

**J.D. POWER**

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# COMMERCIAL TRUCK GUIDELINES

**INDUSTRY REVIEW**

April 2021

J.D. Power Valuation Services

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## SUMMARY

### Second Quarter Looking Strong in all Segments

March was quite a month for all segments of the used truck industry. On the Class 8 side, auction pricing was the standout, particularly for the newest trucks available. Retail pricing stayed firm at a healthy level. Medium duty trucks had a great month, especially in lighter-GVW segments.

## CLASS 8 AUCTION UPDATE

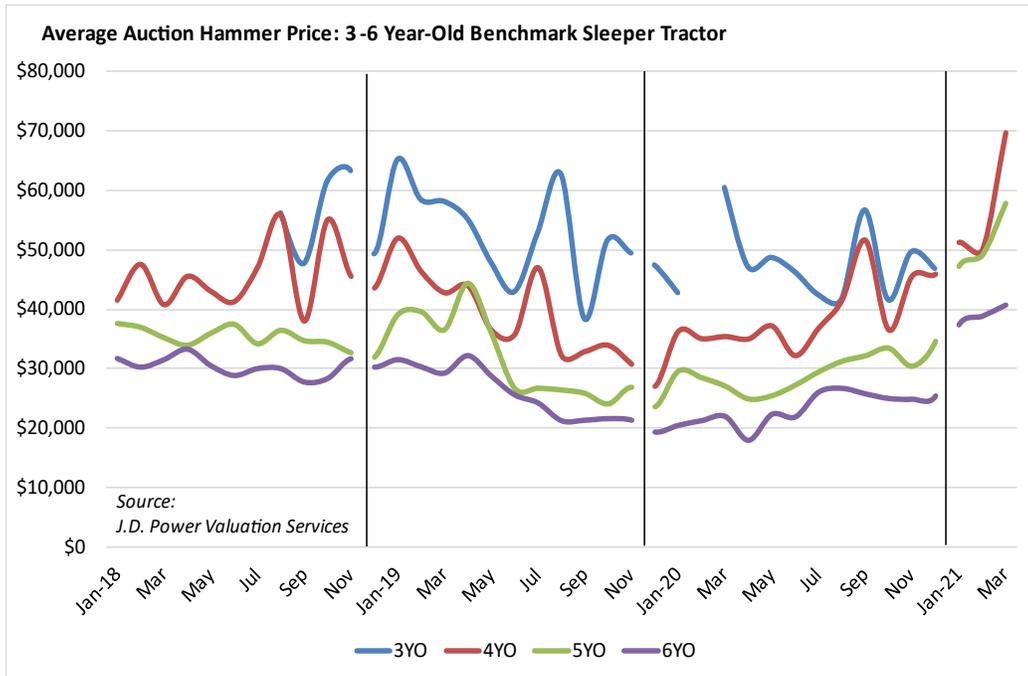
Auction pricing for the newest-available sleeper tractors continues to shoot into the stratosphere. Late-model sleeper tractors are bringing the highest pricing since we started consistently tracking this segment in 2015. There don't appear to be any stories behind this month's hammer prices – the market has spoken. See the average pricing detail for our benchmark truck below.

- Model year 2018: \$69,556 average; \$19,627 (39.3%) higher than February
- Model year 2017: \$57,749 average; \$8,671 (17.7%) higher than February
- Model year 2016: \$40,639 average; \$1,858 (4.8%) higher than February
- Model year 2015: \$27,192 average; \$4,848 (15.1%) lower than February
- Model year 2014: \$23,570 average; \$3,230 (12.1%) lower than February

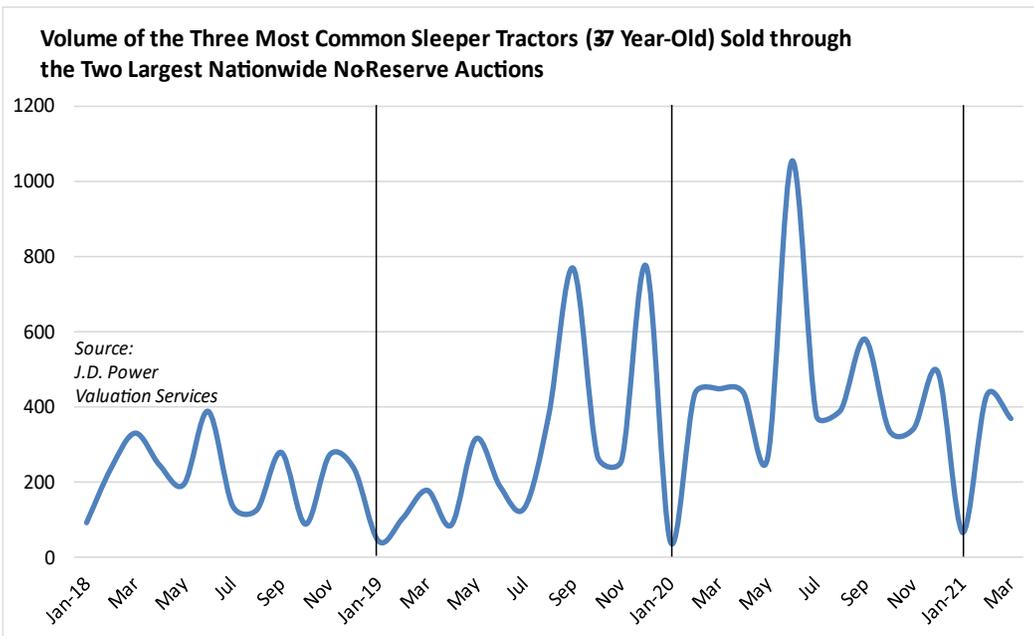
Month-over-month, our benchmark group of 4-6 year-old trucks brought 21.9% more money. Compared to the first 3 months of 2020, this group is running an amazing 72.5% ahead – and that's still mostly a pre-COVID 2020 comparison. We don't expect another 39.3% increase in any month-over-month results, but we do expect the newest trucks in the marketplace to remain a sure bet into the summer.

Late-model sleeper tractors are bringing the highest pricing since we started consistently tracking this segment in 2015.

See the "Average Auction Hammer Price..." and "Volume of the Three Most Common Sleeper Tractors..." graphs for detail.



Compared to the first 3 months of 2020, this group is running an amazing 72.5% ahead...



## CLASS 8 RETAIL UPDATE

Most dealers saw greatly increased sales volume in March, which bodes well for the next few months. The newest trucks available in the marketplace continue to bring strong money.

The average sleeper tractor retailed in March was 68 months old, had 458,197 miles, and brought \$57,489. Compared to February, this average sleeper was 3 months newer, had 8,774 (2.0%) more miles, and brought \$3,102 (4.7%) more money. Compared to March 2020, this average sleeper was 1 month newer, had 3,187 (0.7%) more miles, and brought \$13,148 (29.7%) more money.

Looking at trucks two to six years of age, March's average pricing was as follows:

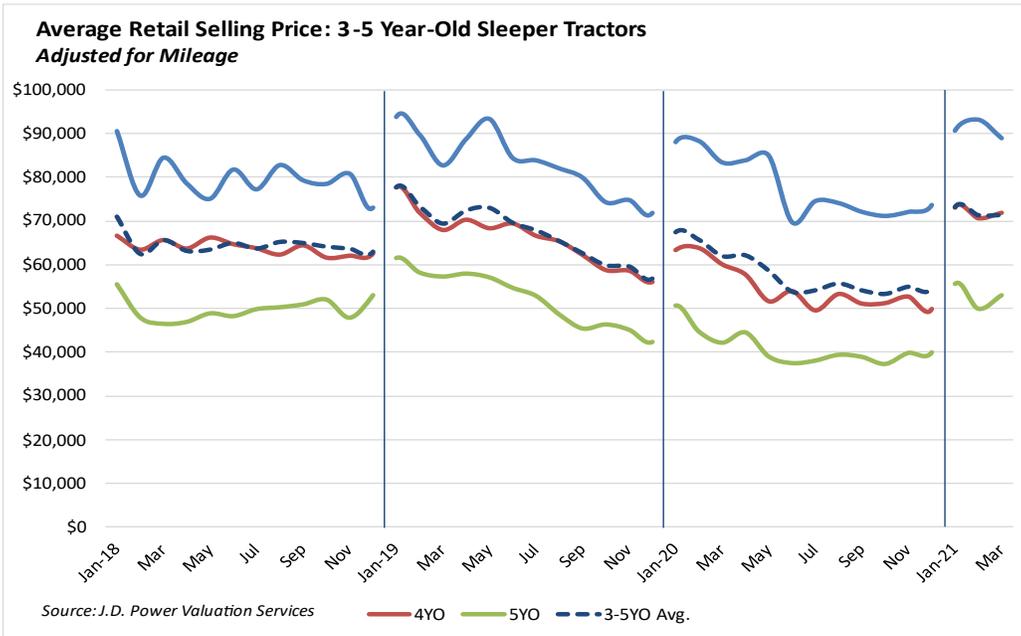
- Model year 2020: \$107,058; \$7,670 (6.7%) lower than February
- Model year 2019: \$89,019; \$4,241 (4.5%) lower than February
- Model year 2018: \$71,814; \$1,246 (1.8%) higher than February
- Model year 2017: \$53,072; \$3,078 (6.2%) higher than February
- Model year 2016: \$43,438; \$3,402 (8.5%) higher than February

Month-over-month, late-model trucks brought essentially identical money. The lower averages for model-years 2020 and 2019 above are due mainly to a larger number of higher-mileage trucks sold, which our mileage adjustment probably did not adequately address in this context. Retail pricing is strong, but not amazing by historical standards. Currently, pricing is similar to early 2019. However, sales volume is higher right now, so it is accurate to say market conditions are at least as strong as the last peak.

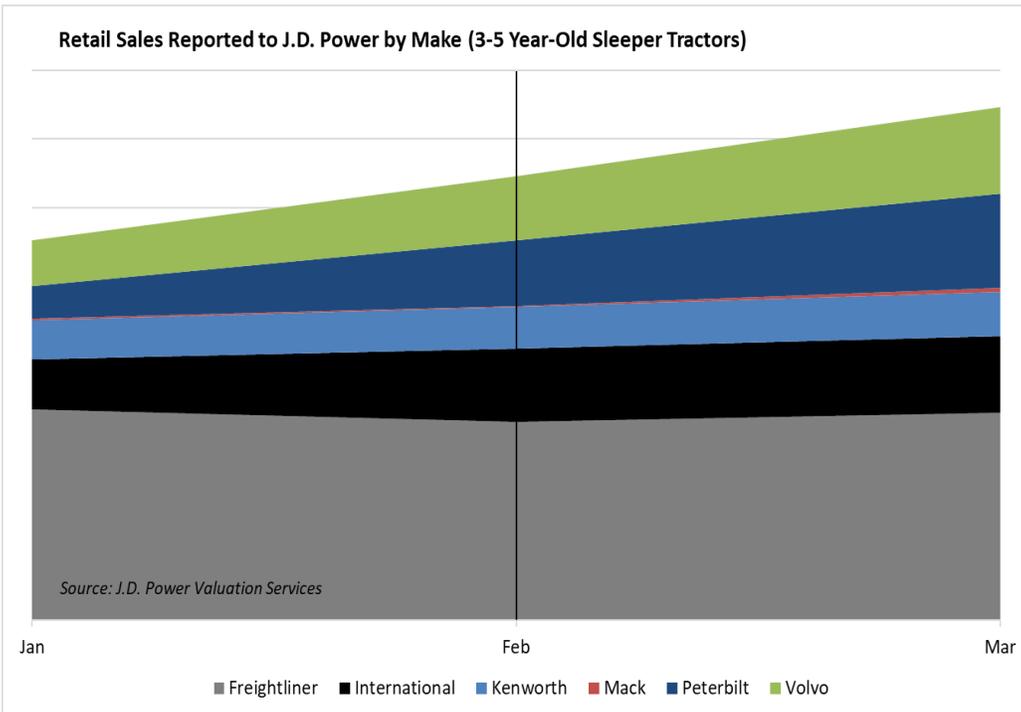
Retail traffic was way up in March. Dealers retailed an average of 5.9 trucks per rooftop this month, 1.3 trucks higher than February, and the strongest result since July of 2014! March is typically a stronger month for dealership traffic, and this year the need for late-model trucks is the most critical in at least a few years. Year-over-year, the first 3 months of 2021 are running a healthy 1.5 trucks ahead of the same period of 2020. We expect dealership traffic to remain solid through the second quarter.

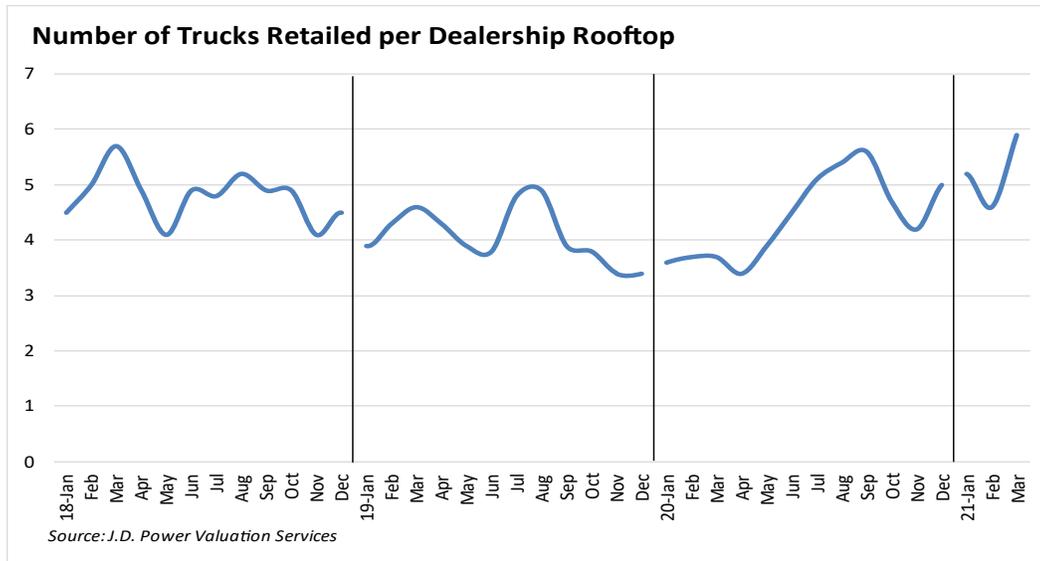
The newest trucks available in the marketplace continue to bring strong money.

See the "Average Retail Selling Price: 3-5 Year-Old Sleeper Tractors," Retail Sales Reported to J.D. Power," and "Number of Trucks Retailed per Dealership Rooftop" graphs for detail.



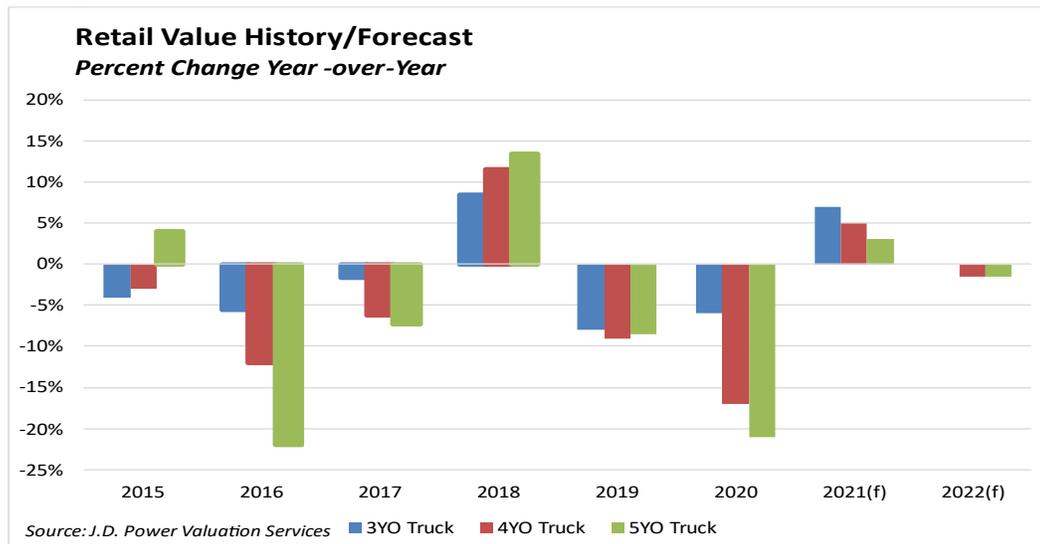
... it is accurate to say market conditions are at least as strong as the last peak.





Looking forward, the newest trucks in the marketplace should see mild to moderate retail appreciation through the second quarter if not longer. Older, higher-mileage trucks are seeing less demand. We still think a higher returning supply of trades combined with a more historically-typical freight environment could limit price appreciation somewhat in the second half of the year. However, these fundamentals could be largely negated by continued new truck constraints and extremely strong consumer spending.

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.



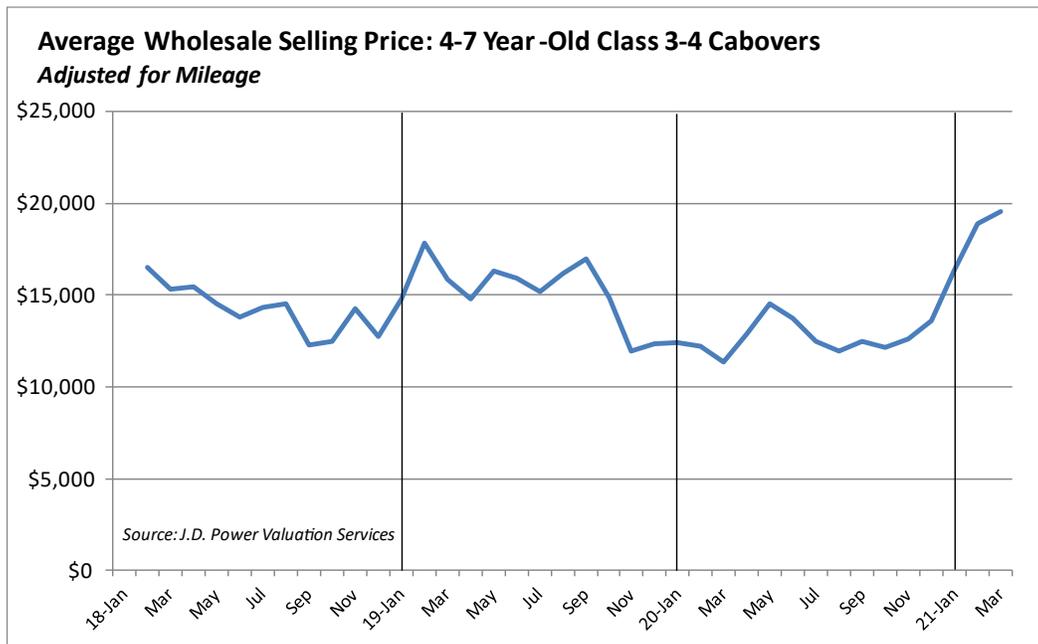
We expect dealership traffic to remain solid through the second quarter.

## MEDIUM DUTY TRUCKS

Medium duty trucks in general are performing strongly. Cabovers are benefiting from very healthy urban and local delivery activity, while lighter-GVW conventionals are seeing demand from contractors, consumer products deliveries, and many other sectors. As with the Class 8 segment, parts shortages are constraining new truck deliveries, so we expect higher demand for the newest medium duty trucks available in the used market.

Starting with Class 3-4 cabovers, March's average for our benchmark group was \$20,074, \$1,035 (5.4%) higher than February, and an incredible \$9,436 (88.7%) higher than March 2020 (March 2020's average was unusually low, so this increase is amplified). The first 3 months of 2021 are running 64.9% higher than the same period of 2020, which appears to be a natural market improvement. Trucks in this segment have appreciated 2.3% per month so far in 2021.

See the "Average Wholesale Selling Price: 4-7 Year-Old Class 3-4 Cabovers" graph for detail.

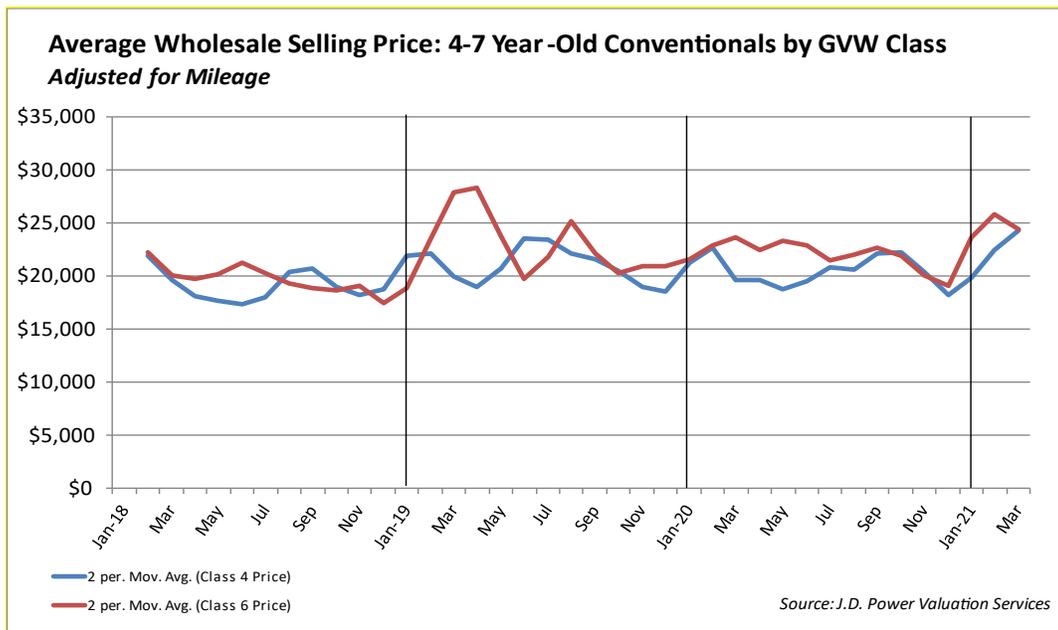


As with the Class 8 segment, parts shortages are constraining new trucks deliveries...

Looking at Class 4 conventionals, average pricing for our benchmark group was \$25,713, \$2,977 (13.1%) higher than February, and \$6,768 (35.7%) higher than March 2020. The first 3 months of 2021 are now running 10.1% ahead of the same period of 2020. Trucks in this segment have appreciated an average of 4.6% per month so far in 2021.

Class 6 conventional pricing averaged \$25,709 in March, a \$2,657 (8.5%) higher than February, and \$2,572 (8.1%) higher than March 2020. The first 3 months of 2021 are running 11.3% ahead of the same period of 2020. Trucks in this segment have lost an average of 2.6% per month so far in 2021.

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



**FORECAST**

According to Ward’s Auto, Class 8 deliveries in March were 22,031. This figure is 22% off the post-Great Recession peak of 28,200 in December 2019. How much of this spread is attributable to parts shortages? With the new truck order environment currently similar to the last cycle peak in early-mid 2018 (based on our interpretation of ACT Research and FTR Intel figures), it is likely a good portion of that 22% difference was due to constraints. Also, keep in mind the repair and replacement parts business is impacted as well, adding incremental demand for used trucks. In view of all this, our prediction that late-model trucks will remain a solid bet into the summer is pretty much a lock, and we won’t be surprised if this dynamic is in place well into the second half of the year. We’ll stop short of guaranteeing a hot market for all of 2021, but March’s results add optimism to our assumptions.

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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 Troy, Michigan, 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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