

MARCH 2022 COMMERCIAL VEHICLE MARKET UPDATE

CLASS 8 AUCTION UPDATE

The auction world opened back up in February 2022, and sales volume followed suit. A large number of model-year 2020 trucks sold this month, which could be a one-month anomaly resulting from the unexpectedly high new truck deliveries in December 2021. Average hammer price for trucks in that category dipped a bit. Also, the 2019s in the group tracked by J.D. Power all had extremely high mileage, which is responsible for their low average price. Otherwise, as of this writing in mid-March, historically high pricing is still with us.

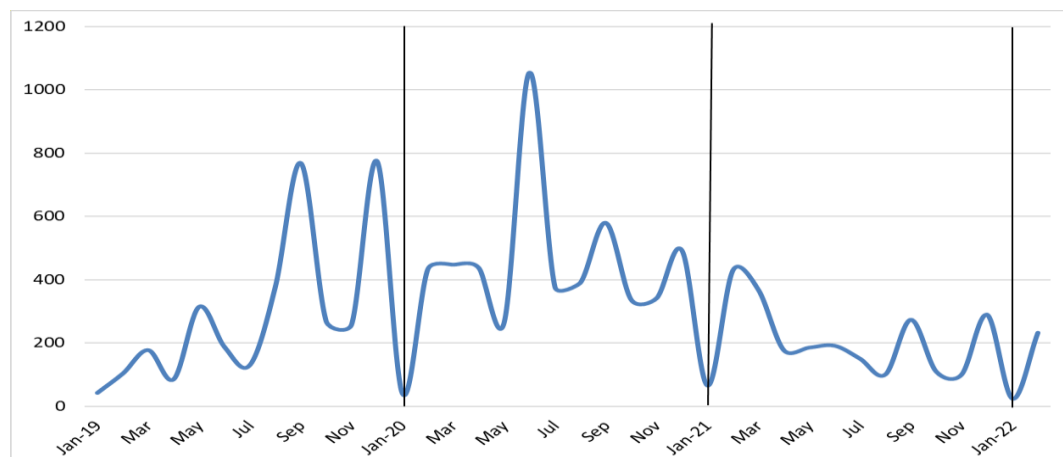
Note: Due to the lack of trucks sold in January, the averages below compare February 2022 to December 2021. Looking at two- to six-year-old trucks, February's average pricing was as follows:

- Model year 2021: No trucks sold in February
- Model year 2020: \$155,696; \$8,087 (4.9%) lower than December
- Model year 2019: \$113,306; \$18,432 (13.9%) lower than December
- Model year 2018: \$104,014; \$8,162 (8.5%) higher than December
- Model year 2017: \$85,345; \$12,040 (16.4%) higher than December

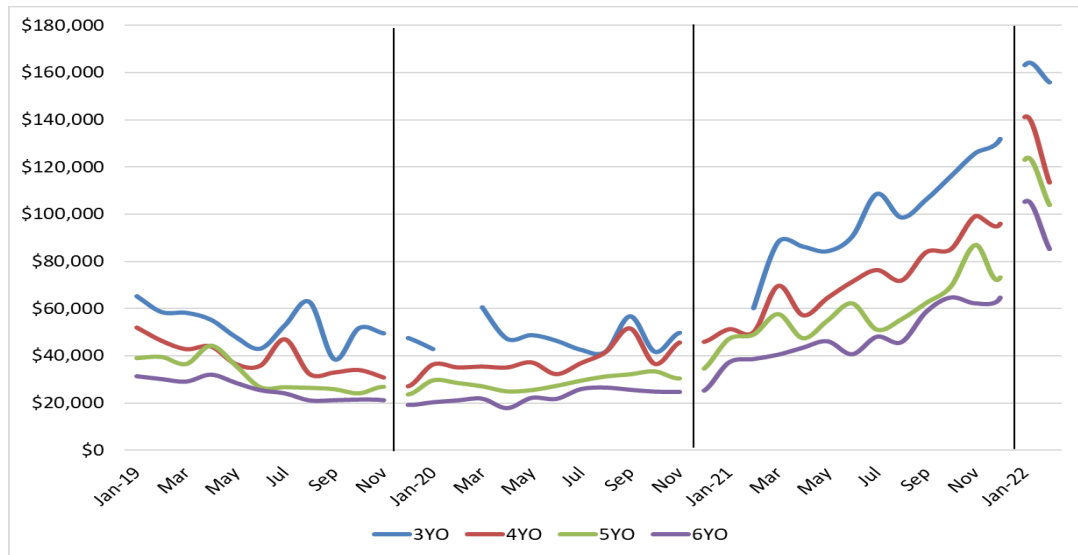
Model years 2019-2017 averaged 0.6% more money in February 2022 than December 2021. Going forward, we will use model years 2020-2018 to represent three- to five-year-old trucks. In February, those trucks averaged 4.7% less money than December 2021. This lower average is due primarily to the unusually high-mileage mix of 2019 trucks sold in February.

Looking ahead, world events are substantially increasing downside risk to the economic recovery and further growth. Any effect on truck pricing should be seen in the auction lanes first, so pay close attention.

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

February data is the last we'll have that does *not* reflect any effect of the Russia-Ukraine war. Pricing in February continued to break records and, as of this writing in mid-March, there does not appear to be any war-effect yet.

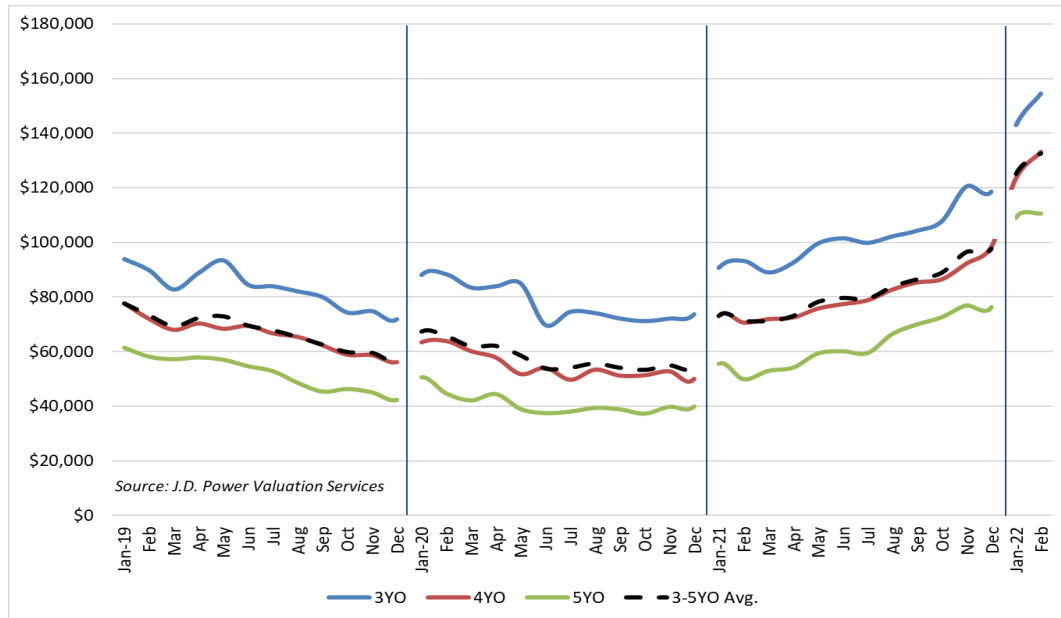
The average sleeper tractor retailed in February was 69 months old, had 452,369 miles and brought \$110,686. This is the second month in our history of tracking this figure that it has exceeded \$100,000 (the first time was January 2022). Compared with January, this average sleeper was one month older, had 416 (0.1%) more miles, and brought \$10,590 (10.6%) more money. Compared with February 2021, this average sleeper was two months newer, had 0.7% more miles, and brought \$52,020 (103.5%) more money.

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

- Model year 2021: \$175,083; \$441 (0.3%) higher than January
- Model year 2020: \$154,389; \$11,454 (8.0%) higher than January
- Model year 2019: \$133,035; \$9,535 (7.7%) higher than January
- Model year 2018: \$110,617; \$1,546 (1.4%) higher than January
- Model year 2017: \$75,377; \$549 (0.7%) higher than January

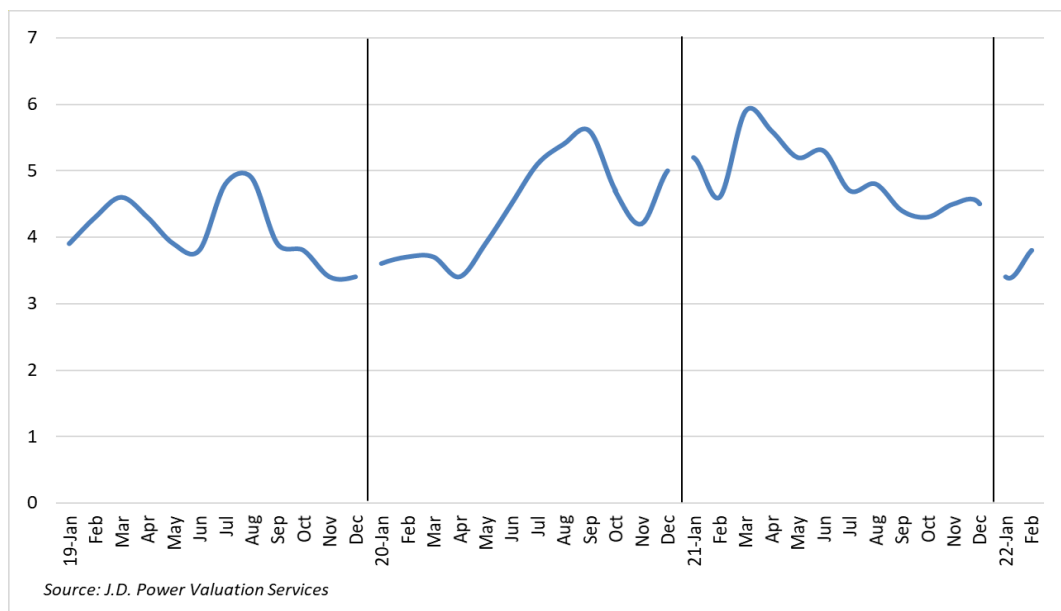
Three- to five-year-old trucks brought an average of 6.0% more money in February than January. Trucks in this age group brought 77.6% more money in the first two months of 2022 than the same period of 2021.

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



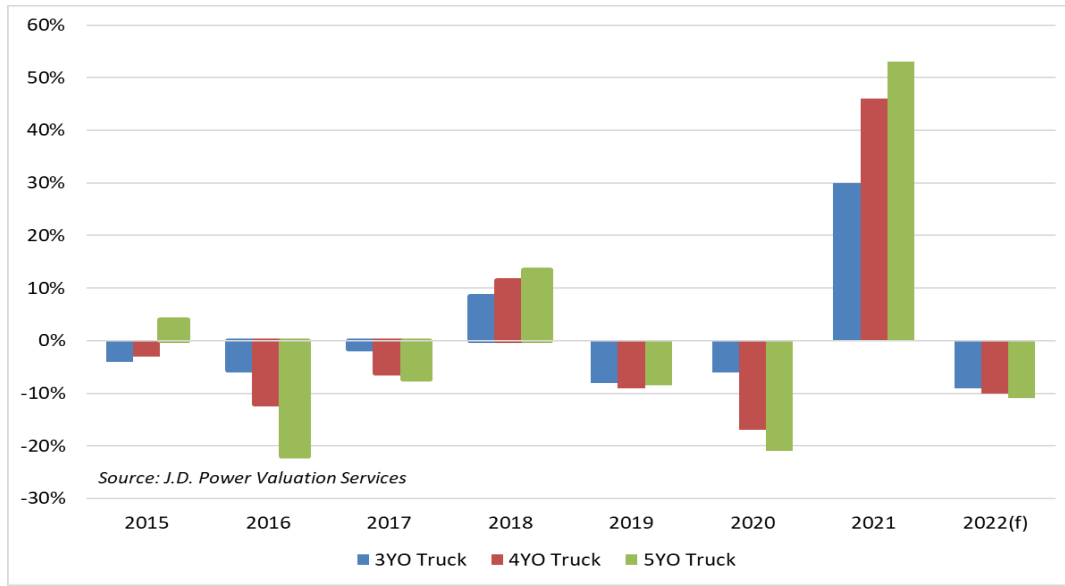
Dealers retailed an average of 3.8 trucks per rooftop in February, a mild increase (0.4 truck) from January. As in the auction channel, there was a higher volume of model-year 2020 trucks reported sold. Volume increased across the board, but only model-year 2019 came close to matching the stronger months of 2021.

Number of Trucks Retailed per Dealership Rooftop

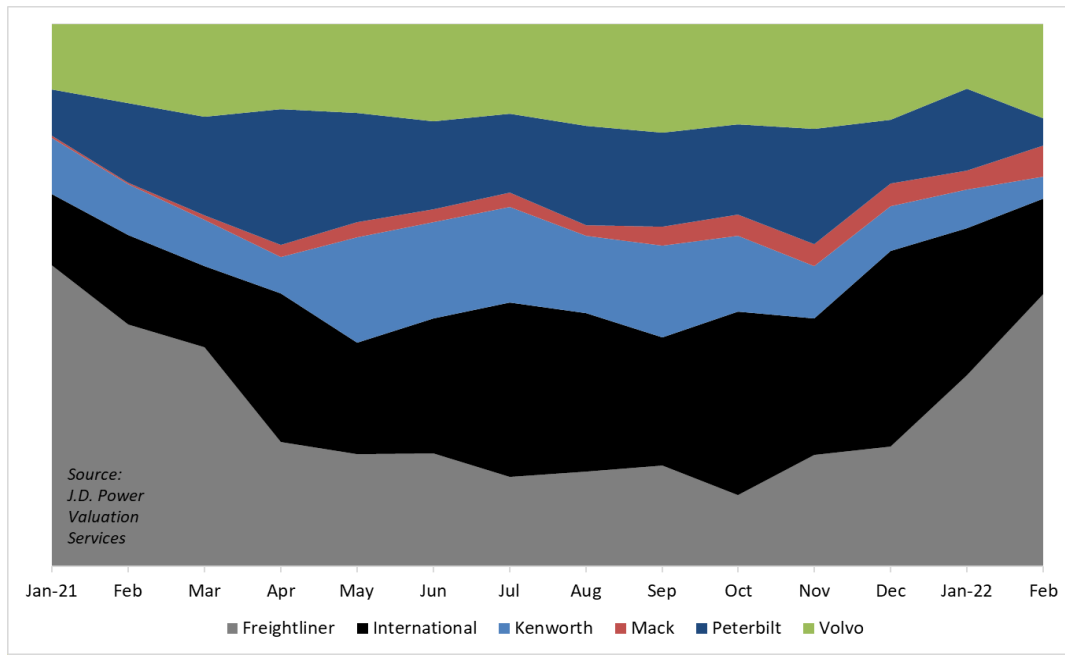


The Russia-Ukraine war substantially increases the risk of an economic pullback. The shortage of new and used trucks is so acute that pricing would probably not change notably if the freight market cools somewhat. Prior to the invasion, we expected pricing to plateau and then pull back incrementally as 2022 progresses. We're sticking with that assessment for now. See the Forecast at the end of this document for additional commentary.

Retail Price History/Forecast: Percent Change Year Over Year



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

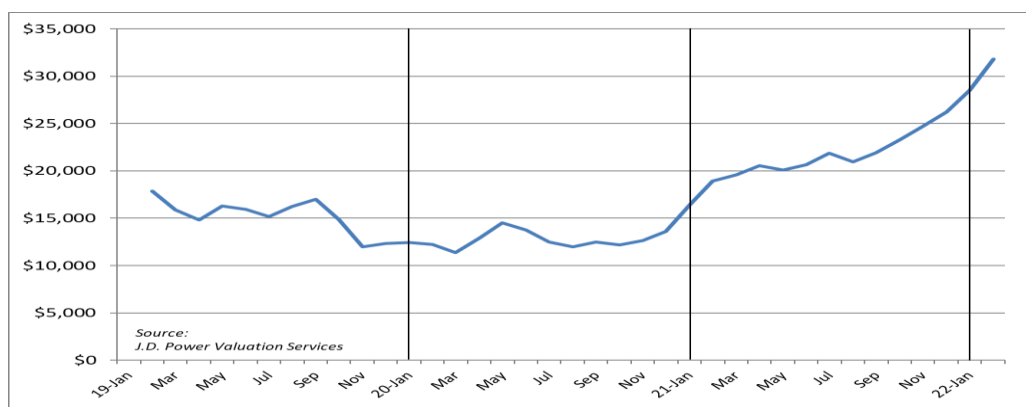


MEDIUM DUTY UPDATE

Medium duty trucks continue to bring historically high pricing across the board. Year-over-year comparisons are eye-opening, with the Class 6 group bringing well over 100% more money in the first two months of 2022 compared with the same period of 2021.

Starting with Class 3-4 cabovers, our benchmark group averaged \$32,961 in February. This figure is \$2,056 (6.7%) higher than January, and \$13,922 (73.1%) higher than February 2021. The first two months of 2022 are running 68.0% ahead of the same period of 2021.

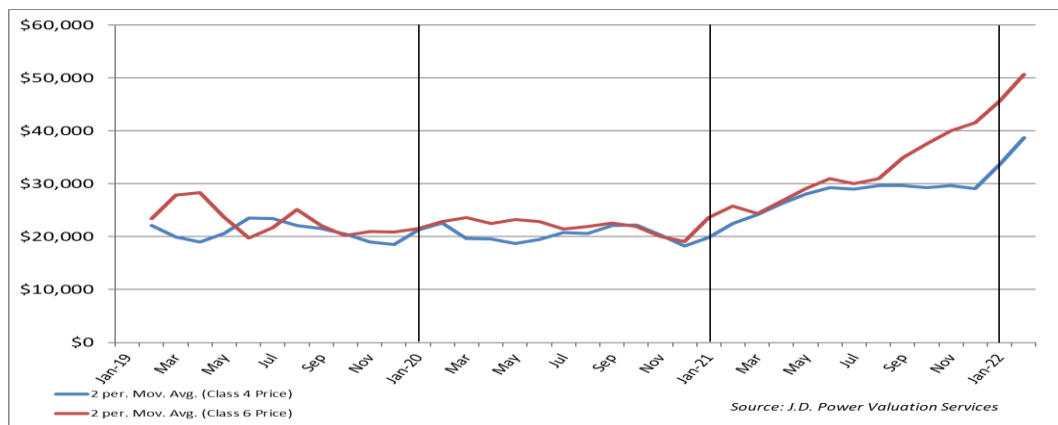
Average Wholesale Selling Price: 4- to 7-Year-Old Class 3-4 Cabovers, Adjusted for Mileage



Looking at Class 4 conventionals, average pricing for our benchmark group was \$38,334 in February, \$712 (1.8%) lower than January and \$15,598 (68.6%) higher than January 2021. The first two months of 2022 are running 72.1% ahead of the same period of 2021.

Class 6 conventional pricing averaged \$51,681 in February, \$2,012 (4.1%) higher than January and \$28,629 (124.2%) higher than February 2021. The first two months of 2022 are averaging 96.7% higher than the same period of 2021.

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



FORECAST

Just as the global supply chain was starting to show the first signs of repair, Russia's invasion of Ukraine set things back substantially. Focusing on the economic impact of the war, both countries are sources of energy and raw materials, including those used to manufacture semiconductors. At this point in mid-March, repercussions are already showing up in the form of spiking crude oil prices and accelerated inflation. Material shortages will worsen incrementally going forward—the last thing the truckmaking industry needs.

To predict the war's effect on trucking, we need to view the current truck shortage in the context of the extremely hot freight market. In 2021, OEMs delivered roughly 18,000 trucks per month. This figure would be only slightly low in a typical economy, but is severely inadequate in the current environment. The first two months of 2022 saw a drop to about 15,000 trucks per month, further exacerbating the shortage.

If nothing changes in the freight market, the parts and materials shortage will keep truck supply well below demand for most of 2022. However, interest rate increases, inflation and the end of individual stimulus were factors already set to potentially place downward pressure on freight. This risk just increased even more thanks to Russia's invasion of Ukraine.

The key question is whether consumers will keep spending and businesses will keep ordering in the face of these negative factors. Overall, the truck shortage is so acute that the freight market could absorb a moderate degree of cooling before any real change to truck pricing appears. Still, we will be closely watching consumer spending and industrial data. A pullback in spending and manufacturing activity would be fairly strong indicators we have passed the peak.

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.