

J.D. POWER



COMMERCIAL TRUCK GUIDELINES

INDUSTRY REVIEW

January 2021

J.D. Power Valuation Services



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SUMMARY

Class 8 Finished 2020 Strong

All channels of the Class 8 market closed out 2020 on a high note. Medium duty truck pricing fluctuated throughout 2020, but ended the year showing mild depreciation.

CLASS 8 AUCTION UPDATE

December was a higher-volume month, which is not unusual. Pricing was stable to upwards for most trucks, despite a very large volume of 3-year-old sleepers continuing to cycle through the market. December's results continued the strong run of the 2nd half of 2020, with average pricing better than any time since the 1st quarter of 2019. See the average pricing detail for our benchmark truck below.

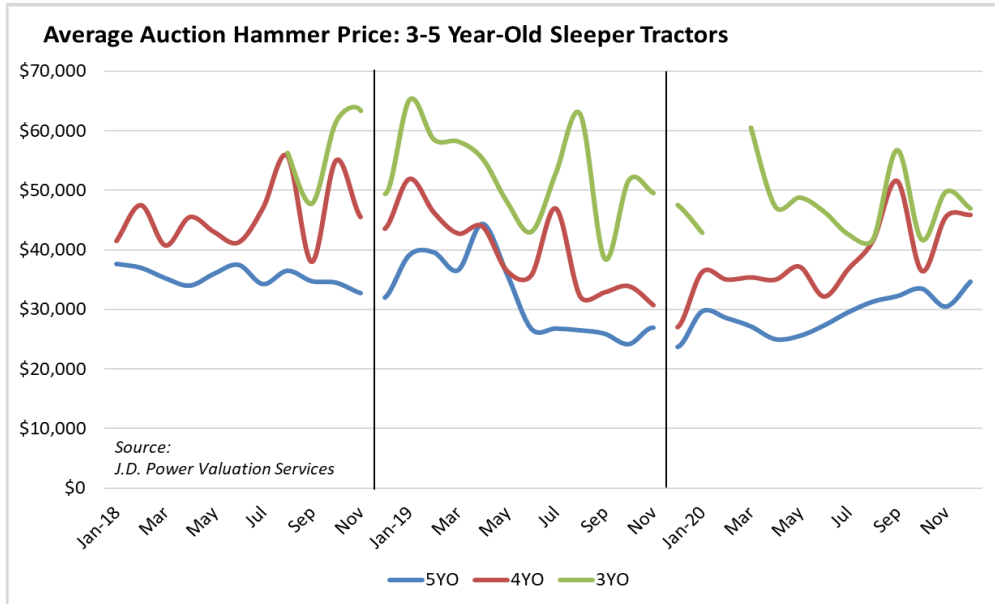
- Model year 2017: \$45,868 average; \$306 (0.7%) higher than November
- Model year 2016: \$30,485 average; \$4,175 (13.7%) higher than November
- Model year 2015: \$25,426 average; \$547 (2.2%) higher than November
- Model year 2014: \$19,661 average; \$567 (2.9%) higher than November
- Model year 2013: \$16,460 average; \$201 (0.8%) lower than November

December's results continued the strong run of the 2nd half of 2020...

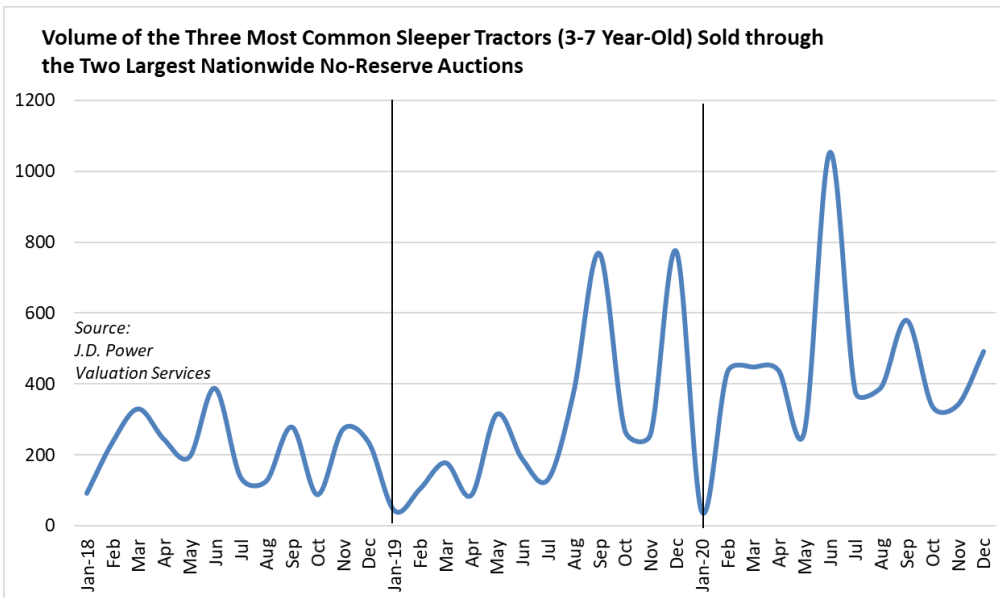
Month-over-month, our benchmark group of 4-6 year-old trucks brought 5.0% more money, making December second only to September in terms of average hammer price. In calendar year 2020, pricing averaged 3.5% lower than 2019 – a remarkably stable comparison considering the upheaval our industry saw in 2020. The 2nd half of 2020 performed even better, with late-model trucks bringing 23.9% more money than the same period of 2019. Our benchmark truck increased in value an average of 3.1% per month in 2020.

Incoming supply of trades and demand for freight should support pricing through the 2nd quarter of 2021, barring any major economic event.

See the “Average Selling Price: Benchmark Sleeper Tractor...” and “Volume of the Three Most Common Sleeper Tractors...” graphs for detail.



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CLASS 8 WHOLESALE UPDATE

We don't usually report on the wholesale channel, because the lower volume of reported sales combined with large package deals of identical trucks can cause large swings in monthly averages. However, at year's end, it can be useful to

assess how dealer-to-dealer activity stacked up against dealer-to-customer activity.

To begin, the average used truck wholesaled in 2020 was 65 months old, had 539,449 miles, and brought \$24,509. Compared to 2019, trucks sold in 2020 were 5 months newer, had 0.1% more miles, and brought 13.2% less money.

Looking only at 3-5 year-old trucks, pricing in 2020 was 10.2% lower than 2019. If look at just the 2nd half of both years, that gap narrowed to 3.4%.

Wholesale depreciation in 2020 averaged 0.3% per month, but if we look at just the 2nd half of the year, trucks *gained* an average of 1.2% per month.

Compared to trucks sold retail, trucks wholesaled in 2020 were 2 months newer, had 16.7% more miles, and brought 43.4% less money. In 2019, average age was essentially identical, while wholesaled trucks had 16.6% more miles and brought 47.5% less money than those sold retail. If we narrow our focus to 3-5 year-old trucks, the price difference was 27.3% in 2020 and 31.2% in 2019.

In terms of volume, there were 74.1% fewer trucks reported sold wholesale as compared to retail. This translates to an average of 1.1 trucks wholesaled per dealership rooftop, compared to 4.4 in the retail channel. In 2019, volume was 67.6% lower in the wholesale channel, with dealerships wholesaling 1.3 trucks per rooftop (as compared to 4.1 retail).

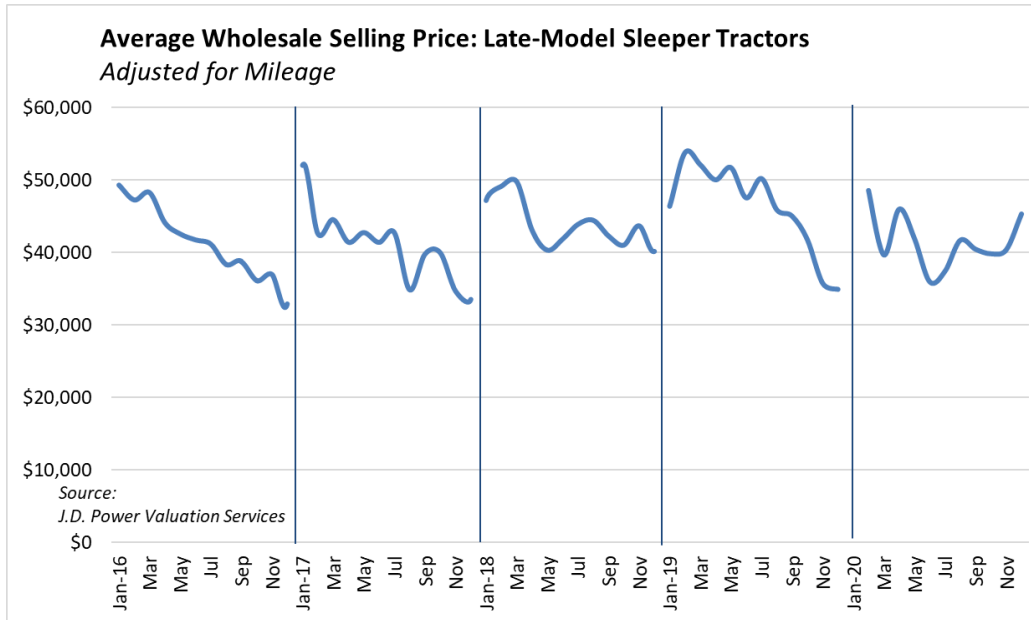
To conclude, wholesaling was a mildly less popular remarketing option in 2020 than in 2019, which we would expect in a higher-demand environment with more retail customers. Otherwise, the wholesale market in 2020 was very similar to 2019. The rule of thumb for a wholesale-to-retail spread for late-model trucks looks to be roughly 25%, plus or minus depending on age

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Here's a breakdown of wholesale vs. retail pricing in 2020 by model year:

- Model year 2019: \$81,809 wholesale, 83.3% of retail
- Model year 2018: \$57,931 wholesale, 74.2% of retail
- Model year 2017: \$42,215 wholesale, 76.9% of retail
- Model year 2016: \$25,282 wholesale, 61.5% of retail
- Model year 2015: \$19,386 wholesale; 57.6% of retail

See the "Average Wholesale Selling Price: Late-Model Sleeper Tractors" graph for detail.



CLASS 8 RETAIL UPDATE

Volume improved notably this month. Pricing remains firm, still not particularly strong by historical standards, but also not depreciating.

The average sleeper tractor retailed in December was 67 months old, had 455,420 miles, and brought \$48,650. Compared to November, this average sleeper was identical in age, had 9,042 (2.0%) more miles, and brought \$57 (0.1%) less money. Compared to December 2019, this average sleeper was 4 months newer, had 25,640 (5.3%) fewer miles, and brought \$1,339 (2.8%) more money.

In calendar-year 2020, the average sleeper tractor retailed was 68 months old (3 months newer than in 2019), had 462,427 miles (0.6% fewer than in 2019), and brought \$43,321 (19.4% less than in 2019).

Looking at trucks two to five years of age, December’s average pricing was as follows:

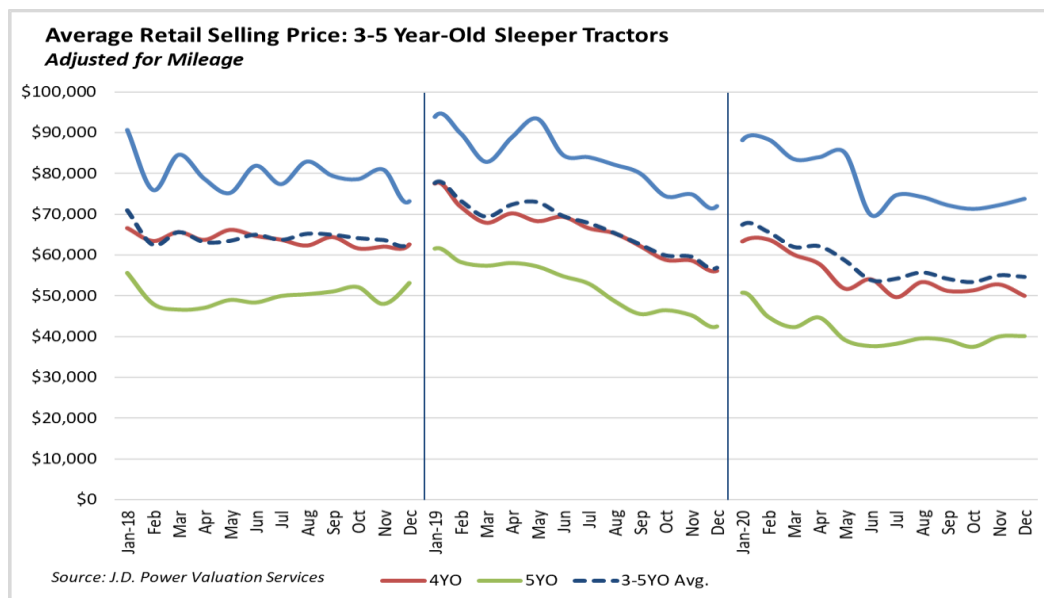
- Model year 2019: \$100,156; \$4,335 (4.5%) higher than November
- Model year 2018: \$73,740; \$1,575 (2.2%) higher than November
- Model year 2017: \$49,929; \$2,808 (5.3%) lower than November
- Model year 2016: \$40,050; \$121 (0.3%) higher than November

Pricing remains firm, still not particularly strong by historical standards, but also not depreciating.

Month-over-month, late-model trucks brought 0.7% more money. In calendar-year 2020, pricing averaged 13.7% lower than in 2019. Depreciation in 2020 averaged 1.9% per month, almost identical to 2019’s 2.0 per month. If we look at just the second half of 2020, depreciation was essentially zero, compared to 2.7% per month in 2H 2019.

Price deterioration is now evident for the models most heavily represented in the used market. However, there is a very wide variation in selling prices for those models depending on whether they’re sold as large package deals or individually.

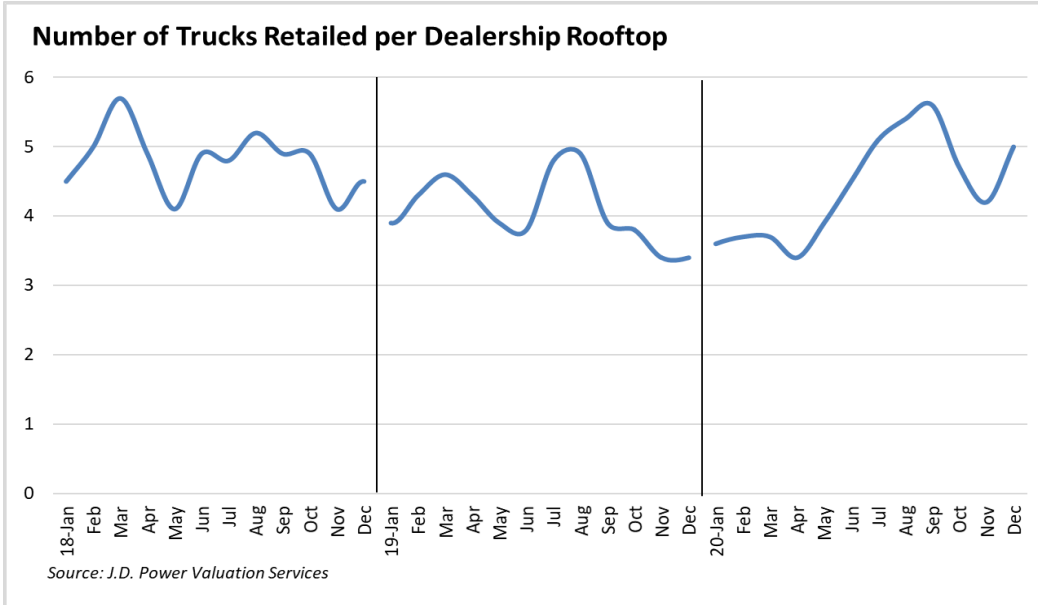
See the “Average Retail Selling Price: 3-5 Year-Old Sleeper Tractors” graph for detail.



In calendar-year 2020, pricing averaged 13.7% lower than in 2019.

Dealers retailed an average of 5.0 trucks per rooftop in December, 0.8 truck higher than November, and a nice improvement over the previous two months. In calendar-year 2020, dealers retailed an average of 4.4 trucks per rooftop, compared to 4.1 in 2019. Conditions rebounded in the 2nd half of 2020, with dealers retailing 5.0 trucks in that period vs. 4.0 in 2H 2019. We start the new year on much better footing than a year ago.

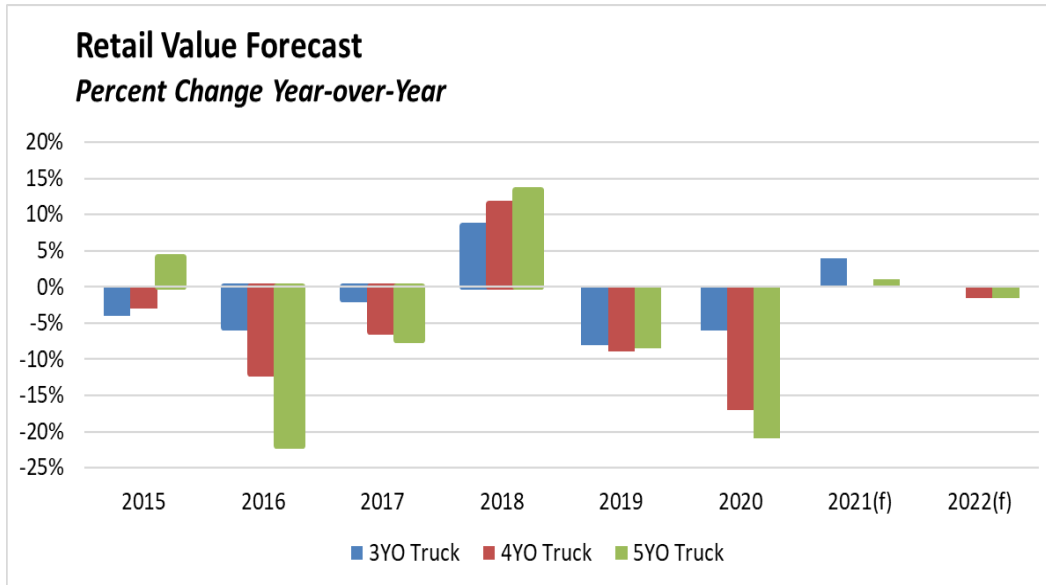
See the “Number of Trucks Retailed per Dealership Rooftop” graph for detail.



We start the new year on much better footing than a year ago.

Our year-over-year retail price difference forecast was a bit pessimistic for 3 year-old trucks, with the actual figure coming in 3% lower than our estimate. Our estimates for 4 and 5 year-old trucks were optimistic, with the 4 year-old actual result 6% greater than our forecast and the 5 year-old result 9% greater than our forecast. If we look at just the 2nd half of both years, our estimates were about 50% closer. Basically, 4 and 5 year-old trucks held steady to mildly upward in late 2020, while we had anticipated they would gain a bit more value.

See the “Retail Value Forecast” graph for a look at how we see used truck pricing unfolding over the next four years. Note our residual value forecasts (available by subscription, not included here) provide a much more detailed analysis of future pricing.



MEDIUM DUTY TRUCKS

Medium duty trucks saw mild depreciation across the board in 2020. Pricing in 2020 was generally lower than 2019, although the 2nd half of 2020 saw strength.

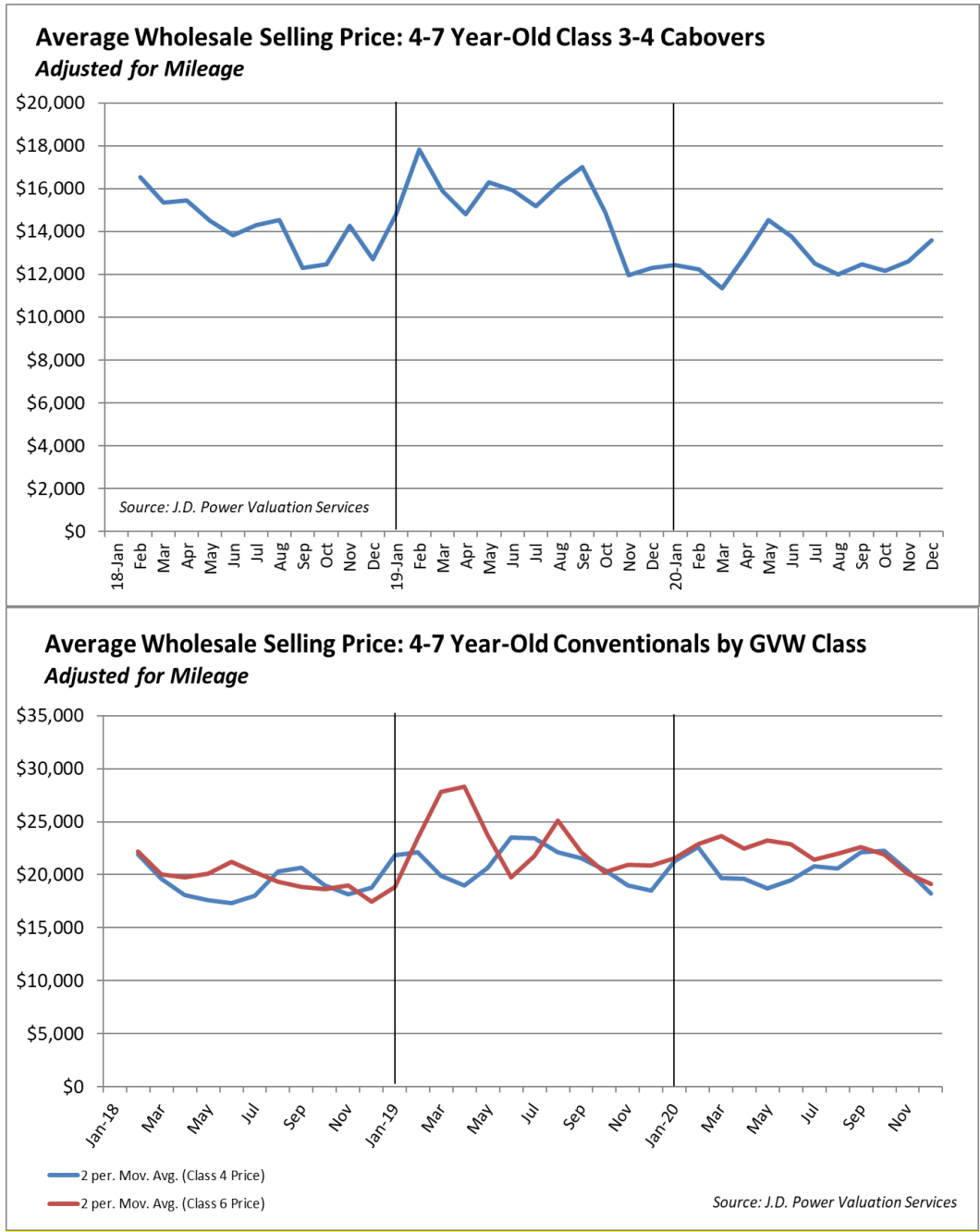
Starting with Class 3-4 cabovers, December’s average for our benchmark group was \$13,914, \$664 (5.0%) higher than November, and \$1,475 (11.9%) higher than December 2019. Volume was moderately lower than last month. Pricing in calendar-year 2020 averaged 16.7% lower than 2019. However, the 2nd half of 2020 saw stable to upward pricing.

Looking at Class 4 conventionals, average pricing for our benchmark group was \$17,420, \$1,619 (8.5%) lower than November, and \$253 (1.4%) lower than December 2019. Volume declined substantially for the 2nd month in a row. Pricing in calendar-year 2020 averaged 2.3% lower than 2019. Depreciation in 2020 averaged a negligible 0.5% per month, better than last year’s 1.6%.

Class 6 conventional pricing averaged \$18,779 in December, \$637 (3.3%) lower than November, and \$2,672 (12.5%) lower than December 2019. Volume decreased notably from November. Pricing in calendar-year 2020 averaged 6.0% lower than 2019. Depreciation in 2020 averaged a mild 1.2%, slightly worse than last year’s 0.9%.

Medium duty trucks saw mild depreciation across the board in 2020.

See the “Average Wholesale Selling Price: 4-7 Year-Old Class 3-4 Cabovers” and “Average Wholesale Selling Price: 4-7 Year-Old Conventionals by GVW Class” graphs for detail.



The 2nd half of 2020 saw strength.

FORECAST

December was a higher-volume month, which is common. Pricing in all channels was encouraging. In terms of the economic data affecting the new and used truck market, freight volume and pricing remain healthy at the time of this writing, while unemployment ticked up in December. We've been saying all year that unemployment is the metric to watch, and that observation remains in place. Also, as we mentioned last month, it's not yet clear what tax and incentive changes impacting our industry the new administration will enact. Another factor becoming more important is the contentious political environment, which will strain consumer confidence as well as global confidence in the dollar if it gets worse instead of better. On the bright side, by summer a large percentage of the population will have received the COVID vaccine, so the service sector – and, more importantly, life in general – should start looking more typical. Stay tuned.

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About J.D. Power

J.D. Power is a global leader in consumer insights, advisory services, and data and analytics to help clients measure and improve the key performance metrics that drive growth and profitability. J.D. Power's industry benchmarks, robust proprietary data, advanced analytics capabilities, and reputation for independence and integrity has established the company as one of the world's most well-known and trusted providers of consumer and market insights for more than a dozen industries. Established in 1968, J.D. Power is headquartered in Costa Mesa, California, and has 17 global locations serving North/South America, Asia Pacific, and Europe.

About J.D. Power Valuation Services (formerly NADA Used Car Guide)

J.D. Power Valuation Services, formerly NADA Used Car Guide, is a leading provider of vehicle valuation products, services and information to businesses. Its team collects and analyzes over 1 million combined automotive and truck wholesale and retail transactions per month, and delivers a range of guidebooks, auction data, analysis and data solutions. J.D. Power acquired NADA Used Car Guide in 2015, forming a powerful combination that brings the automotive industry rich data sets, strong analytics and over 130 years of market experience.

Commercial Truck Consulting Services

J.D. Power Valuation Services leverages its database of retail, wholesale, and auction transactions to provide residual value forecasting, inventory analysis, competitive model positioning, and other used truck market metrics. Consulting products are customized to each customer's specific needs. Contact Chris Visser to discuss J.D. Power's capabilities.

Commercial Truck Market Analysis

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