

J.D. POWER



COMMERCIAL TRUCK GUIDELINES

INDUSTRY REVIEW

May 2020

J.D. Power Valuation Services

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SUMMARY

Class 8 Retail Pricing Held Up in April

In the first full month of sales under the economic shutdown, Class 8 auction volume was relatively healthy, while pricing pulled back. The retail channel saw lower volume but more stable pricing. Medium Duty trucks had a generally lackluster month.

CLASS 8 AUCTION UPDATE

Given the shutdown, we were encouraged to see volume very similar to March, which means seasonal activity returned this year. Pricing was less positive, falling fairly substantially, as expected. But at least trucks are still moving. See below for average pricing detail for our benchmark model.

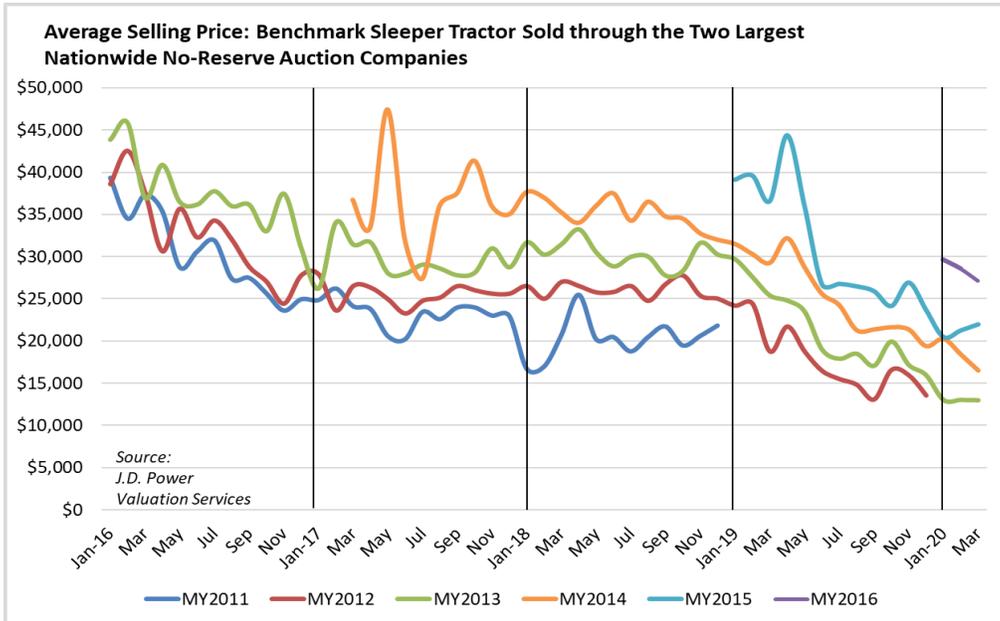
- Model year 2017: \$35,000 average; \$400 (1.1%) lower than March
- Model year 2016: \$25,000 average; \$2,150 (7.9%) lower than March
- Model year 2015: \$18,000 average; \$4,000 (18.2%) lower than March
- Model year 2014: \$15,725 average; \$775 (4.7%) lower than March
- Model year 2013: \$13,750 average; \$775 (6.0%) higher than March

Month-over-month, our benchmark group of 4-6 year-old trucks brought 7.7% less money. In the first 4 months of 2020, pricing averaged 28.6% lower than the same period of 2019. Depreciation in 2020 is now averaging 2.2% per month, a healthy figure given the economic situation.

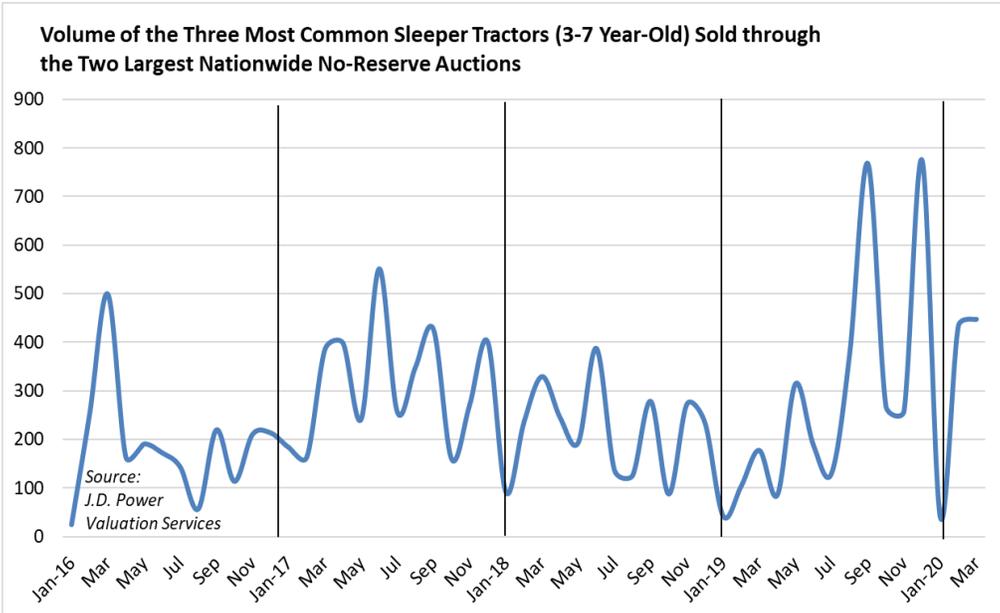
With the economy very gradually opening back up, we could now be at or near the trough for pricing. We could see some uptick in volume in upcoming weeks, but demand will still be limited mainly to replacement iron.

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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 RETAIL UPDATE

Retail pricing continues to outperform auction, and that gap has widened. We expected to see pricing fall more notably in April, following the auction channel. This didn't happen, suggesting the market may have found its bottom.

The average sleeper tractor retailed in April was 61 months old, had 466,621 miles, and brought \$42,292. Compared to March, this average sleeper was 8 months newer, had 11,615 (2.6%) more miles, and brought \$2,032 (4.6%) less money. Compared to April 2019, this average sleeper was 10 months newer, had 1,658 (0.4%) fewer miles, and brought \$14,471 (25.5%) less money.

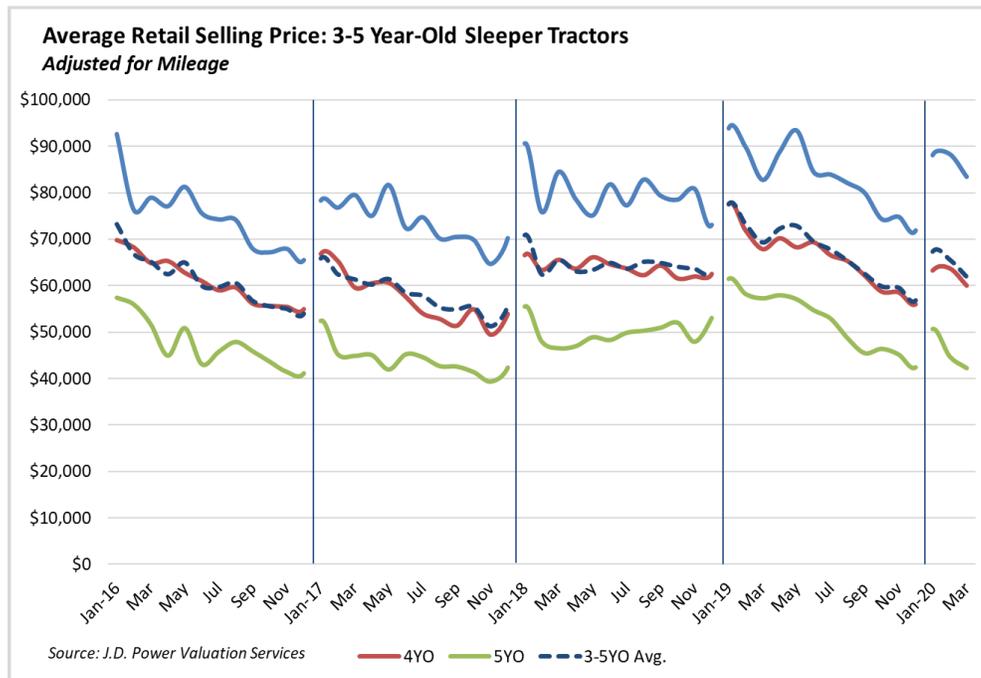
Looking at trucks two to five years of age, April’s average pricing was as follows:

- Model year 2019: \$106,750; \$1,309 (1.2%) higher than March
- Model year 2018: \$83,969; \$485 (0.6%) higher than March
- Model year 2017: \$57,751; \$2,325 (3.9%) lower than March
- Model year 2016: \$44,595; \$2,340 (5.5%) higher than March

Month-over-month, late-model trucks brought 0.3% more money. In the first four months of 2020, pricing averaged 12.2% lower than the same period of 2019. Depreciation in 2020 is averaging 2.2% per month, an improvement from last month’s 2.7%, and a better result than we expected.

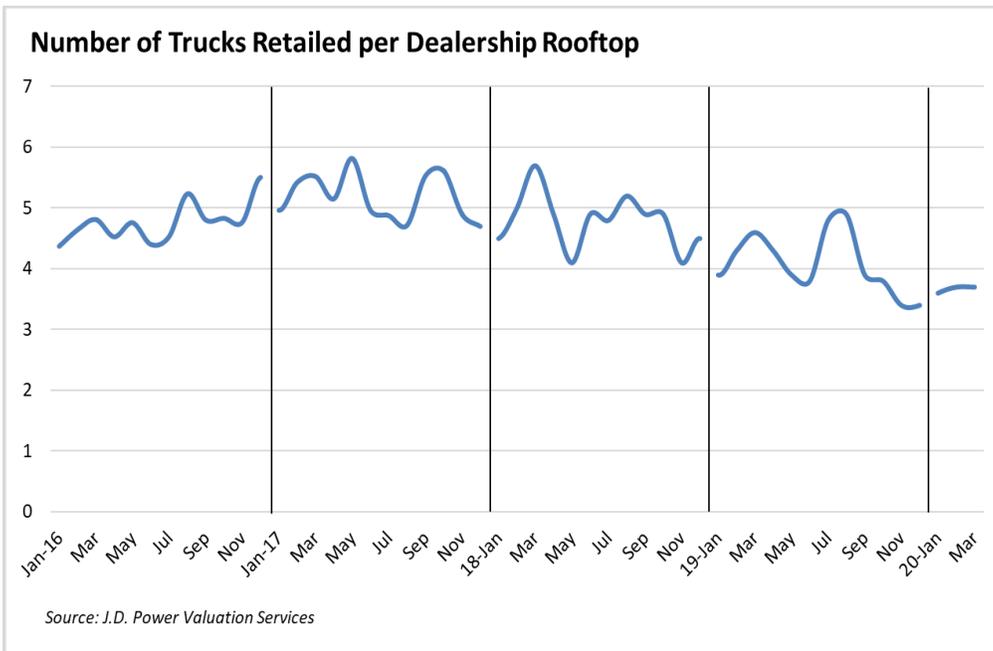
See the “Average Retail Selling Price: 3-5 Year-Old Sleeper Tractors” graph for detail.

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Dealers retailed an average of 3.4 trucks per rooftop in April, 0.3 truck lower than March, and 0.9 truck lower than last April. Retail purchasing remains limited primarily to replacement demand.

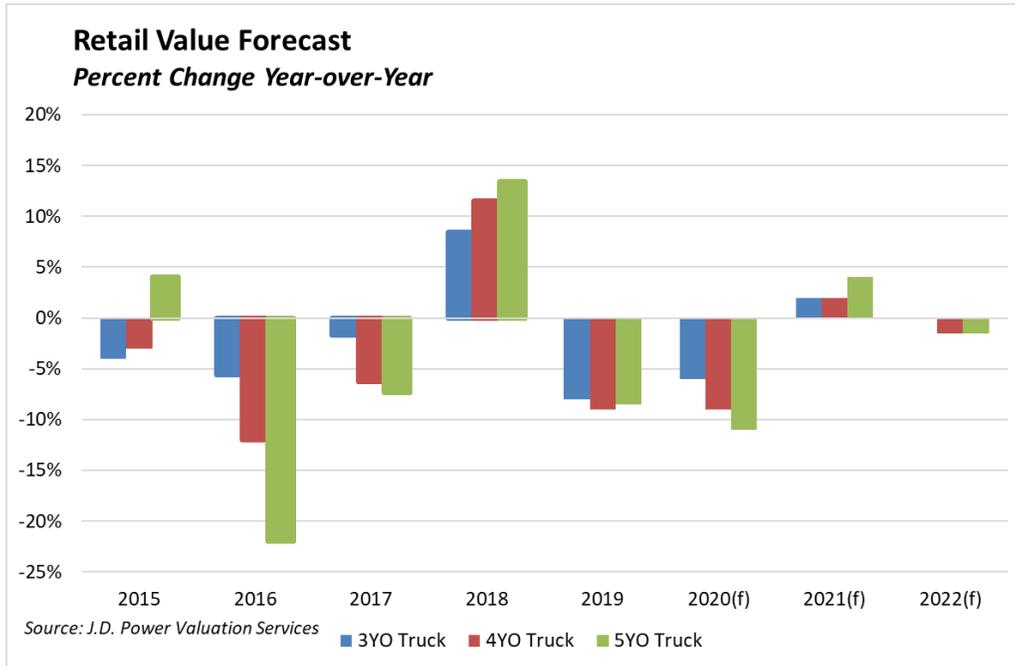
See the “Number of Trucks Retailed per Dealership Rooftop” graph for detail.



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Looking forward, we still see used truck pricing recovering roughly in step with the gradual re-opening of the economy. This means the auction market should see some firming in the summer, followed by mild to moderate increases in the fall and into 2021 (with some pauses here and there, particularly in October and November).

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

Volume was down across the board. Pricing was mixed.

Starting with Class 3 – 4 cabovers, a newer mix of trucks combined with a small sample size pushed our average much higher than last month. April’s average for our benchmark group was \$15,144, \$4,506 (42.4%) higher than March, and \$486 (3.3%) higher than April 2019. The first 4 months of 2020 are averaging 23.0% lower than the same period of 2019. April’s outlier result pushed our monthly depreciation average into the appreciation zone. We do not consider this result representative of the market, so we will revisit this figure next month.

Looking at Class 4 conventionals, average pricing for our benchmark group was \$20,263, \$1,318 (7.0%) higher than March, and \$2,484 (14.0%) higher than April 2019. The first 4 months of 2020 are averaging 3.8% higher than the same period of 2019. Depreciation is averaging 4.7% per month this year.

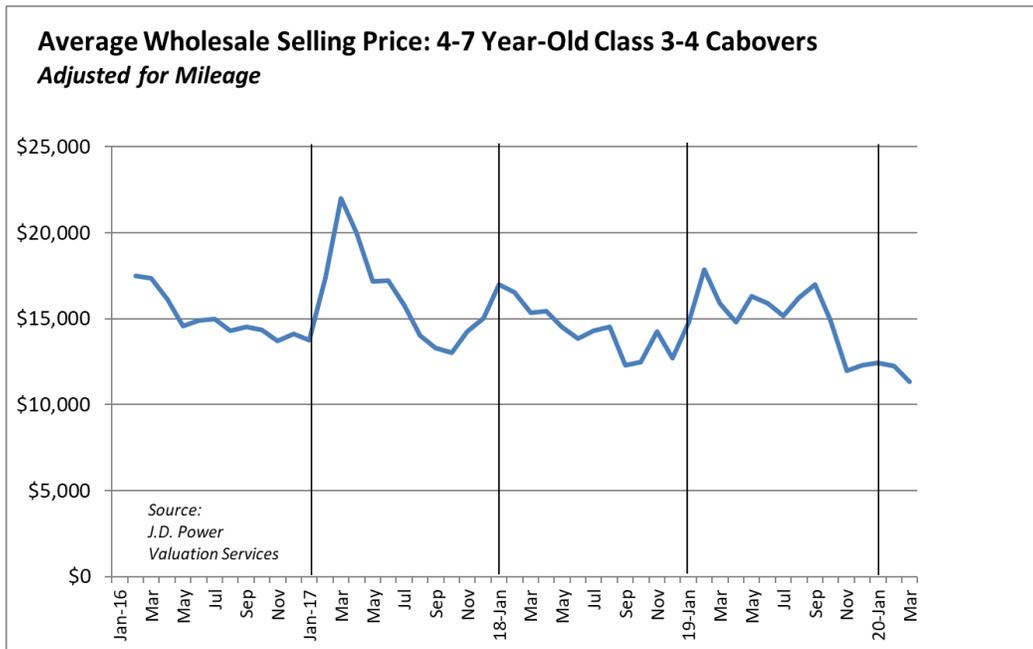
Class 6 conventional pricing averaged \$19,045 in April, \$2,527 (11.7%) lower than March, and \$7,436 (28.1%) lower than April 2019. The first 4 months of 2020 are averaging 16.4% lower than the same period of 2019. Depreciation is averaging 4.0% per month this year.

We were somewhat encouraged by pricing data, particularly for light-GVW conventionals, suggesting there’s still demand among the contractors, delivery

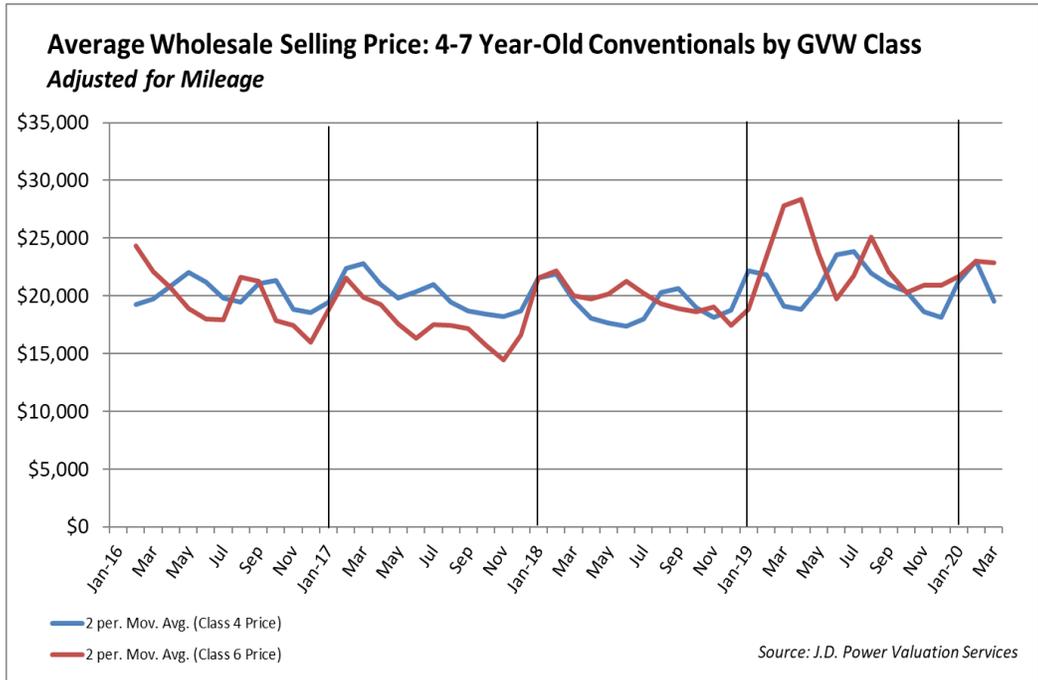
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operations, small business owners, and other segments that buy trucks in this category. On the other hand, volume for all GVW classes was somewhat disappointing, suggesting a broader pullback in demand for the medium duty segment overall. We had predicted medium duty trucks to weather this storm fairly well, since local deliveries and construction activity have not been curtailed appreciably. With that in mind, we'll see if volume improves next month. As the country gradually opens back up, there's more positive than negative pressure in the marketplace.

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.



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Forecast

Cautious optimism is in the air as the country very gradually reopens. At the time of this writing, freight volumes look to be lifting off slightly from the post-stockpiling trough. Those measures should improve mildly, in step with the incremental increase in business activity. There will be no shortage of used trucks at least through summer, but the worst of the depreciation should be behind us. We haven't appreciably changed our residual value forecasts for Q2-Q4 of 2021, and we still see pricing returning close to our existing trend by that time.

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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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