

# Luxury Market Review

By Dennis DesRosiers

For quite some time I've prepared a short year-end review of the luxury market in Canada. This has been quite in demand by the OEMs especially since the Luxury market in Canada has grown at a record pace over the last thirty years and 2016 was no exception. Sales reached a record 216,767 vehicles and 11.1 percent of the total market. Still well below the market share in the US ( about 18 percent of their market is luxury ) but a new market share and volume record for Canada none the less. I started this process back in 1990 when the luxury market was only 39K units and 3.1 percent of the total market. In the following decade (2000) its share almost doubled to 5.9 percent and 91K units. By 2010 its share had increased to 9.0 percent and 143K units. And the last two years it exceeded 200K units per year and for the first time reached 11.1 percent of the Canadian market.

I also found it interesting that luxury light trucks now dominate sales. Believe it or not in 1990 there were only 65 luxury light trucks bought by Canadians. By 2010 passenger cars fell below 50 percent of the luxury market and last year they dropped to only 40.0 percent of the luxury market. All luxury light trucks are sport utility vehicles which will be profiled in more detail below. The passenger car side of the market actually was down last year by 4.8 percent. Luxury light trucks grew by 16.0 percent last year and now account for 60.0 percent of the overall luxury market.

## Canadian Light Vehicle Market - Luxury Vehicles

Year	Total Market	Total Luxury	Luxury Share	Luxury Passenger Car	Percent Luxury Passenger Car	Luxury Light Truck	Percent Luxury Light Truck	Luxury Passenger Car
1990	1,285,788	39,427	3.1%	39,362	99.8%	65	0.2%	39,362
1999	1,498,193	82,899	5.5%	69,871	84.3%	13,028	15.7%	61,792
2009	1,459,691	126,922	8.7%	73,136	57.6%	53,786	42.4%	62,676
2010	1,557,119	140,655	9.0%	77,046	54.8%	63,609	45.2%	67,078
2011	1,585,519	143,420	9.0%	74,514	52.0%	68,906	48.0%	65,204
2012	1,675,675	152,289	9.1%	73,910	48.5%	78,379	51.5%	66,920
2013	1,744,567	162,997	9.3%	79,184	48.6%	83,813	51.4%	69,963
2014	1,851,373	180,164	9.7%	86,341	47.9%	93,823	52.1%	72,671
2015	1,898,996	203,183	10.7%	90,988	44.8%	112,195	55.2%	75,903
2016	1,948,899	216,767	11.1%	86,643	40.0%	130,124	60.0%	71,141
Change	2.6%	6.7%		-4.8%		16.0%		-6.3%

There is a long list of reasons why luxury vehicles have been the fastest growing segment of the Canadian market. It is hard to rank order them but they include:

- **Demographics** ... Canada has one of the highest percentages in World of baby boomers ... they are retiring in record numbers ... they have worked hard and for the most part created substantial wealth ... they are healthier and living longer (the average age expectancy of a male is now about 85 years and a female about 90 years ) and thus are living a very active life style. Some would also say that they are the baby sitter generation in that Gen one and Millennials are very dependent on their parents taking care of their children given the lack of day-care facilities etc. This demographic has formed the core buyer of luxury vehicles as they "treat" themselves to the pleasures of owning a fine automobile.

- **Product, product and product** .... The luxury marques have significantly widened their product offerings. As mentioned above they have a number of SUV's in their line-up which plays to the "activity" side of the owner base's lifestyle but the OEMs have also gone down market and have a number of "C" size vehicle offerings which are very affordable. Indeed it is common to see luxury vehicles marketed head to head to mass market vehicles on a price comparison basis.
- This might seem like an odd factor but the growth of **used vehicle imports** has also contributed to the growth in their popularity. The US luxury market is more than 20 times the size in volume of the Canadian luxury market and with economies of scale US pricing in many cases has been lower than Canadian pricing for similar vehicles. When the dollar is in the par range thousand ( indeed tens of thousands ) of luxury vehicles were imported into Canada. Some may believe this hurt luxury vehicle sales in Canada since many of these imports displaced a new vehicle sale. There is truth to that and it is one of the reasons the luxury market was relatively flat four to six years ago. But the upside is that these imports also created a substantial class of luxury owners in this market that may not have otherwise been able to afford this level of vehicle. Now that they own a luxury vehicle most are unwilling to move back to a mass market vehicle. With a low dollar imports are less affordable so many of these owners are embracing a new luxury vehicle.
- Luxury vehicles are very well built, have the highest **survival rates** of all vehicles, are well maintained and thus have a very vibrant used vehicle market as they age. This also allows easier access to a luxury vehicle for many consumers and keeps the interest levels higher which is obviously good for new vehicle sales.
- Luxury vehicle owners also embrace and indeed demand the latest and greatest **technology** offerings by their OEMs. The luxury OEMs are thus introducing into their current models many of the technologies being developed for autonomous vehicles and the technologies being developed to meet the ultra-fuel efficiency targets related to climate change regulations. This also keeps interest in luxury vehicles high.

Not only has there been a significant car – truck shift in the luxury market but there also has been a significant difference in the growth of the various luxury vehicle segments. There was a day when high luxury passenger cars like the BMW 7-Series, the Audi A-8 and the Mercedes-Benz S-Class accounted for over 40 percent of luxury vehicle sales. Now they account for 5.9 percent of sales.

Large luxury SUV's sold almost 19 thousand units in 2016 out-selling high luxury cars by six thousand units. And last year compact luxury SUV's overtook mid-sized luxury cars ( C-Class, 3-Series and A-4 ) as the best-selling luxury vehicles in Canada and intermediate sized luxury SUV will likely be the second largest luxury segment in 2017 as passenger car segments continue to decline relative to SUV segments.

## Canadian Light Vehicle Market - Luxury Vehicles

Year	Compact Luxury Car	Mid-Size Luxury Car	High Luxury Car	Luxury Sport Car	Compact Luxury Sport Utility	Intermediate Luxury Sport Utility	Large Luxury Sport Utility	Total Luxury
1990	0	18,604	16,541	4,217	0	65	0	39,427
1999	8,079	34,617	23,721	3,454	933	9,759	2,336	82,899
2009	10,460	47,784	10,560	4,332	15,604	34,143	4,039	126,922
2010	9,968	50,500	12,545	4,033	18,806	39,001	5,802	140,655
2011	9,310	48,371	13,028	3,805	24,658	37,974	6,274	143,420
2012	6,990	48,789	13,808	4,323	30,844	39,121	8,414	152,289
2013	9,221	52,690	12,708	4,565	33,634	40,789	9,390	162,997
2014	13,670	53,609	13,492	5,570	40,160	43,533	10,130	180,164
2015	15,085	56,657	12,841	6,405	55,195	45,157	11,843	203,183
2016	15,502	51,224	12,747	7,170	60,875	50,315	18,934	216,767
Change	2.8%	-9.6%	-0.7%	11.9%	10.3%	11.4%	59.9%	6.7%

## Share of each Luxury Segment within the Luxury Market

Year	Compact Luxury Share	Mid-Size Luxury Share	High Luxury Share	Luxury Sport Share	Compact Luxury Sport Utility Share	Intermediate Luxury Sport Utility Share	Large Luxury Sport Utility Share	Luxury Share of Total Market
1990	0.0%	47.2%	42.0%	10.7%	0.0%	0.2%	0.0%	3.1%
2000	11.1%	39.0%	27.5%	5.0%	0.9%	14.0%	2.4%	5.9%
2010	7.1%	35.9%	8.9%	2.9%	13.4%	27.7%	4.1%	9.0%
2011	6.5%	33.7%	9.1%	2.7%	17.2%	26.5%	4.4%	9.0%
2012	4.6%	32.0%	9.1%	2.8%	20.3%	25.7%	5.5%	9.1%
2013	5.7%	32.3%	7.8%	2.8%	20.6%	25.0%	5.8%	9.3%
2014	7.6%	29.8%	7.5%	3.1%	22.3%	24.2%	5.6%	9.7%
2015	7.4%	27.9%	6.3%	3.2%	27.2%	22.2%	5.8%	10.7%
2016	7.2%	23.6%	5.9%	3.3%	28.1%	23.2%	8.7%	11.1%

Just the growth in the number of luxury vehicles on the road should sustain a healthy luxury market for quite some time. The number of luxury vehicles on the road in Canada has increased from only 710K units in 1990 to 2.5 million in 2016 ( and it took only 25 years ) and is forecast to grow to over 3.2 million units by the end of the decade and over 4.1 million by 2025.

Luxury owners trade their vehicle at a faster pace than mass market owners so somewhere around 9 ish percent of them will buy a new vehicle each year. This means that the luxury market for new vehicles will approach 300K by 2020 and will be over 350K by 2025. Our theory is that once a consumer owns a luxury vehicle it is hard for the consumer to go back to a mass market vehicle. Some obviously do but a very high percentage stay in that class of vehicle. And some consumers each year move up to a luxury marque so not only is there very high replacement demand but conquest demand also is growing as a result of the factors discussed earlier. These factors point to a very robust demand for luxury vehicles for a very long time.

## Forecast of the Luxury Market in Canada

	Vehicles on the Road Total	Luxury Vehicles on the Road	Percent of Total Vehicles on the Road	New Luxury Sales	New as a Percent of Luxury of UIO
1990	15,128,911	710,799	4.7%	39,427	5.5%
2000	17,100,899	780,874	4.6%	90,814	11.6%
2010	22,001,278	1,610,789	7.3%	140,655	8.7%
2011	22,184,955	1,705,668	7.7%	143,420	8.4%
2012	22,502,638	1,825,114	8.1%	152,289	8.3%
2013	23,521,261	2,001,372	8.5%	162,997	8.1%
2014	24,479,474	2,154,284	8.8%	180,164	8.4%
2015	25,560,776	2,315,076	9.1%	203,183	8.8%
2016	26,263,152	2,467,352	9.4%	216,767	8.8%
2020	29,189,416	3,200,478	11.0%	293,977	9.2%
2025	30,586,153	4,161,304	13.6%	365,588	8.8%

The luxury market has developed into distinctive tiers with Mercedes-Benz and BMW forming the top tier. Both sell in the 40K units range with MB exceeding 40K in 2016. This was the first time that any brand reached this level. ( Note: a number of these brands sell non-luxury vehicles ... smart and mini for instance ... and these have been excluded from their totals. ). BMW and MB became the dominant players more than two decades ago and have competed for “best-selling” luxury brand for quite some time. MB has held the title for the last three years while BMW held the title for a number of years before then. The second tier is a full 10K units lower in sales than the first tier and is led by Audi with 30K units in 2016. Lexus and Acura are also considered second tier players with 22.5K and 20.2K unit sales respectively. The third tier is a full 8K units lower than the second tier with both Cadillac and Infiniti selling about 12K units in 2016. Land Rover leads the fourth tier with 9K sales with Lincoln closely behind with 8K sales.

It is also hard for brands to move up to a higher tier as the strongest players continue to dominate. Audi for instance has doubled sales the last seven years but is still well behind both MB and BMW. Cadillac doubled sales between the year 2012 and today but has not moved to a higher tier. In the mass market success or failure in the market almost always comes down to product, product and product. The product in the luxury market almost without exception is quite spectacular so it is very hard for any brand to introduce a new vehicles that can dominate a sub-segment and help them move up to a higher tier. In addition, in the luxury market product is critical, but consumers ranks ‘in-dealer’ experience as almost equally important. They expect spectacular stores as well. Top of the line luxury stores are very capital intensive and lower tiered brands ( not all but most ) struggle supporting the investment required for this level of image program. Cadillac and Lincoln for decades were duelled with their mass market cousins. To break out these brands into stand-alone operations is very capital intensive and most dealers just cannot support this level of investment given their sales volume. Both brands have done a good job distinguishing their luxury brand from their mass market brand at the dealer level but most of their luxury stores still fall far short of the dealer experience of the players in the top two tiers. One quickly gets into a circular argument. One can’t grow sales without investing heavily in an image program but with low sales it is very difficult to image stores. Without highly imaged stores sales don’t grow.

And a small piece of trivia ... which brand led the luxury market in 1990? ... Volvo was the number one luxury brand in Canada in the late 80's through to 1990 when both Cadillac and Oldsmobile finally outsold them.

### Luxury Vehicle Sales in Canada by Brand - Units

		1990	2000	2010	2011	2012	2013	2014	2015	2016	Change	Share
1	Mercedes-Benz	4,065	12,457	28,062	28,582	30,102	31,356	33,928	38,976	40,526	4.0%	18.7%
2	BMW	4,002	11,022	27,202	29,773	31,402	31,710	32,805	35,002	38,012	8.6%	17.5%
3	Audi	1,385	5,992	14,333	16,867	20,000	20,506	24,514	26,754	30,544	14.2%	14.1%
4	Lexus	607	5,257	14,249	13,364	15,101	15,949	17,565	22,025	22,509	2.2%	10.4%
5	Acura	2,455	16,373	17,340	15,272	17,154	19,005	19,533	21,003	20,227	-3.7%	9.3%
6	Cadillac	5,105	6,042	7,194	7,360	6,466	9,389	10,532	12,249	12,162	-0.7%	5.6%
7	Infiniti	283	4,340	8,233	6,936	7,993	8,947	10,291	11,321	12,094	6.8%	5.6%
8	Land Rover	65	1,015	2,547	3,228	4,268	5,136	6,283	7,720	9,140	18.4%	4.2%
9	Lincoln	4,361	6,417	8,630	8,162	6,140	5,814	6,819	7,939	8,320	4.8%	3.8%
10	Porsche	327	1,288	2,036	2,214	3,003	3,680	4,933	6,413	7,061	10.1%	3.3%
11	Volvo	5,583	8,658	5,795	6,133	4,971	4,363	4,466	4,788	6,103	27.5%	2.8%
12	Jaguar	1,005	2,323	755	776	644	1,263	1,460	1,296	3,034	134.1%	1.4%
13	Chevrolet	823	1,181	364	352	250	324	1,181	1,715	1,758	2.5%	0.8%
14	VW	0	0	706	1,618	1,975	2,087	2,332	2,028	1,390	-31.5%	0.6%
15	Nissan	813	1	961	525	606	577	536	818	1,088	33.0%	0.5%
16	Hyundai	0	284	814	932	1,322	1,145	1,578	1,414	1,063	-24.8%	0.5%
	All Others	8,548	8,164	1,434	1,326	892	1,746	1,408	1,722	1,736	0.8%	0.8%
	<b>Total Luxury</b>	<b>39,427</b>	<b>90,814</b>	<b>140,655</b>	<b>143,420</b>	<b>152,289</b>	<b>162,997</b>	<b>180,164</b>	<b>203,183</b>	<b>216,767</b>	<b>6.7%</b>	<b>100.0%</b>

With the dominance of the top three German brands ( MB, BMW and Audi ) and Porsche within its niche the European brands account for over 60 percent of the luxury market in Canada. I believe they also are the dominant players in most other markets around the world. The Japanese brands increased their share to 32 percent in the year 2000 but has since fallen back to a high 20 share position fairly consistently taking 26 to 28 percent of the market. Detroit brands have fallen from about 40 percent of the market to only about 10 percent of the market in recent years. Korean brands starting sell luxury vehicles in the year 2000 but have not made any appreciable in-roads into the market and indeed their sales were down by 23 percent last year. In the mass market the Korean brands have played the 'value for money' card with great success. In the luxury market this is less effective. They still have a substantial way to go from a product perspective and their isn't a Korean dealer in Canada with the image required to be successful in the luxury market.

### Luxury Vehicle Sales in Canada - Share by Brand Grouping

	1990	2000	2010	2011	2012	2013	2014	2015	2016	Change
European	16,683	44,238	81,441	89,360	96,390	100,102	110,721	123,488	136,492	10.5%
Japanese	7,231	29,048	41,953	37,219	41,714	45,976	49,041	55,937	56,656	1.3%
Detroit	15,513	17,244	16,410	15,909	12,863	15,579	18,641	22,135	22,364	1.0%
Korean	0	284	851	932	1,322	1,340	1,761	1,623	1,255	-22.7%
<b>Total</b>	<b>39,427</b>	<b>90,814</b>	<b>140,655</b>	<b>143,420</b>	<b>152,289</b>	<b>162,997</b>	<b>180,164</b>	<b>203,183</b>	<b>216,767</b>	<b>6.7%</b>
European	42.3%	48.7%	57.9%	62.3%	63.3%	61.4%	61.5%	60.8%	63.0%	
Japanese	18.3%	32.0%	29.8%	26.0%	27.4%	28.2%	27.2%	27.5%	26.1%	
Detroit	39.3%	19.0%	11.7%	11.1%	8.4%	9.6%	10.3%	10.9%	10.3%	
Korean	0.0%	0.3%	0.6%	0.6%	0.9%	0.8%	1.0%	0.8%	0.6%	
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	

With all the sales success over the last number of years it is not surprising that most brands have responded by adding a number of stores. Unfortunately we do not have available historical Lincoln and Cadillac store counts but overall luxury store counts have grown quite significantly. Any particular brand only adds a store or two per year but collectively luxury brands have added 75 stores since the year 2000 and this is despite Volvo closing 8 stores. Infiniti has added the most stores with 18 followed by Lexus and BMW with 16 stores each. Given the growth expected in the market we believe there is considerable room to add more stores in most markets across Canada and expect to see numerous open point announcements in the coming years. Despite moving up to be the strong number one seller of luxury vehicles in Canada, Mercedes-Benz has actually been quite conservative when it comes to adding stores. They have added only 6 since the turn of the century. Indeed most brands have been quite conservative with their approach to opening new open point stores especially given a quadrupling in the size of the market over the last 20 years.. Lexus and Infiniti are newer brands so we would expect them to be aggressively increasing distribution. Only BMW has been aggressive with new open point stores within long term established brands.

### Number of Dealers in Canada - Primarily Luxury

	1990	2000	2010	2011	2012	2013	2014	2015	2016	Change from 2015	Change Since 2000
Mercedes-Benz	56	51	53	53	53	55	56	57	57	0	6
Acura	44	42	48	49	50	50	50	50	51	1	9
BMW	42	32	41	44	44	45	46	47	48	1	16
Audi	6	36	41	41	41	42	43	44	45	1	9
Lexus	22	22	34	34	36	37	38	38	38	0	16
Volvo	59	44	41	41	39	38	38	38	36	-2	-8
Infiniti	19	23	29	29	30	33	38	39	41	2	18
Jaguar LandRover	23	21	22	23	23	23	23	24	25	1	4
Porsche	3	11	14	14	14	15	16	16	16	0	5
Total	274	282	323	328	330	338	348	353	357	4	75

The combination of strong sales together with a conservative approach to the opening of new open points has resulted in significant increase in sales per dealer across almost all brands. BMW has the highest sales per store at 792 new units per store and this was despite being one of more aggressive OEMs with their dealer development programs. ( within each brand these exclude their mass market vehicles like Sprinter vans and smart cars at Mercedes-Benz and Mini at BMW ). Mercedes-Benz is second with 711 units per store and Audi is third with 679 units per store. Audi has also seen the highest increase in sales per store growing by 512 units per store since the year 2000 but almost all luxury brands have seen significant growth in their sales per store.

### Luxury Sales per Dealer in Canada - Primarily Luxury

	2000	2010	2011	2012	2013	2014	2015	2016	Change from 2015	Change Since 2000
BMW	344	663	677	714	705	713	745	792	47	447
Mercedes-Benz	244	529	539	568	570	606	684	711	27	467
Audi	166	350	411	488	488	570	608	679	71	512
Jaguar LandRover	159	150	174	214	278	337	376	487	111	328
Lexus	239	419	393	419	431	462	580	592	13	353
Porsche	117	145	158	215	245	308	401	441	41	324
Acura	390	361	312	343	380	391	420	397	-23	7
Infiniti	189	284	239	266	271	271	290	295	5	106
Volvo	197	141	150	127	115	118	126	170	44	-27

One of the most important metrics for dealers is the units in operation counts per store. It is important because the highest margin element of their business is their fixed operations departments ( parts, service, accessories and collision ) and revenue in these departments are directly proportional to the number of vehicles in each dealer's area of responsibility. UIO counts per dealer have increased from less than 3k per dealer in the year 2000 to close to 7K per dealer in 2016. With increases in repair costs per vehicles this has exploded the fixed operations opportunity for luxury dealers. In the year 2000 the average fixed operation market per dealer was only \$3.4 million, by 2016 this had mushroomed to \$14.5 million per dealer. And these numbers are a little deceiving in that there is a very significant difference between larger stores and smaller stores. A larger store might have a market twice or more the size of these averages and smaller dealers would be the opposite.

It is also important to note that this is not the level of fixed operation's revenue per dealer but the size of the market per dealer. Dealers rarely get more than half of the market and many have much less than this penetration of the market. The implications of this growth are important. First, this means that luxury dealers are likely to be very profitable over the coming decade as the fixed operation's opportunity continues to grow. Second, it also means that service bay capacity is currently stretched to the limit in a number of these stores which means that dealers need to significantly increase their bay capacity or they will lose out on this opportunity. Third, along with our luxury forecast for new vehicles it also supports the need for more open point dealers to be appointed across Canada. There is no way existing dealers can adequately fulfil the demand for aftermarket parts and service for the current fleet of luxury vehicles on the road let alone the number that will need to be maintained by the end of the decade.

### Size of the Fixed Operation's Market for Luxury Vehicles

	2000	2010	2011	2012	2013	2014	2015	2016	Change
Units in Operation	780,874	1,610,789	1,705,668	1,825,114	2,001,372	2,154,284	2,315,076	2,451,816	5.9%
UIO Per Dealer	2,769	4,987	5,200	5,531	5,921	6,190	6,558	6,868	4.7%
Repair costs per unit	\$1,220	\$1,721	\$1,781	\$1,844	\$1,908	\$1,975	\$2,044	\$2,115	3.5%
Total Aftermarket - \$millions	\$953	\$2,772	\$3,038	\$3,365	\$3,819	\$4,254	\$4,732	\$5,187	9.6%
Number of Luxury Dealers	282	323	328	330	338	348	353	357	1.1%
Aftermarket per Dealer	\$3,378,249	\$8,582,216	\$9,262,417	\$10,195,771	\$11,297,842	\$12,224,988	\$13,404,655	\$14,528,644	8.4%

The primary reason that the fixed operation opportunity is so substantial is the growth in units in operation. Of course, the growth in new sales is at the root of this but there are two other important elements to the growth in units in operation in the luxury brands. First, we still are importing some luxury vehicles from the US. We don't have actual numbers and they are down from previous peaks but luxury buyers are very sophisticated and some will go to great lengths to find the vehicle they desire including shopping in the US. Most imports are used vehicles and depending on the value of the dollars used luxury imports could be substantial. A second reason is the simple fact that luxury vehicles have the best survival rates of any in the market. This is not just because they are well built which obviously is important. But they also are owned by wealthier consumers who properly maintain them which helps their survival. Many are also driven less than mass market vehicles although this is not always the case. And finally many become classics and thus remain on the road for a very long time.

Some 95 plus percent of luxury sports cars like Porsche's etc. are still on the road after 20 years of usage compared to only 18 percent of all vehicles. Less than ten percent of all vehicles survive 25 years while 21.8 percent of small luxury passenger cars, 24.7 percent of high luxury passenger cars ,58.6 percent of luxury sport cars and 22.4 percent of luxury SUV's survive 25 years of operation. This results in a very significant opportunity for the aftermarket related to these vehicles. The aftermarket just for luxury vehicles in 2016 was some \$5.2 billion dollars and is growing by almost 10 percent per year.

## CANADIAN SURVIVAL RATES BY SEGMENT as of July 2016

PERCENT STILL ON ROAD RELATIVE TO ORIGINAL SALES

Time on The Road	LUXURY	HIGH LUXURY	LUXURY SPORT	LUXURY SUV	All Vehicles
10 YEARS	96.9%	84.6%	95.8%	97.1%	90.2%
15 YEARS	73.8%	74.1%	92.9%	74.9%	49.4%
20 YEARS	33.0%	32.0%	95.2%	42.3%	18.3%
25 YEARS	21.8%	24.7%	58.6%	22.4%	7.1%
30 YEARS	4.4%	8.7%	21.2%		2.5%
34 YEARS	1.8%	11.3%	7.9%		2.2%

High survival rates together with healthy new vehicle sales also mean that the market for used luxury vehicles will also be healthy for quite some time and could grow faster than the market for new luxury vehicles. In many respects the entry level vehicle in the luxury market is more likely to be used than new especially with record levels of units in operation and thus a record level of supply for luxury vehicles. As consumers renew their luxury vehicle with a new vehicle they obviously need to sell their used vehicle. Because they are so well built and maintained they become valuable products from a consumer perspective unlike many older mass market vehicles that are simply scrapped as they get older. Thus there is a very vibrant market for older used luxury vehicles. We do not have exact numbers for used luxury sales but they would approach twice the market size of new luxury vehicles. We estimate the market to be in the mid 400K range currently and this market should grow to the mid to high 500K range over the next five years.

Different brands dominate each segment of the luxury market so we conclude by profiling each sub-segment separately.

**Compact luxury passenger cars.** First sold by Acura in 1996 compact luxury passenger cars now sell 15K units per year growing by low single digits. Mercedes-Benz is the number one seller within this segment with 6,611 units in 2016. Audi is second in this segment with 3,795 units.

### Compact Luxury Passenger Car Sales in Canada - Units

	1990	2000	2010	2011	2012	2013	2014	2015	2016	Change
1 Mercedes-Benz	0	0	2,994	2,440	454	3,815	6,546	6,226	6,611	6.2%
2 Audi	0	0	1,322	1,289	1,409	354	2,452	3,788	3,795	0.2%
3 Acura	0	7,997	2,064	1,795	2,286	3,192	2,752	2,551	2,459	-3.6%
4 BMW	0	0	1,764	1,556	1,093	881	885	1,706	2,091	22.6%
5 Lexus	0	0	746	1,658	1,748	979	1,035	814	546	-32.9%
6 Volvo	0	2,105	1,078	572	0	0	0	0	0	
7 Saab	0	0	0	0	0	0	0	0	0	
Compact Luxury	0	10,102	9,968	9,310	6,990	9,221	13,670	15,085	15,502	2.8%

**Mid-sized luxury passenger cars.** Traditionally the largest luxury segment with iconic models like the 3-Series, C-Class and A-4 this segment has started to fall off in the face of the growth in luxury sport utility vehicles with almost all brands seeing declining sales in 2016. BMW is the number one seller in this segment with 12,217 units followed by Mercedes-Benz with 9,954 units. Audi is a strong number three player with 7,647 sales.

#### Mid-sized Luxury Passenger Car Sales in Canada - Units

	1990	2000	2010	2011	2012	2013	2014	2015	2016	Change	Share
1 BMW	2,288	6,594	14,009	11,226	11,234	13,053	13,555	14,532	12,217	-15.9%	23.9%
2 Mercedes-Benz	2,334	4,612	8,151	9,447	10,616	9,356	7,054	9,992	9,954	-0.4%	19.4%
3 Audi	629	3,371	7,520	7,428	8,142	8,307	8,015	7,154	7,547	5.5%	14.7%
4 Lexus	158	1,638	4,921	4,127	4,510	5,675	6,749	6,498	5,712	-12.1%	11.2%
5 Acura	0	6,931	5,192	4,888	4,761	3,353	3,703	5,075	4,137	-18.5%	8.1%
6 Infiniti	165	2,003	4,408	3,603	3,003	3,048	3,666	3,703	3,391	-8.4%	6.6%
7 Cadillac	0	669	2,974	3,048	2,346	4,253	4,834	4,439	3,266	-26.4%	6.4%
8 Volvo	5,583	4,493	477	1,677	1,662	1,499	1,917	1,697	1,284	-24.3%	2.5%
9 Lincoln	0	0	1,493	1,500	867	1,625	1,445	1,130	1,120	-0.9%	2.2%
10 Hyundai	0	284	814	816	1,206	1,062	1,513	1,377	1,016	-26.2%	2.0%
11 Toyota	1,291	1,771	502	496	427	1,264	996	765	738	-3.5%	1.4%
12 Jaguar	0	0	0	0	0	0	0	0	358	0.7%	0.3%
13 Cadillac	0	0	0	0	0	0	0	0	250	0.5%	0.2%
14 Kia	0	0	37	0	0	195	160	173	166	-4.0%	0.3%
15 Chrysler	910	1,246	0	0	0	0	2	122	68	-44.3%	0.1%
Mid-Sized Luxury	18,604	35,387	50,500	48,371	48,789	52,690	53,609	56,657	51,224	-9.6%	100.0%

**High Luxury Passenger Cars.** Historically these vehicles represented the ultimate in vehicle ownership. SUV's have replaced their status with many consumers but included in this segment are a number of what we call "Prestige" luxury cars like the Porsche Panamera and these are generally considered to be the ultimate vehicle to own. Overall, high luxury sales have declined from a peak of over 25K in the year to 2000 and are now less than 13K units with Mercedes-Benz holding the top sales spot with 4,002 units and BMW in second place with 3,168 units. Prestige luxury continues to show some modest growth and now sell over 3 thousand units per year and account for almost a quarter of high luxury passenger car sales.

#### High Luxury Vehicle Sales in Canada - Units

	1990	2000	2010	2011	2012	2013	2014	2015	2016	Change	Share
1 Mercedes-Benz	1,053	3,471	4,677	4,641	4,798	3,827	4,883	4,288	4,002	-6.7%	31.4%
2 BMW	1,598	2,551	3,123	3,495	3,482	3,090	2,938	2,885	3,168	9.8%	24.9%
3 Audi	756	1,843	728	1,486	2,078	2,036	2,255	2,015	1,937	-3.9%	15.2%
4 Jaguar	802	1,968	638	628	522	940	918	809	865	6.9%	6.8%
5 Cadillac	5,105	4,752	324	240	276	788	743	839	707	-15.7%	5.5%
6 Lexus	449	678	477	284	1,074	858	647	513	510	-0.6%	4.0%
7 Maserati	0	0	0	0	0	0	0	445	426	-4.3%	3.3%
8 Lincoln	4,361	4,896	1,213	940	485	264	206	172	372	116.3%	2.9%
9 Porsche	0	0	387	359	422	328	375	341	300	-12.0%	2.4%
10 Infiniti	118	41	550	408	320	249	128	217	156	-28.1%	1.2%
11 Volvo	0	1,692	361	321	196	59	68	62	124	100.0%	1.0%
12 Acura	2,299	459	64	56	29	185	243	182	107	-41.2%	0.8%
14 Hyundai	0	0	0	116	116	83	65	37	47	27.0%	0.4%
13 Kia	0	0	0	0	0	0	23	36	26	-27.8%	0.2%
High Luxury	16,541	25,015	12,545	13,028	13,808	12,708	13,492	12,841	12,747	-0.7%	100.0%
Prestige Luxury	2,079	2,394	2,639	2,362	2,702	1,987	2,651	2,972	3,012	1.3%	
Percent Prestige	12.6%	9.6%	21.0%	18.1%	19.6%	15.6%	19.6%	23.1%	23.6%		

**Luxury sports Cars.** Perhaps the most iconic luxury segment and one with some of the most recognized models ever sold. This segment continues to hold its own in a market with high insurance rates and a focus on climate change. Unfortunately we do not have Tesla sales numbers so we are missing one of the important players in this segment. ( we estimate that Tesla sold less than a thousand units in Canada last year ) Chevrolet with the Corvette is the number one seller in this segment followed by Porsche. The segment although very small has shown strong growth over the last five years.

#### Luxury Sport Car Sales in Canada - Units

	1990	2000	2010	2011	2012	2013	2014	2015	2016	Change	Share
1 Chevrolet	823	1,181	364	352	250	324	1,181	1,715	1,758	2.5%	24.5%
2 Porsche	327	1,288	810	750	953	1,302	1,431	1,562	1,636	4.7%	22.8%
3 Nissan	813	1	961	525	606	577	536	818	1,088	33.0%	15.2%
4 Audi	0	778	456	597	566	481	405	340	757	122.6%	10.6%
5 Mercedes-Benz	678	227	672	677	945	840	751	696	676	-2.9%	9.4%
6 BMW	116	37	437	550	827	665	616	611	558	-8.7%	7.8%
7 Jaguar	203	355	117	148	122	323	542	487	522	7.2%	7.3%
8 Maserati	0	0	0	0	0	0	0	66	69	4.5%	1.0%
9 Chrysler	0	296	54	33	7	52	107	110	56	-49.1%	0.8%
10 Acura	156	6	0	0	0	0	0	0	50		0.7%
Luxury Sport Car	4,217	4,581	4,033	3,805	4,323	4,565	5,570	6,405	7,170	11.9%	100.0%

**Compact Luxury Sport Utility.** One of the new kids on the block. Sales for the first time were higher than compact luxury car sales and this segment now is the largest luxury segment in Canada. Land Rover was first in this segment a couple of decades ago. Last year consumers bought a record 60,875 units with Audi the number one seller at 12,173 units. BMW was a close second with 11,858 units.

#### Compact Luxury Sport Utility Sales in Canada - Units

	2000	2010	2011	2012	2013	2014	2015	2016	Change	Share
1 Audi	0	3,060	4,502	6,152	7,547	9,428	11,799	12,173	3.2%	20.0%
2 BMW	0	2,840	7,651	9,793	8,568	8,444	8,613	11,858	37.7%	19.5%
3 Mercedes-Benz	0	5,852	5,294	5,279	5,979	6,563	9,023	9,174	1.7%	15.1%
4 Acura	0	3,163	3,070	4,726	6,112	6,557	7,380	8,047	9.0%	13.2%
5 Lexus	0	0	0	0	0	296	6,127	6,295	2.7%	10.3%
6 Land Rover	839	426	755	1,649	2,302	2,361	3,233	4,058	25.5%	6.7%
7 Porsche	0	0	0	0	0	1,223	2,121	2,800	32.0%	4.6%
8 Lincoln	0	0	0	0	0	1,849	2,970	2,618	-11.9%	4.3%
9 Infiniti	0	1,925	1,521	1,360	1,445	1,897	2,283	2,326	1.9%	3.8%
10 Volvo	0	1,540	1,865	1,885	1,681	1,542	1,646	1,526	-7.3%	2.5%
Compact Luxury Sport Utility	839	18,806	24,658	30,844	33,634	40,160	55,195	60,875	10.3%	100.0%

**Intermediate Luxury Sport Utility.** Land Rover was again the first marketer of this size of luxury sport utility but in the mid 1990's, Lexus and Mercedes-Benz were the first brands to reach any significant volumes. Lexus remains the number one seller of vehicles in this segment with 9,446 units in 2016 followed by BMW with 8,120 units. Mercedes-Benz has fallen to third place with 7,281 units sold. Jaguar was the latest entrant in the SUV market with a little over a thousand units sold in 2016. The Intermediate Luxury Sport Utility Vehicle segment is now the third largest luxury segment in Canada and with sales of luxury passenger cars declining will be the second largest segment in 2017.

#### Intermediate Luxury Sport Utility Sales in Canada - Units

	1990	2000	2010	2011	2012	2013	2014	2015	2016	Change	Share
1 Lexus	0	2,941	8,076	7,288	7,765	8,436	8,837	8,073	9,446	17.0%	18.8%
2 BMW	0	1,840	5,029	5,295	4,973	5,453	6,367	6,655	8,120	22.0%	16.1%
3 Mercedes-Benz	0	4,147	3,871	3,846	5,539	4,804	5,532	6,008	7,281	21.2%	14.5%
4 Acura	0	980	6,857	5,463	5,352	6,163	6,278	5,815	5,427	-6.7%	10.8%
5 Land Rover	65	176	2,121	2,473	2,619	2,834	3,922	4,487	5,082	13.3%	10.1%
6 Lincoln	0	0	4,458	4,595	3,792	3,238	2,702	2,900	3,551	22.4%	7.1%
7 Volvo	0	368	2,339	1,698	1,228	1,124	939	1,383	3,169	129.1%	6.3%
8 Porsche	0	0	839	1,105	1,628	2,050	1,904	2,389	2,325	-2.7%	4.6%
9 Cadillac	0	0	2,918	3,197	3,102	3,765	4,134	4,886	2,315	-52.6%	4.6%
10 VW	0	0	706	1,618	1,975	2,087	2,332	2,028	1,390	-31.5%	2.8%
11 Jaguar	0	0	0	0	0	0	0	0	1,289		2.6%
12 Infiniti	0	2,296	1,085	934	758	601	466	528	920	74.2%	1.8%
Intermediate Luxury SUV	65	12,748	39,001	37,974	39,121	40,789	43,533	45,157	50,315	11.4%	100.0%

**Large Luxury Sport Utility.** The Lincoln Navigator was the first large luxury SUV sold in Canada (1997). Cadillac now leads the segment with 5,624 vehicles sold followed closely by Infiniti with 5,301 units sold. This is actually the fastest growing luxury segment in Canada and indeed is growing faster than any mass market segment with growth of 59.9 percent last year. There are only six OEMs in this segment and is small compared to some of the other luxury segments but it is the hottest luxury segment in Canada.

#### Large Luxury Sport Utility Sales in Canada - Units

	2000	2010	2011	2012	2013	2014	2015	2016	Change	Share
1 Cadillac	621	977	875	742	583	821	2,085	5,624	169.7%	29.7%
2 Infiniti	0	265	470	2,552	3,604	4,134	4,590	5,301	15.5%	28.0%
3 Audi	0	1,247	1,565	1,653	1,781	1,959	1,658	4,335	161.5%	22.9%
4 Mercedes-Benz	0	1,845	2,237	2,471	2,735	2,599	2,743	2,828	3.1%	14.9%
5 Lincoln	1,521	1,466	1,127	996	687	617	767	659	-14.1%	3.5%
6 Maserati	0	0	0	0	0	0	0	187		1.0%
Large Luxury Sport Utility	2,142	5,802	6,274	8,414	9,390	10,130	11,843	18,934	59.9%	100.0%