

Canada Used Car - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2019 - 2029

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Report description:

The Canada used car market was valued at USD 16.58 billion, and it is expected to reach USD 23.03 billion, projecting a CAGR of 6.8% during the forecast period.

Key Highlights

- Consumers' growing preference towards availing private transportation medium owing to the increase in personal disposable income and GDP per capita, the emergence of online auto platforms, and increasing new vehicle prices serve as the major determinants for the growth of the used car market in Canada. In 2022, the GDP per capita in Canada stood at USD 54,966.5, an increase of 5.0% compared with 2021. Further, the average annual salary in Canada stood at USD 59,300 in 2022.
- With the increasing financial stability, consumers prefer private transportation mediums to enhance their convenience for personal mobility. However, the spike in new vehicle prices deters some of these customers from purchasing brand-new vehicles, subsequently leading to the surging demand for used cars in Canada. For instance, it was estimated that the average new vehicle price in Canada stood at USD 66,288 in June 2023, a massive Y-o-Y increase of 21.3% compared to June 2022. Consumers growing concerns about high inflation, which rose by 3.3% in June 2023 compared to the same month in 2022, is also acting as a catalyst for the falling demand for new cars in Canada.
- The Canadian market witnessed used car prices cooling off in 2022 after a period of substantial surge post-pandemic. In June 2022, used sedan prices dropped by 6% compared to the prices at the beginning of 2022. This brought the price average down from USD 30,475 to USD 28,553. For used pickup trucks and sports utility vehicles (SUVs), prices have dropped by about 2% in the same period. While the average price of a used SUV was USD 35,159 at the beginning of 2022, it dropped to USD 34,303 by the end of June 2022.
- One of the major challenges faced by the used car market is the presence of a large number of used car dealerships across Canada charging lesser commissions than their counterparts to gain a competitive edge, making the market highly fragmented.

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Coupled with that, the government's auction platform in Canada offering lower-priced used vehicles to consumers serves as a major pain point for private players operating in this space. Although this platform proves to be beneficial for consumers in purchasing lower-priced second-hand cars, on the other hand, revenue-generating prospect for private companies takes a hit. For instance, in November 2022, through the GCSurplus website, the Canadian government announced the auction of various used car models at a price lower than their actual value.

-The government's aggressive strategy to promote the electrification of vehicle fleet and ban of petrol/diesel cars to promote the reduction in carbon emissions will aid the demand for used cars across Canada during the forecast period. Consumers who are willing to purchase cheaper alternatives to new-energy vehicles are increasingly adopting the purchase of used vehicles for convenience in mobility. For instance, in January 2023, the Canadian government released the proposed regulations mandating all new private light vehicles sold in the country by 2035 be zero emission vehicles (ZEVs) to support its plan of phasing out petrol and diesel cars by 2035. Further, the government announced its strategy to invest CAD 1.7 billion (USD 1.25 billion) in purchase subsidies for electric passenger cars and light commercial vehicles and additional funds of CAD 400 million (USD 294 million) in charging stations to promote electric mobility in the country. Even with the subsidies, the higher cost of electric vehicles adds to the financial burden of the consumer attributed to its high battery cost, thereby, in turn, making the consumers opt for used cars.

Canada Used Car Market Trends

Rising Adoption of Digital Technologies Will Foster the Growth of the Target Market

- The adoption of advanced technology by tech-savvy young individuals, the emergence of e-commerce marketplaces, and various companies' aggressive strategies to spend on online advertisements are boosting the demand for used cars sold through online platforms. These platforms assist consumers in making informed decisions as end-end information on vehicles is already listed, such as vehicle make, model, kilometers driven, engine capacity, condition, etc.
- Moreover, increasing internet penetration rates and optimal urban population across Canada contribute to developing an efficient ecosystem wherein vehicle owners can reach out to buyers from different parts of a region and initiate a smooth online sales process without any need to visit a physical location.
- The Internet penetration rate in Canada stood at 92.07% in 2022, an increase from 2021, when the Internet penetration rate stood at 91.5%. Canada boasts one of the highest urbanization rates in the Americas region, with 82% of its overall population residing in urban areas as of 2022. These consumers are highly tech-savvy, and most of them have the financial capability to make an informed decision to purchase a vehicle for their mobility. Owing to these factors, the online used car market in Canada is expected to showcase positive growth in the coming years.
- To integrate the growing online used car market, various players across Canada are actively engaging in integrating the online space to diversify their business and offer enhanced online experiences to consumers. For instance, in January 2022, General Motors announced the plan to launch its omnichannel used-car sales platform called CarBravo in the North American region to facilitate sales of pre-owned vehicles from both dealer inventory and a national central stock. Non-GM used vehicles will also be included in the program, which lets consumers shop online, in-store, or a combination of both.
- Further, improved offerings such as an enormous number of photos and videos of the used vehicles being sold through online platforms and easy online instant finance, insurance, and warranty service are expected to fuel the demand for used cars in Canada in the coming years.

Sedans to Remain the Preferred Used Vehicle Type in Canada

- Based on vehicle type, sedans remained the preferred choice of consumers willing to purchase used cars in the Canadian

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market. Although sports utility vehicles (SUVs) were the top choice of consumers willing to purchase new cars in Canada, sedans, on the other hand, were popular among consumers in the pre-owned car market. The demand for used sedans is attributed to the lower prices of these vehicles in the used car market compared to their counterparts. For daily commuting purposes, these vehicles are also financially friendly when compared to high-end SUVs and MPVs.

- Some of the top-selling sedan models in Canada as of 2022 were the Toyota Corolla, Hyundai Elantra, and Honda Civic, among others. The average price of a used Honda Civic Model in the Canadian market in 2021 stood at USD 16,9794, compared to Nissan's used SUV model named Rogue, for which the average price stood at USD 21,013 in the same period.

- Further, various companies offering value-added services such as vehicle financing and insurance options are helping consumers purchase used vehicles with ease. Coupled with that, the rise in the demand for vehicle subscription services in the last few years, which allows consumers to use a vehicle every month by paying monthly fees, which include maintenance, insurance, and roadside assistance, is positively impacting the demand for used sedan cars in Canada. For instance, It is witnessed that consumers prefer long-term loans to finance their used cars in Canada. As of 2023, It is estimated that 45% of used vehicles purchased were under the long-term contract of an 84-month loan period, which provides a lucrative opportunity for Canadian used car dealers to integrate.

- The Canadian automotive industry has witnessed a surge in new sedan sales in recent years. In 2021, the Honda Civic remained the top-selling sedan model in Canada, with sales of 43,553 units, clocking a Y-o-Y growth of 1.3% compared to 2020. Other top-selling sedan models in Canada were the Toyota Corolla, Hyundai Elantra, and Kia Forte, among others. The increasing sedan parc in Canada will positively contribute to expanding the used sedan market during the forecast period, which is expected to witness a rapid surge.

Canada Used Car Industry Overview

The market is highly fragmented and competitive, with various used car dealerships and online used car platforms operating across Canada. Some of the major players include AutoCanada, Kijiji, AutoTrader, Carfax, Canada Drives, Clutch, CarDoor, Craigslist, Carpages.ca, and Go Auto, among others. These players compete based on various parameters such as used car prices, online presence, value-added offerings such as warranty and financing options, commissions charged, number of listings on their platform, and ready information on the performance of used vehicles, among others.

Various companies operating in the ecosystem are actively engaging in integrating the online used car space to enhance their brand presence and expand their business capability across Canada. For instance,

In June 2023, CarGurus, a digital auto platform for shopping, buying, and selling new and used vehicles, announced the release of the CarGurus ChatGPT plugin to help shoppers discover their ideal car match more efficiently. The tool uses generative artificial intelligence (AI) to enhance automotive search, providing shoppers with more personalization and ease when exploring CarGurus' platform of listings.

In June 2023, Kijiji Canada announced a partnership with AutoVerify and TD Auto Finance to provide consumers with easy access to trade-in values and to potentially pre-qualify for auto loans. The vehicle-free trade-in estimate assists in evaluating a used vehicle's worth based on various factors, such as the listing and sold prices of similar vehicles in the market.

In April 2023, AutoCanada, an automobile dealership group, announced that it had acquired Premier Chevrolet Cadillac Buick GMC ("Premier"), a used and new vehicle Chevrolet Cadillac GMC Buick dealership and collision center located in Ontario, Canada.

Additional Benefits:

- The market estimate (ME) sheet in Excel format

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