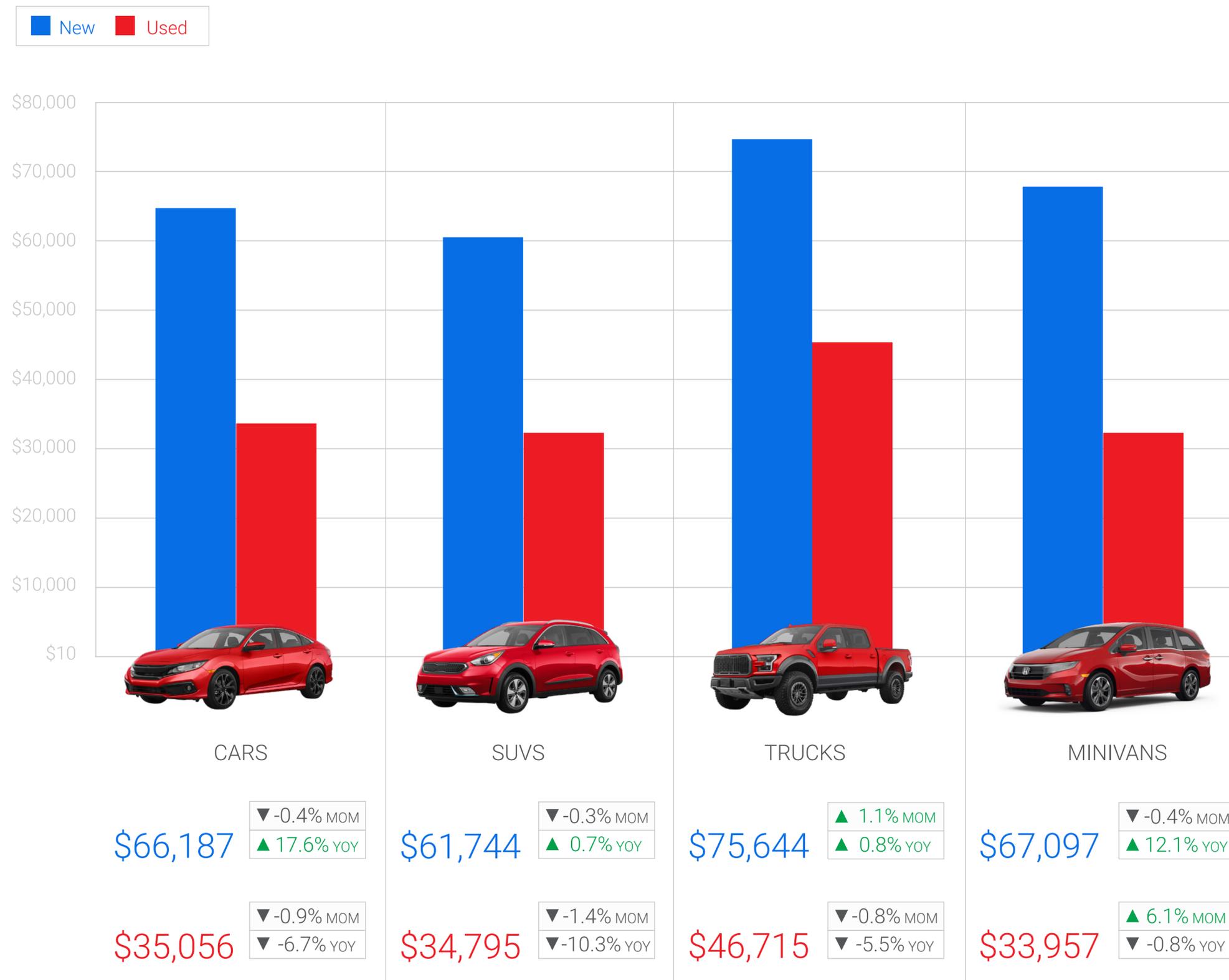
Average Price By Body Type

National

New Car Prices Remain on the Higher Side (with the Exception of Truck, SUV or Minivan)

Aligned to observations from our past few reports, the largest year-over-year new vehicle price increases by body type can be seen in cars, (as opposed to trucks, SUVs, or minivans). We believe there are three main drivers behind this:

- (1) The current macro environment is pushing some consumers to consider more affordable vehicles, where, generally speaking, cars tend to be cheaper than their larger counterparts.
- (2) Automobile manufacturers are producing fewer new compact cars due to the trend toward larger vehicles over the past decade, which is impacting supply. With higher demand for more affordable vehicles, this creates a micro supply and demand mismatch for smaller vehicles in the market.
- (3) There are more Electric Vehicles (EVs) in the compact car segment, which tend to be more expensive than internal combustion engine (ICE) offerings. Our analysis suggests that the price difference between comparable ICE and EVs is around 20%, with EVs coming in more expensive.



Methodology: Based on average Canadian automotive pricing data (CAD \$) collected from hundreds of thousands of listings monthly on AutoTrader from June 1, 2022 to June 30, 2024. In addition to average pricing, year-over-year (YOY) and month-over-month (MOM) price changes have been identified. The average has been adjusted based on the make and age of the vehicles available on the market during the collection period. The adjustments mean that any fluctuations in inventory won't pull the average too far in one direction or another. Any changes under 0.1% have been denoted as 0.0%.



Average Price By Origin

By Manufacturer

The persistent supply shortage of new Asian vehicles has resulted in the most significant year-over-year price increases for these brands. Despite this, Asian vehicle availability has been improving more rapidly in 2024 compared to domestic and European inventories.

In response to shifting market dynamics, domestic manufacturers are implementing more aggressive interest rate cuts and price reductions to boost demand. Based on an analysis of sales data, these tactics appear to work, as consumers seek deals and more affordable options.

For used vehicles, all brands – domestic, European and Asian – have experienced month-over-month price declines in recent months, and they are all down on a year-over-year basis.

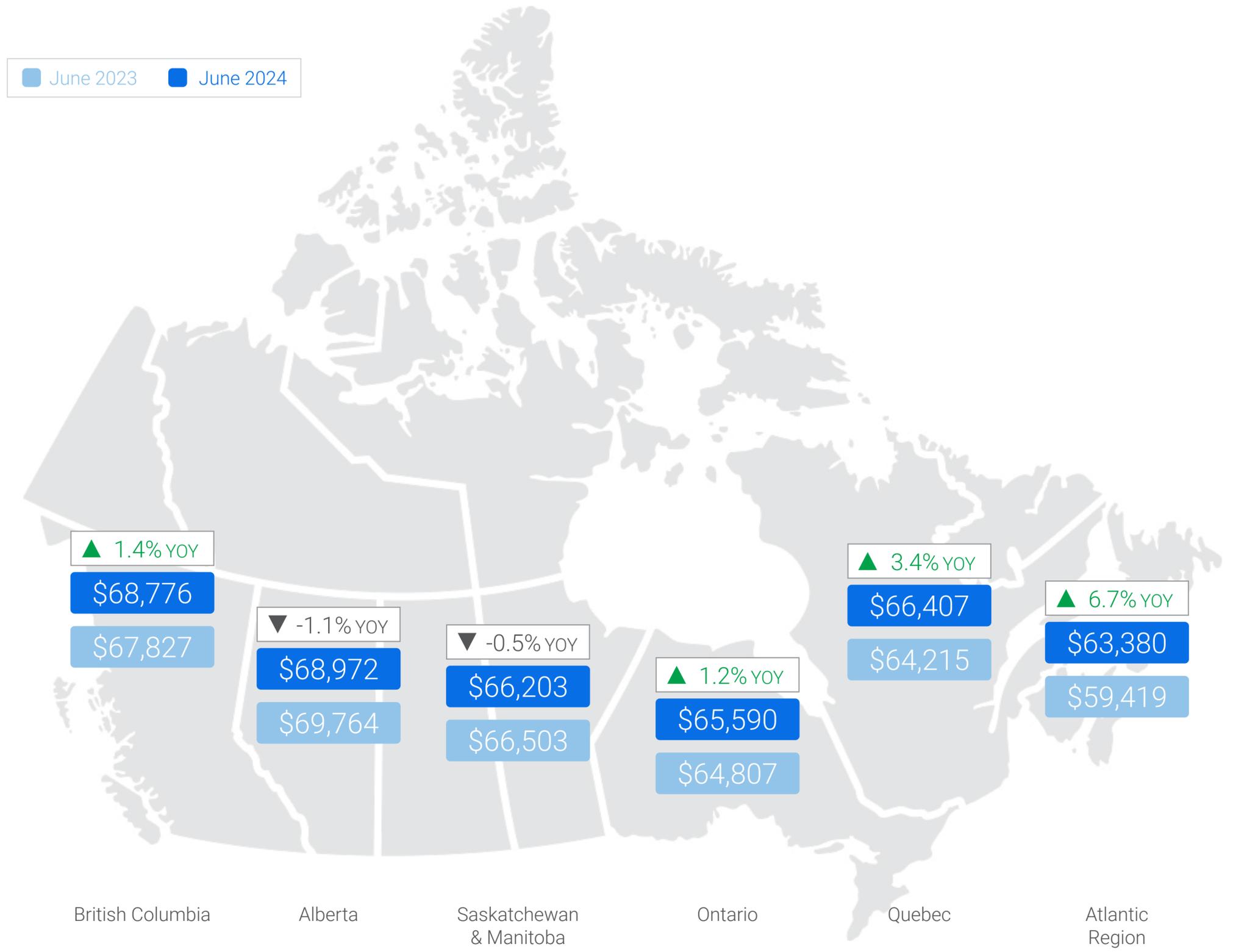
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Average Price (New)

By Region



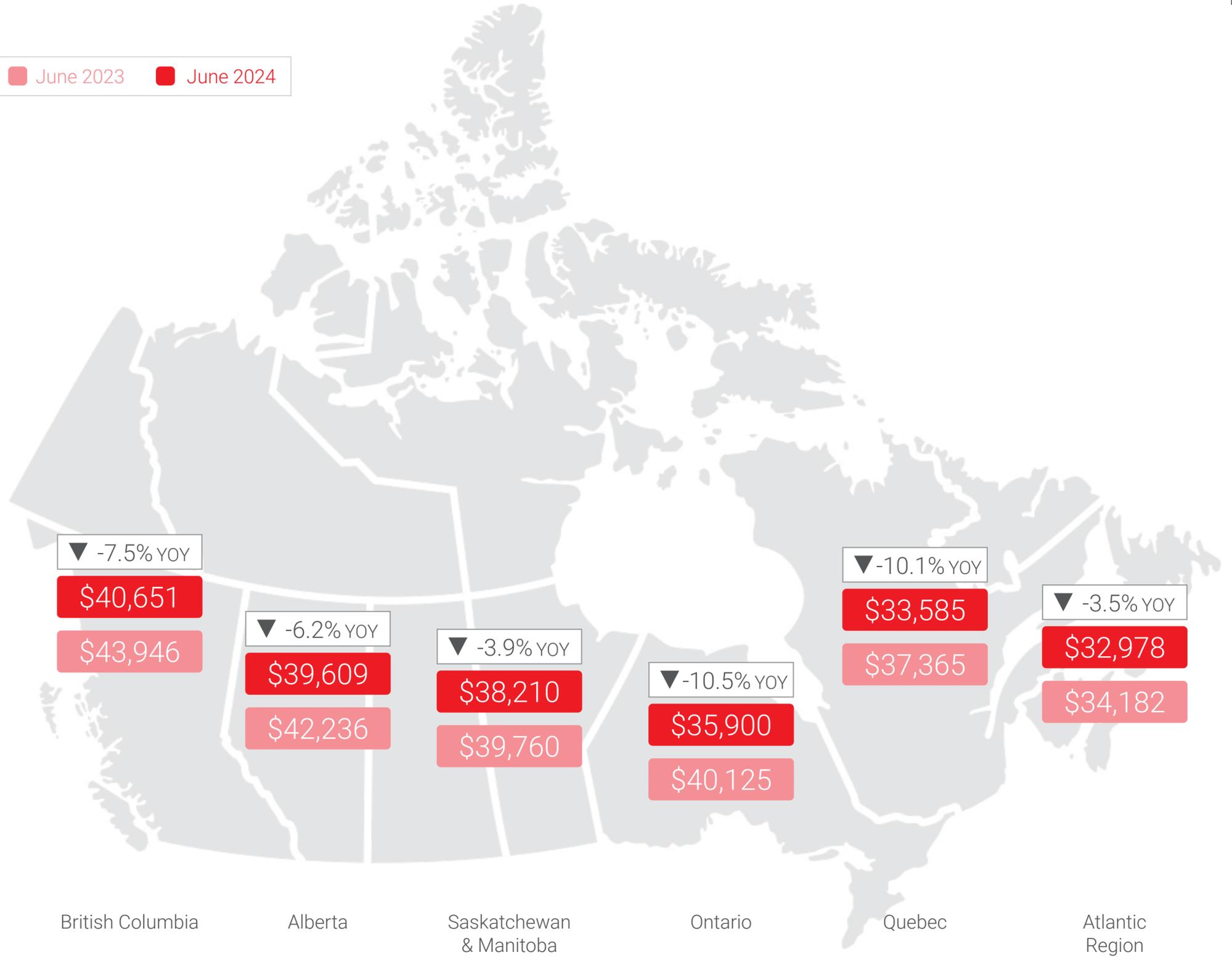
Methodology:

Based on average Canadian automotive pricing data (CAD \$) collected from hundreds of thousands of used vehicle listings monthly on AutoTrader in June 2022 and June 2024. The Atlantic region is defined as: Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland & Labrador. Due to limited population size, the territories are excluded, and Manitoba and Saskatchewan have been combined. The average has been adjusted based on the make and age of the vehicles available on the market during the collection period. The adjustments mean that any fluctuations in inventory won't pull the average too far in one direction or another. Any changes under 0.1% have been denoted as 0.0%.



Average Price (Used) By Region

June 2023 June 2024



Methodology:

Based on average Canadian automotive pricing data (CAD \$) collected from hundreds of thousands of used vehicle listings monthly on AutoTrader in June 2022 and June 2024. The Atlantic region is defined as: Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland & Labrador. Due to limited population size, the territories are excluded, and Manitoba and Saskatchewan have been combined. The average has been adjusted based on the make and age of the vehicles available on the market during the collection period. The adjustments mean that any fluctuations in inventory won't pull the average too far in one direction or another. Any changes under 0.1% have been denoted as 0.0%.



Top Searched Vehicles

National (March Ranks In Brackets)

1. Ford F-150 (#1)		New \$73,902	Used \$41,889
2. Porsche 911 (#2)		\$—	\$185,873
3. Toyota RAV4 (#3)		\$41,385	\$31,280
4. Ford Mustang (#4)		\$63,529	\$41,485
5. Honda Civic (#5)		\$37,563	\$16,789
6. BMW 3 Series (#6)		\$67,742	\$30,217
7. Chevrolet Corvette (#7)		\$124,767	\$89,908
8. Honda CR-V (#8)		\$43,537	\$27,754
9. Mercedes C-Class (#9)		\$75,572	\$38,695
10. Toyota Tacoma (#11) ▲		\$55,639	\$42,652

Methodology:

Based on the top ten most commonly searched vehicles for new and used listings, on AutoTrader in June 2024. Prices indicated refer to the average new and average used price for each vehicle, averaged across all trim levels. Rankings for the month of February appear in brackets for reference. The average has been adjusted based on the make and age of the vehicles available on the market during the collection period. The adjustments mean that any fluctuations in inventory won't pull the average too far in one direction or another.



Top Sold Used Vehicles on AutoTrader.ca

National



1. Ford F-150



2. Toyota RAV4



3. Honda CR-V



4. RAM 1500



5. Honda Civic Sedan



6. Ford Escape



7. Toyota Corolla



8. Hyundai Elantra



9. Nissan Rouge



10. GMC Sierra 1500

Methodology:
Based on site analytics from AutoTrader.ca

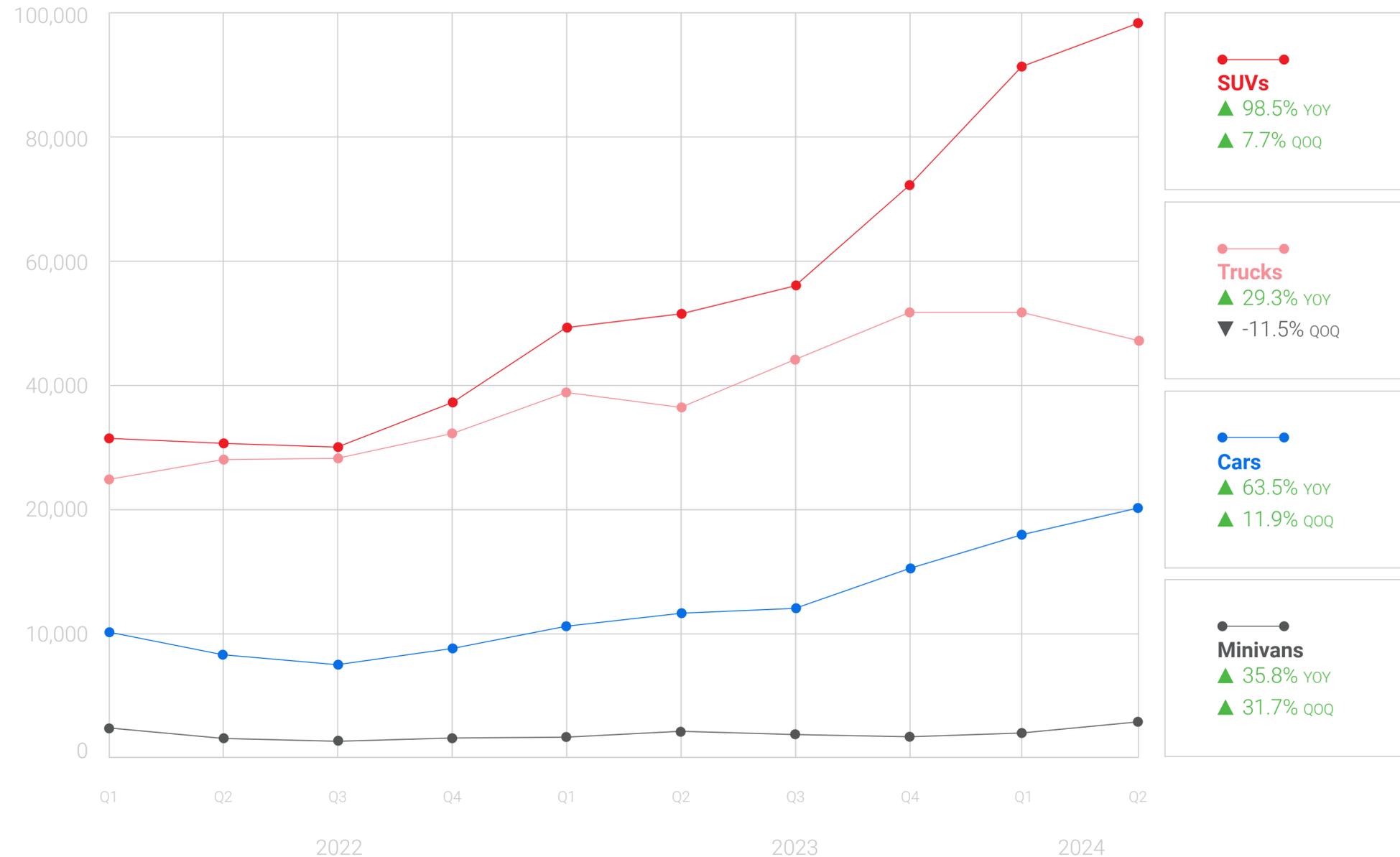


Vehicle Inventory (New)

By Quarter

New Inventory Levels Are Increasing for All Body Types

Aligned to the increase in production levels, all new vehicle types showed a lift in availability in Q2 2024. Based on third-party production forecasts, we do not expect to see any major changes in availability in the next couple of years. With more focus in Electric Vehicles (EVs), as the first deadline approaches (2026), the composition of inventory is expected to change in favour of EVs.



Methodology:

This data is the average of the total number of used automotive listings for the quarter on AutoTrader segmented by vehicle type (car, SUV, truck, minivan). Based on total listings, the data will be analyzed on a year-over-year and quarter-over-quarter basis to identify overall inventory availability in the market. Given that AutoTrader is the largest automotive marketplace in Canada, the data represents a snapshot of the overall Canadian automotive market.



Vehicle Inventory (Used)

By Quarter

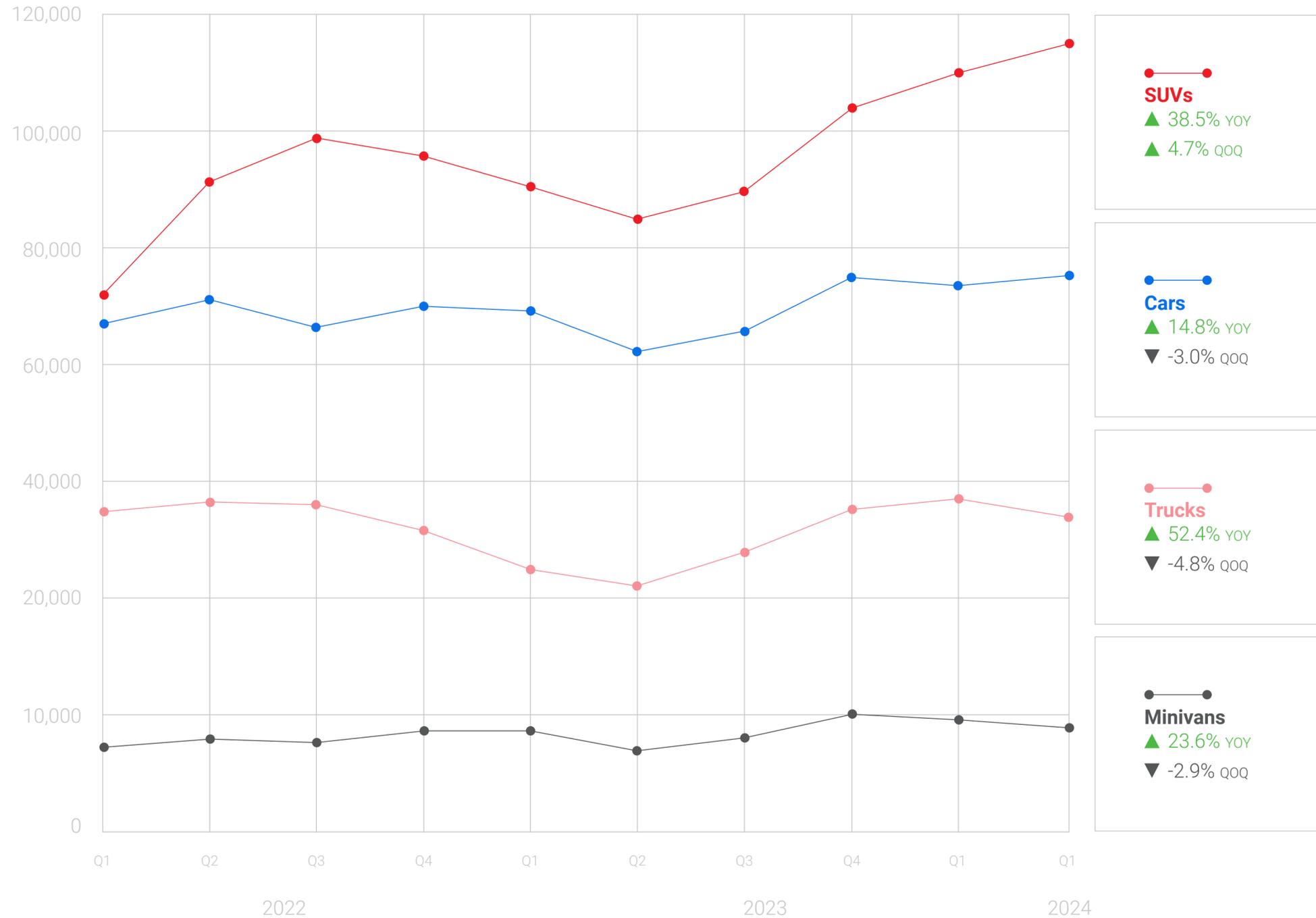
Used Car Availability is Healthy

As previously mentioned, the increase in used inventory supply is due to the rise in new car sales and availability, resulting in more trade-ins at dealerships, along with a slight drop in used car demand. However, we have observed a minor dip in used inventory levels over the past couple of months, which may be driven by multiple factors:

- (1) Dealerships don't have as much room on their lots as new car inventory keeps building up.
- (2) The aforementioned issue with a prevalent dealership management system (DMS) rendering it difficult for dealerships to prepare newly acquired vehicles for sale.
- (3) We are now overlapping the period during which reduced volumes of new vehicles manufactured and sold between 2020 and 2023 are potentially impacting available inventory for sale.

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