

An aerial photograph of a two-lane asphalt road that curves through a dense forest. The trees are mostly green, with some showing early autumn colors of yellow and orange. A small red car is driving on the road, moving away from the viewer. The road has a white dashed center line and a solid white edge line. The overall scene is peaceful and scenic.

SEMI-ANNUAL INSIGHTS

CANADA
NOVEMBER 2022



As the leading automotive media organization in the world, Hearst Autos connects

car buyers, owners, and enthusiasts to the information they need, the experiences they crave, and the stories they love—while connecting automotive marketers to this audience of unrivaled breadth and diversity.

With insight into the shopping activity of 2.1 million monthly visitors,¹ Hearst Autos has a unique view into emerging trends in consumer interest. We are thrilled to share a semi-annual view on this ever-changing industry—from the top segments, brands, and models, to an unrivaled understanding of what Canadian car-shoppers really want.

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WHAT'S TOP-OF-MIND FOR CANADIAN SHOPPERS?

¹comScore Media Metrix, Canada, Jan - July, 2022

MARKETPLACE AT A GLANCE

Canada new vehicle sales in Q3 were down 11.8% compared to the same period last year.¹ This quarter is directly on pace with full-year sales, and September's performance, albeit down 4.5%, was the best performing month of the year since January.

While the industry continues its ongoing struggle with inventory, there is some light peaking through for the domestic brands, all of which posted double-digit gains, and were among the hardest hit during the early months of the supply chain issues. Consumer demand remains strong, however economic factors such as inflation and interest rates, are also posing a threat for the remainder of the year and will continue well into 2023.

“There remains a huge dichotomy between vehicle availability and pent-up demand, all complicated by a rapidly worsening economic environment, which leaves prospects for the fourth quarter as a big question mark.”

— Gerry Malloy, Canadian Auto Dealer

Industry forecasters have adjusted their expectations for 2022 down to 1.6 million new vehicle sales, but are anticipating that 2023 will climb back up to 1.8M² – roughly where this year's forecast started. Here are the numbers.

NEW CAR MARKET

1.48M

Canada's new vehicle selling rate in September, 2022 has held steady through the third quarter, but is down from the 1.78M projection earlier this year.²

+51%

EV rebates given out by the Canadian federal government are up 51% when compared to 2020, and up 5% in the first two-thirds of 2022 compared to 2021.³

1.35M

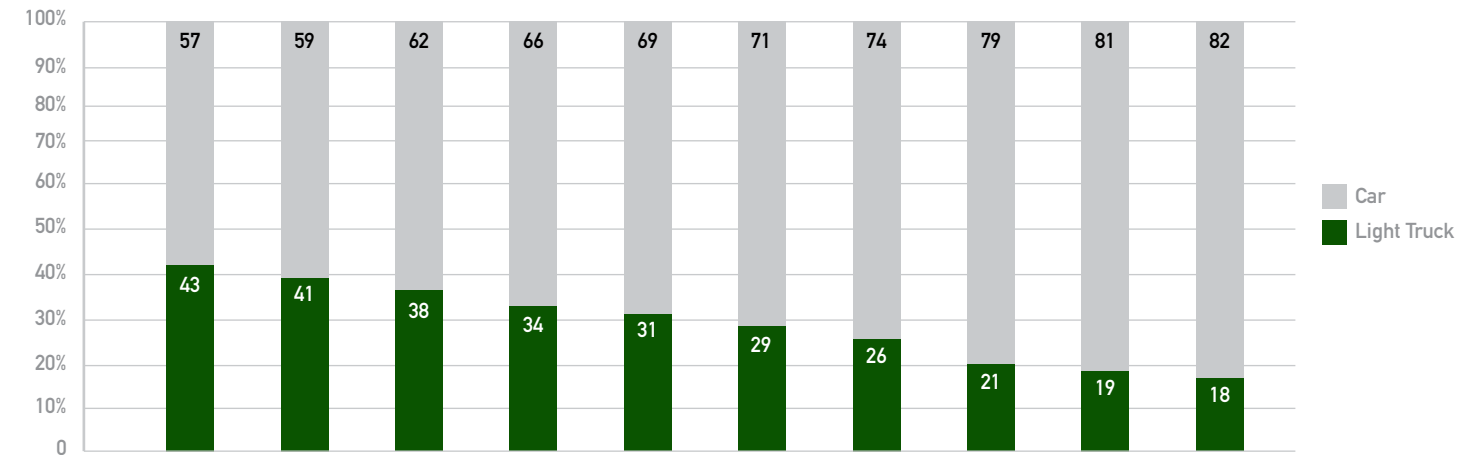
North American production cuts have reached 1.35M through September due to chip shortages, and could rise to 1.5M by the end of 2022. There were 10.5M cut in 2021, and automakers are already starting to reduce their 2023 production numbers.⁴

Sources: ¹DesRosiers Automotive Consultants, October 2022, ²Scotiabank Global Auto Report, September 22, 2022, ³Automotive News Canada, October 2022, ⁴Automotive Forecast Solutions, October 2022

PRODUCTION AND SALES IMPACT

Retail sales and market share for the year continue to pace at a mix of 82% trucks and SUVs/CUVs, while cars now represent roughly 18% of the market. Looking at historical sales trends, preference for cars has fallen nearly 60% in the past ten years.

North America Vehicle Sales by Vehicle Type 2012 - 2021



What else has shifted? Luxury brands accounted for nearly 15% share of the market through September this year, marking a 7% increase from last year, and a 25% increase from five years ago. With 36% growth in share since last year, Tesla has leapfrogged German manufacturers, Daimler, BMW, and Audi, and now has the highest share of luxury sales in Canada.

While new EV options are starting to flood the market, many believe that a greater product mix across price points and body styles will help support greater adoption in Canada. At the same time, the government continues to push towards a zero-emissions future and is developing more programs and incentives to make this happen.

Specifically aimed at helping boost EV adoption, the Canada Infrastructure Bank (CIB) recently started a program backing a \$500M private sector investment to build large-scale charging networks across Canada. Along with federal incentives, private investments, and manufacturer backing of infrastructure and production, Canada is making major strides towards making a ZEV future a reality.

CANADA'S ZEV TARGETS:

2021 EV Sales Share: 5.6%

2026 Interim Goal: 20%

2030 Interim Goal: 60%

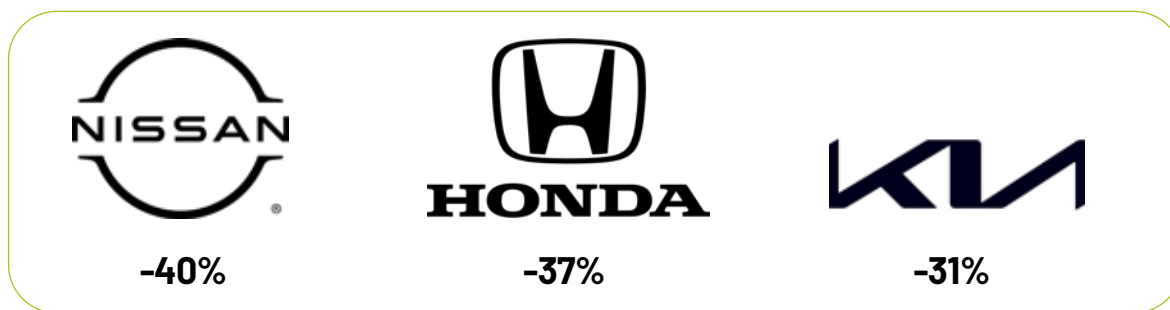
2035 ZEV Goal: 100%

THIRD QUARTER SALES

Total third-quarter sales were down more than 11% to 446,055, according to WardsAuto. The Detroit Three posted double-digit gains compared to a year ago when they were hit hard by semiconductor shortages. GM on a whole gained nearly 28%, while Chevrolet posted a 36% sales gain aided by Silverado HD's best third-quarter sales ever. Dodge Durango also had record Q3 sales and Dodge Charger and Challenger sales increased 80% and 50%, respectively.

Brand	Q3 Sales	Growth vs. Q3 2021
Ford	66,883	+12%
Toyota	44,220	-23%
Chevrolet	33,412	+36%
Hyundai	29,157	-22%
Honda	24,836	-37%
GMC	21,150	+28%
RAM	20,443	+31%
Kia	17,322	-31%
Nissan	15,283	-40%
Volkswagen	14,348	-23%
Total Canada Sales	446,055	-11%

Among those that are feeling the supply chain pressure the most right now, we saw double-digit decreases in sales this quarter. The bottom three, in order of greatest decline were:



“Looking at the market for Q3 and YTD clearly illustrates the split evident in the market depending upon vehicle availability.”

— DesRosiers Automotive Consultants, October 2022

USED CAR MARKET

The used car market has felt many ripple effects from the inventory shortages in the new car market. Inventory constraints have caused used car values to sky rocket during the past year and a half, and for consumers that are looking to finance, they've been hit even harder with high interest rates. Although analysts expect used prices to remain high until 2026, they appear to have started slowing down in the second half of this year.

According to AutoTrader.ca, used car pricing peaked in June with an average price of **\$38,097**. Since June however, we're seeing **prices coming down** in most segments for the first time in eighteen months or more.

\$37.5k

The average listing price for used vehicles reported in September by Canadian Black Book based on more than 120,000 vehicles on dealer lots across Canada.¹

-6%

The sedan segment has seen price decreases of 6% compared to the first half of the year, while Trucks and SUVs are only coming down approximately 2% due to greater demand.²

Sources: ¹Canadian Black Book via Canadian Auto Dealer, September 2022 ²CarPages.ca, September 2022

HEARST AUTOS SHOPPING ACTIVITY

With a view into a highly-engaged audience of more than 2 million shoppers in Canada, Hearst Autos measures shopper interest based on sessions, visitors, and pages viewed for every vehicle on the market.

Aligning with industry sales, we continue to see market demand is still holding strong for SUVs/CUVs and trucks, but we are closely monitoring shifts in interest based on economic factors such as gas prices and available inventory. And when looking at some of our fastest-growing categories, there's undeniable interest growing where exciting new vehicles are entering the market.

TOP 10 SEGMENTS IN CONSUMER INTEREST	% Share Q3 2022	% Change vs. Q3 2021
Compact SUV/CUV	8.6%	-6%
Full-Size Pickup Truck	5.3%	-5%
Full-Size SUV/CUV	5.1%	-10%
Compact Performance	4.4%	38%
Luxury EV Car	4.2%	6%
Midsize SUV/CUV	3.9%	-15%
Luxury Performance	3.8%	36%
Subcompact PlusCrossover	3.7%	7%
Muscle Car	3.7%	246%
Luxury EV Car	3.7%	-3%

VEHICLE SEGMENTS THAT ARE TAKING OFF, Q3 2022 VS. Q3 2021

Among 45 segments that we measure at Hearst Autos, these five emerged in highest growth from Q3 2022 to Q3 2021:

Segment	% Change in Share	+ / - Rank
Electric SUV	+316%	+6
Muscle Car	+246%	+18
Full-Size Sedan	+163%	+12
EV Car	+122%	+9
Small Luxury Car	+91%	+6

KEY VEHICLES DRIVING GROWTH IN SHOPPER INTEREST

Below are key models responsible for driving vehicle segment growth in the third quarter. Some are related to upcoming launches or refreshes, while others are driven more by availability in today's market.

ELECTRIC SUV

- **Hyundai Ioniq 7** (new entrant) rank **#1** and holds **37%** share of the segment
- **Kia EV9** (new entrant) rank **#3** with **22%** share of the segment
- **Volvo EX90** and **Jeep Wagoneer** (new entrants) both capturing **9%** share

MUSCLE CAR

- **Ford Mustang**, segment leader with **77%** share of segment (**+42%**)
- **Dodge Challenger** (rank **2**) with **14%** share, down **-32%** year-over-year
- **Chevrolet Camaro**, rank **#3** holding **9%** share, falling **-64%** vs. prior year

FULL-SIZE SEDAN

- **Dodge Charger**, rank **#1** with **55%** share of segment, up **+33%**
- **Chrysler 300** (rank **2**) holding **22%** share, **+24%** compared to a year ago
- **Toyota Avalon** at **13%** share (rank **3**), down **-28%** year-over-year

EV CAR

- **Hyundai Ioniq 6** (new entrant) rank **#1** and grabbing **41%** share of the segment
- **Chevrolet Bolt** (rank 2) down **-47%** YoY with **27%** share
- **Nissan Leaf** dropped **-54%** (rank **3**) to **18%** share of segment

SMALL LUXURY CAR

- **BMW 2-Series** ranked **#1** with **40%** share of segment, **+19%** year-over-year
- **Acura Integra** (new entrant) captured **24%** share to rank **#2**
- **Audi A3** (rank **3**) fell **-54%** to **9%** share of segment



WHAT'S TOP-OF-MIND FOR CANADIAN SHOPPERS

To understand vehicle shopping attitudes and behaviors, reactions to economic and marketplace issues, and what's generally top-of-mind for consumers, we conducted market research, surveying 528 Canadians who plan to buy or lease a vehicle within a year or less. Here are some of our key findings:

Canadians are practical and cautious. They do their research to try and get the best deal and ask for recommendations from family and friends.

- **Expert reviews** are the **#1** type of content for new car shoppers
- **Ratings & Rankings** are the **#1** type of content for shoppers that are open to all conditions (new, used, or certified), and **#3** for those that are only considering new cars
- Although their own past experience is the top influencer of brand consideration, **nearly half** are looking to **try something new** with the growing number of cars on the market

A majority (88%) of owners' car needs weren't affected during the pandemic, but 45% plan to take more road trips in the near future (instead of flying). And, almost half showed interest in buying an RV or camper van.

- When looking at those that are entering the market, **45%** identified **new commuting needs**.
- **Sixty two percent** of these shoppers used public transportation, ride-sharing services, or carpooling prior to the pandemic
- **Thirty two percent** are considering an SUV or Crossover and **14%** are considering sedans
- For alternative fuel vehicles, **18%** prefer hybrids, **9%** BEVs, and **7%** PHEVs
- Ford, BMW, and Honda are their **top brand choices** for consideration

"Cost of ownership" and "lowest purchase price" were ranked of highest importance in terms of financial priorities, and "highest cash incentive" was least important.

- **One third** expect to pay \$35K or less for their next purchase
- **One quarter** expect to pay \$45K-\$65K, and just over **14%** expect to pay over \$65K





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