

## **JANUARY 2023 COMMERCIAL VEHICLE MARKET UPDATE**

### **CLASS 8 AUCTION UPDATE**

The mild downward pricing of September-November 2022 gave way to heavier depreciation in December. As is typical for the month, auction volume was up substantially, with many auctions on the calendar and sellers looking to adjust inventory for tax and financial purposes at year's end. A large number of very similar trucks were sold, and these trucks were marked by extremely high mileage for their age. Our mileage adjustment probably does not adequately correct for this extreme mileage, so the larger drops in the chart below do not necessarily reflect market conditions. However, it is safe to say trucks with average mileage lost at least 5% of value in December from November.

Looking at two- to six-year-old trucks, average pricing for our benchmark truck in December 2022 was:

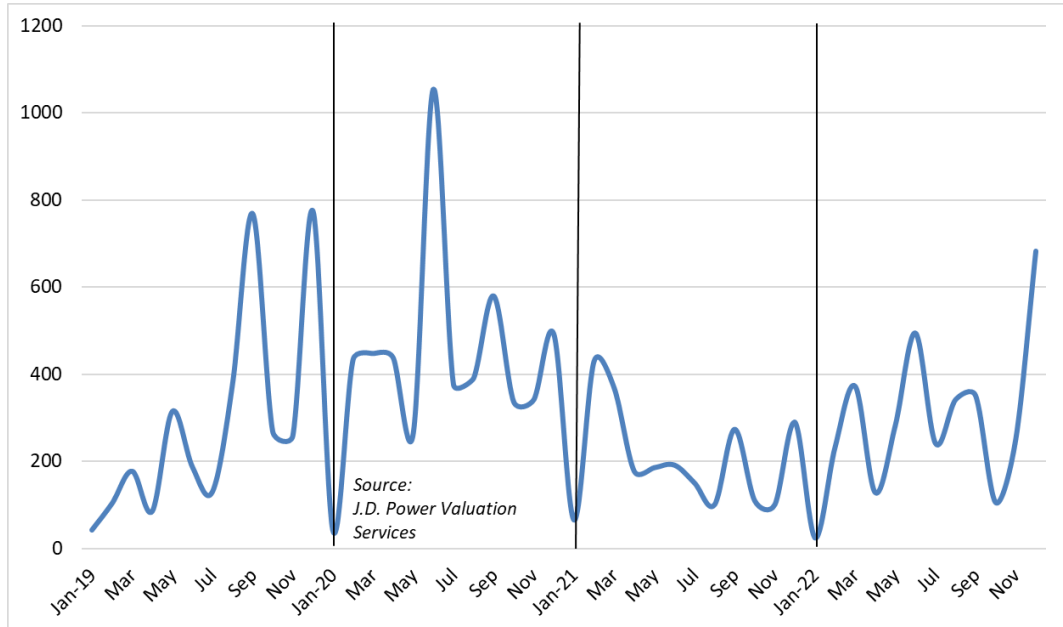
- Model year 2021: \$129,650; \$29,420 (18.5%) lower than November
- Model year 2020: \$91,368; \$4,982 (5.2%) lower than November
- Model year 2019: \$64,545; \$13,131 (16.9%) lower than November
- Model year 2018: \$45,113; \$14,146 (23.9%) lower than November
- Model year 2017: \$34,759; \$5,367 (13.4%) lower than November

In December, three- to six-year-old trucks averaged 13.8% less money than November, and 35.5% less money than December 2021. Late-model trucks sold in calendar-year 2022 averaged 25.5% more money than 2021, although monthly comparisons turned negative in the third quarter. In 2022, three- to six-year-old sleepers depreciated 4.8% per month on average.

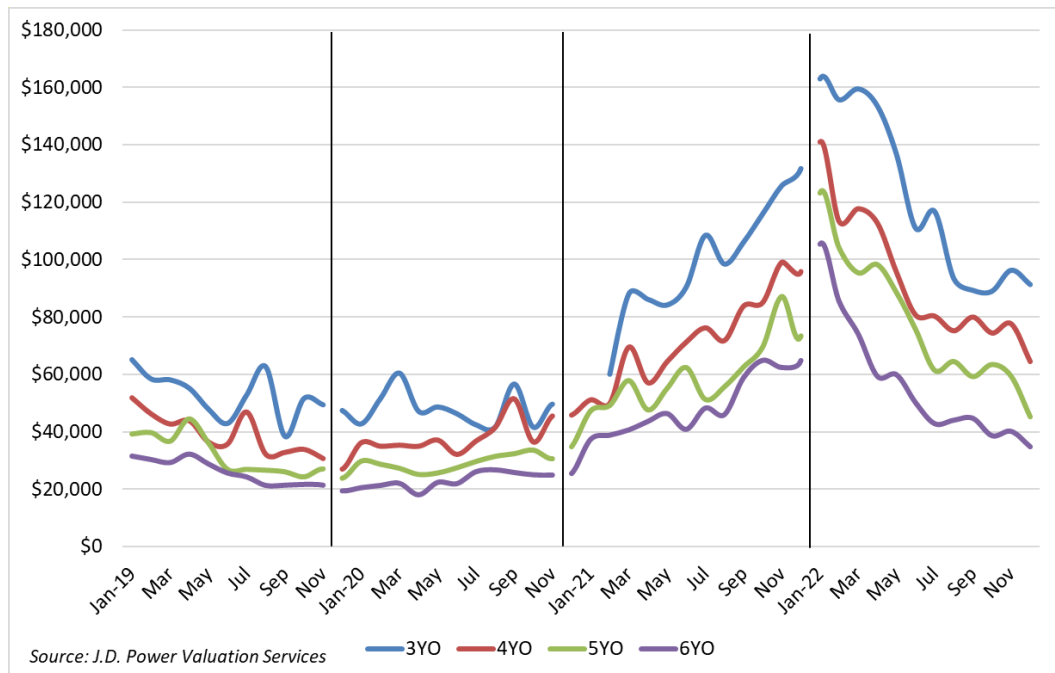
Selling price continues to depend heavily on mileage and specifications. Trucks with under 400,000 miles are still holding strong. Trucks with mileage between 400,000 and about 550,000 are depreciating at a rate higher than historical average but still linear. Trucks with higher mileage are losing value more rapidly. Selling prices are still higher than the last pre-pandemic peak, but now only about 25%. At the peak of the pricing bubble, this figure hit 149%. Expect trucks to continue depreciating until pricing is closer to historical trend.

See the graphs on the next page and the Forecast section at the end of this document for additional analysis.

Volume of the Three Most Common Sleeper Tractors (3- to 7-Year-Old) Sold Through the Two Largest Nationwide No-Reserve Auctions



Average Auction Hammer Price: 3- to 6-Year-Old Benchmark Sleeper Tractor



## **CLASS 8 RETAIL UPDATE**

Sales volume ticked up slightly in December, but still substantially lags historic norms. Pricing is highly dependent on specs, mileage, and number of similar make and model trucks available. The freight environment may have stabilized, but potential buyers are still contending with higher interest rates and declining equity.

The average sleeper tractor retailed in December was 73 months old, had 439,511 miles and brought \$89,723. Compared with November, this average sleeper was identical in age, had 29,981 (6.4%) fewer miles, and brought \$87 (0.1%) less money. Compared with December 2021, this average sleeper was identical in age, had 28,774 (6.1%) more miles, and brought \$675 (0.7%) less money. The market has been negative year over year since November.

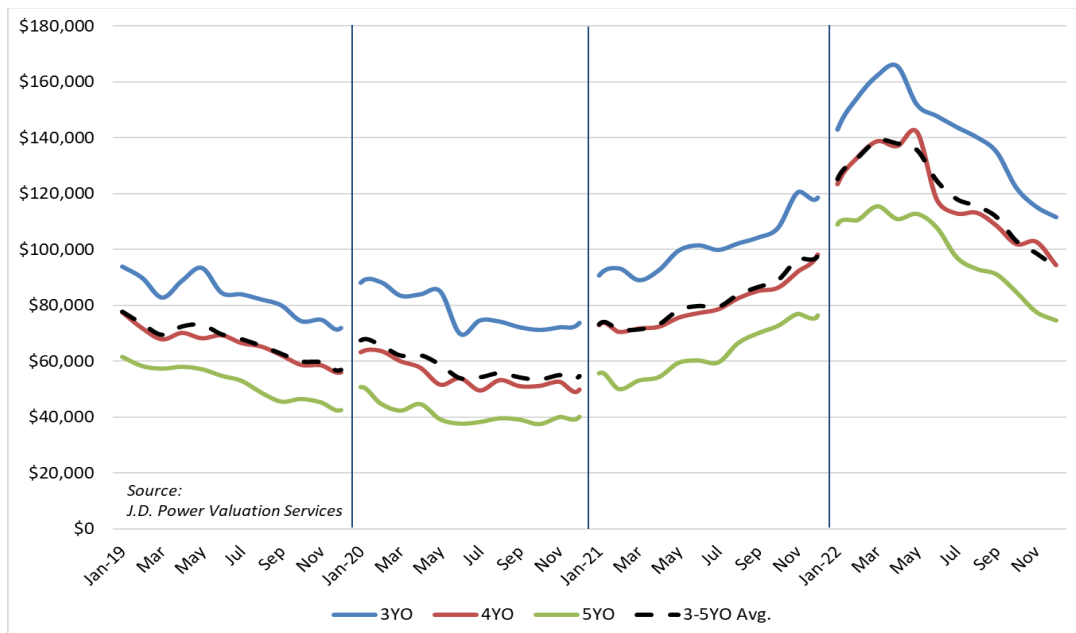
Looking at two- to six-year-old trucks, December's average pricing was as follows:

- Model year 2021: \$149,727; \$721 (0.5%) lower than November
- Model year 2020: \$111,591; \$3,726 (3.2%) lower than November
- Model year 2019: \$94,487; \$8,368 (8.1%) lower than November
- Model year 2018: \$74,616; \$3,078 (4.0%) lower than November
- Model year 2017: \$60,741; \$4,969 (7.6%) lower than November

Three- to five-year-old trucks brought an average of 5.1% less money month over month, and 4.3% less than December 2021. Trucks in this age group brought 46.5% more money in calendar year 2022 compared with 2021. Depreciation averaged 2.4% per month in 2022, although that figure increases to 3.6% if only the most recent six months are included. Retail pricing for late-model trucks is now 22% higher than the last pre-pandemic peak. This figure hit 82% at the height of the buying frenzy. Selling prices will continue to adjust closer to historical norms.

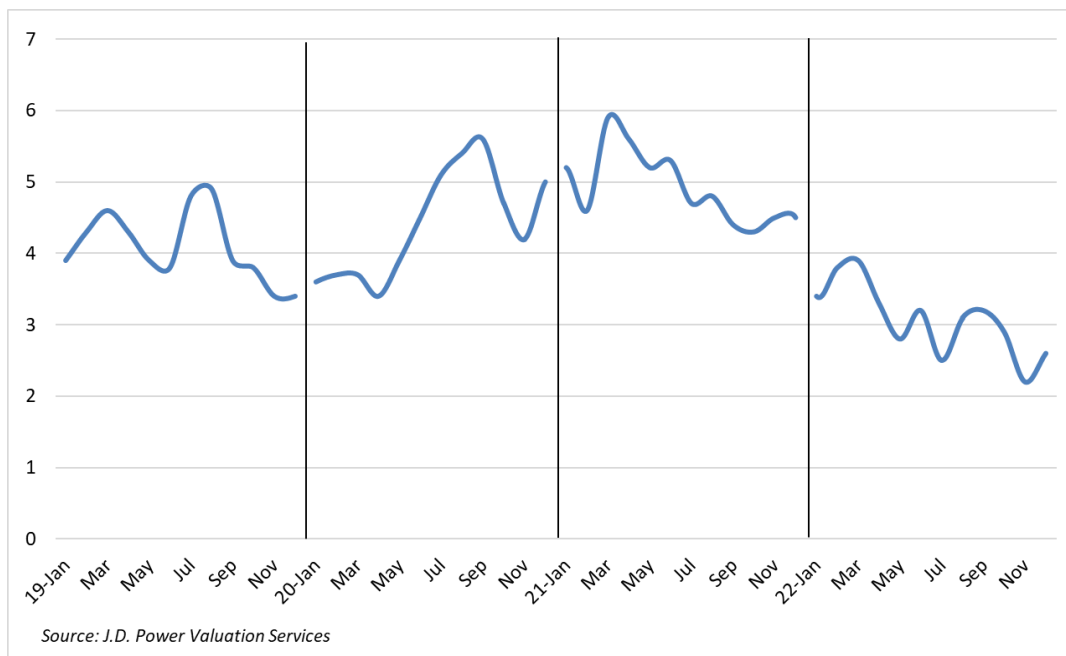
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Average Retail Selling Price: 3- to 5-Year-Old Sleeper Tractors, Adjusted for Mileage

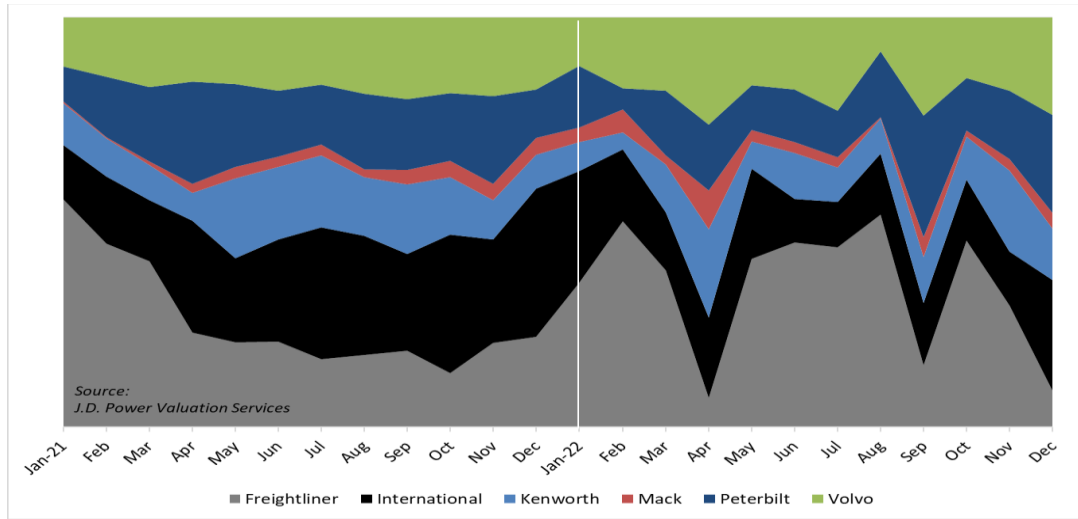


December's retail sales per rooftop averaged 2.6 trucks, a moderate improvement over November's dismal result, but still roughly half the pre-pandemic long-term average. Buyers continue to adjust to new realities of declining equity and increasing interest rates.

Number of Trucks Retailed per Dealership Rooftop



Relative Proportion of Retail Sales Reported by OEM (3- to 5-Year-Old Sleeper Tractors)

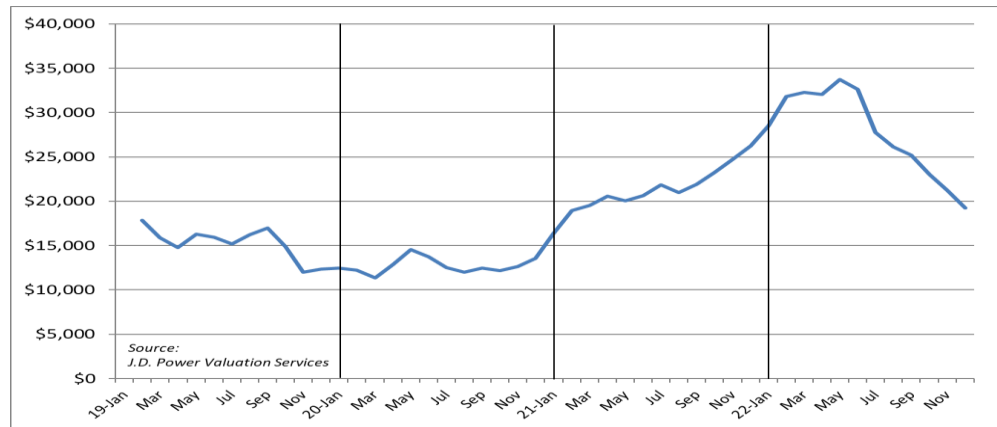


## MEDIUM DUTY UPDATE

Medium duty segments closed out the year with an uptick in volume. Cabovers depreciated substantially in the second half of 2022, with selling prices nearing pre-pandemic trend. Conventionals held their value better in 2022, with pricing still substantially above 2018-2019 levels.

Starting with Class 3-4 cabovers, the benchmark group averaged \$18,541 in December. This figure is \$1,398 (7.0%) lower than November, and \$7,584 (29.0%) lower than December 2021. Trucks sold in calendar year 2022 brought 26.1% more than 2021, but monthly year-over-year comparisons turned negative in October. Depreciation accelerated in the second half of 2022, averaging a substantial 3.6% per month for the full year. Pricing for late-model trucks is now only about 9% higher than pre-pandemic trend.

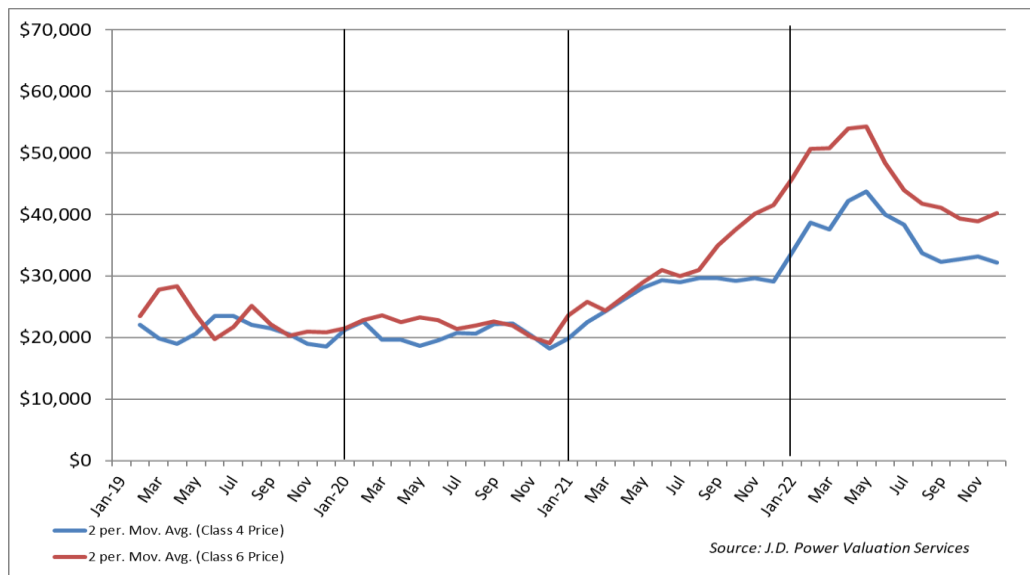
Average Wholesale Selling Price: 4- to 7-Year-Old Class 3-4 Cabovers, Adjusted for Mileage



Average pricing for our benchmark group of Class 4 conventionals was \$29,978 in December, \$4,378 (12.7%) lower than November but \$1,588 (5.6%) higher than December 2021. Late-model Class 4's sold in calendar year 2022 brought 32.3% more than 2021. This segment lost an average of 2.1% of value per month in 2022, and pricing is still 45% higher than pre-pandemic trend.

Class 6 conventionals averaged \$40,767 in December, \$1,089 (2.7%) higher than November but \$928 (2.2%) lower than December 2021. Late-model Class 6's brought 41.9% more in calendar year 2022 than the same period of 2021. This segment lost an average of 2.2% of value per month in 2022, and pricing is still 73% ahead of pre-pandemic trend.

Average Wholesale Selling Price: 4- to 7-Year-Old Conventionals by GVW Class, Adjusted for Mileage



## FORECAST

The Class 8 sleeper market correction continues, with auction and retail pricing down to 20-25% above the last pre-pandemic peak. The freight markets also continue to adjust back towards normality, with spot rates potentially having found a floor and contract rates healthy but likely to move moderately downward. In general, the supply of trucks will increase as the freight environment stabilizes or pulls back somewhat. Negative equity has been a challenging factor in recent months, and that situation will not improve in the near future. This is what the back end of a pricing bubble looks like.

***Our residual forecast products incorporate all possible scenarios and provide a detailed look at how we see the market unfolding in the next five years. For further information about J.D. Power residual forecasting, make and model benchmarking, raw data products and other services, contact Chris Visser at [chris.visser@jdpa.com](mailto:chris.visser@jdpa.com).***