

J.D. POWER



COMMERCIAL TRUCK GUIDELINES

INDUSTRY REVIEW

May 2021

J.D. Power Valuation Services

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SUMMARY

Used Truck Industry Rocks and Rolls for another Month

Trucks of all sizes and applications continue to appreciate. Auction pricing remains sky-high. Retail pricing is increasing. Medium duty trucks had another great month.

CLASS 8 AUCTION UPDATE

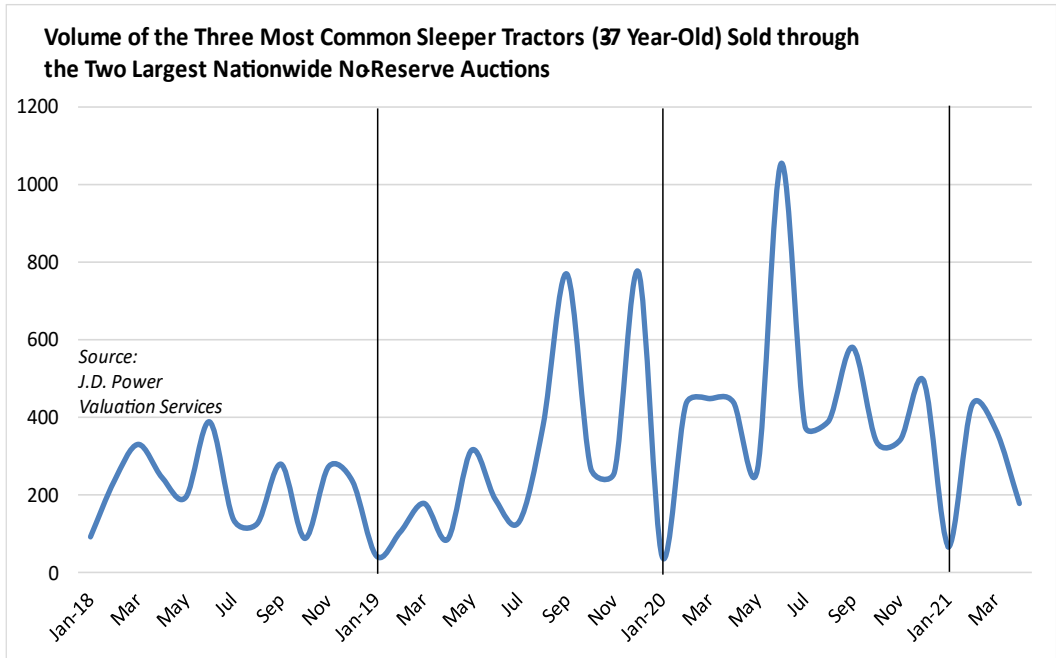
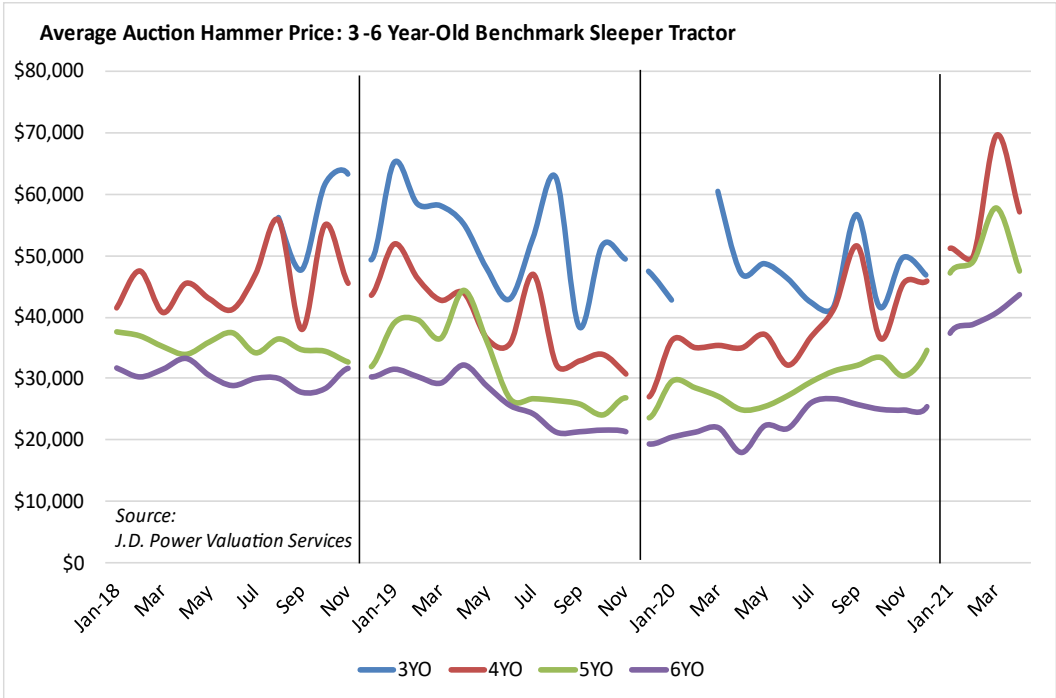
The supply of late-model sleeper tractors remains tight, and pricing continues to impress. Pricing for trucks with under 600,000 miles is in the stratosphere. High-mileage trucks impacted our averages this month, so the figures below don't adequately convey the spread in pricing between a higher-mileage truck and a lower-mileage truck. For example, model-year 2018 trucks with under 500,000 miles are auctioning in the \$70,000 range. See the chart below for April results:

- Model year 2018: \$57,115 average; \$12,441 (17.9%) lower than March
- Model year 2017: \$47,520 average; \$10,229 (17.7%) lower than March
- Model year 2016: \$43,595 average; \$2,956 (7.3%) higher than March
- Model year 2015: \$37,269 average; \$10,077 (37.1%) higher than March
- Model year 2014: \$25,458 average; \$1,888 (2.0%) higher than March

Pricing for trucks with under 600,000 miles is in the stratosphere.

Month-over-month, our benchmark group of 4-6 year-old trucks brought 12.2% less money, but again, this decrease is due to a changing mix of trucks in our sample, not a decline in pricing for individual trucks. Compared to the first 4 months of 2020, this group is running an amazing 76.6% ahead. We don't see much relaxation in pricing for trucks with average to low mileage for at least another two months.

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



Compared to the first 4 months of 2020, this group is running an amazing 76.6% ahead.

CLASS 8 RETAIL UPDATE

Retail sales per dealership were healthy for another month, and probably would have been higher if dealers had a better selection of trucks to sell. Pricing continues to increase.

The average sleeper tractor retailed in April was 68 months old, had 432,099 miles, and brought \$62,786. Compared to March, this average sleeper was identical in age, had 25,779 (5.6%) fewer miles, and brought \$5,238 (9.1%) more money. Compared to April 2020, this average sleeper was 7 months older, had 34,740 (7.4%) more miles, and brought \$20,514 (48.5%) more money.

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

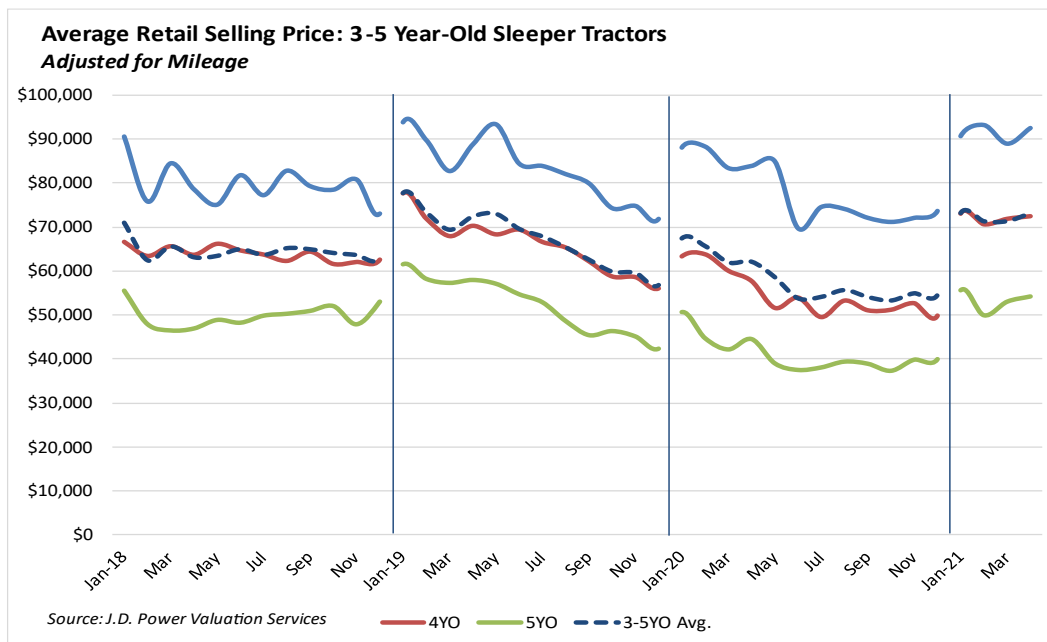
- Model year 2020: \$111,900; \$4,842 (4.5%) higher than March
- Model year 2019: \$92,579; \$3,560 (4.0%) higher than March
- Model year 2018: \$72,406; \$592 (0.8%) higher than March
- Model year 2017: \$54,259; \$1,187 (2.2%) higher than March
- Model year 2016: \$45,752; \$2,314 (5.3%) higher than March

Month-over-month, late-model trucks brought 2.5% more money. In the first 4 months of 2021, late-model trucks are running 12.4% ahead of the same period of 2020. Retail pricing has been on the rise since the 4th quarter of last year, but those increases have been more gradual than in the auction channel. On average, pricing is still similar to the last market peak in early 2019. In the short term, pricing will continue to increase, and we might see historically-high retail pricing before conditions start to relax.

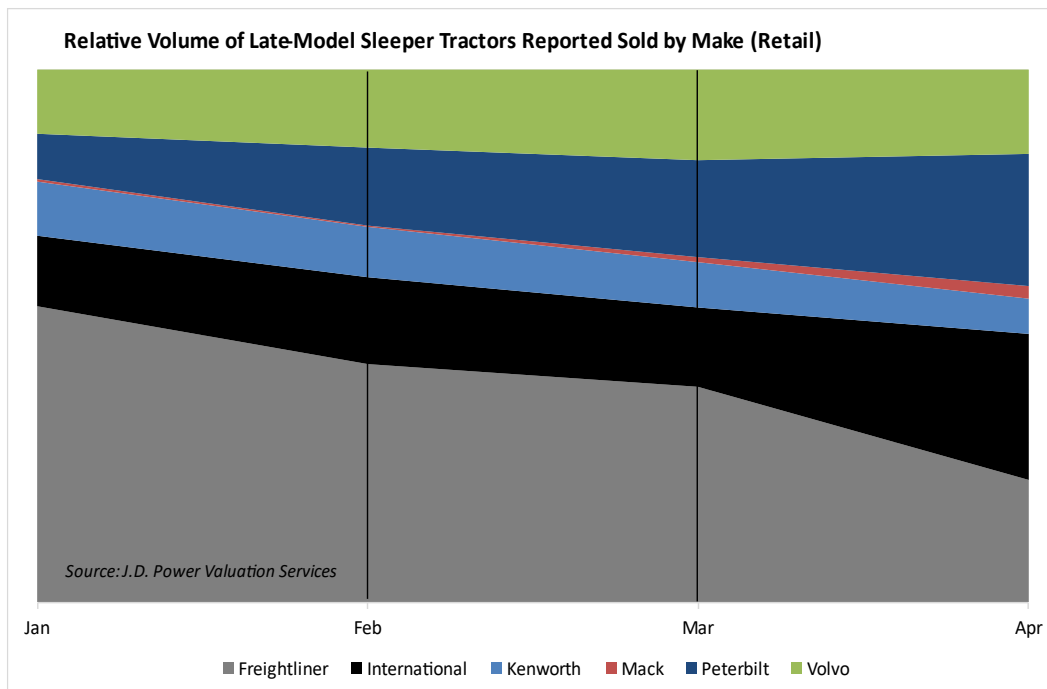
Looking at retail sales per dealership, our average pulled back slightly from March's very impressive result. Dealers retailed an average of 5.6 trucks this month, 0.3 trucks lower than March. Year-over-year, the first 4 months of 2021 are running a healthy 1.7 trucks ahead of the same period of 2020. It is likely these figures would be higher if dealers had a larger selection of trucks to sell. Still, these results are on par with historically normal periods, and we expect dealership traffic to remain solid into the 3rd quarter.

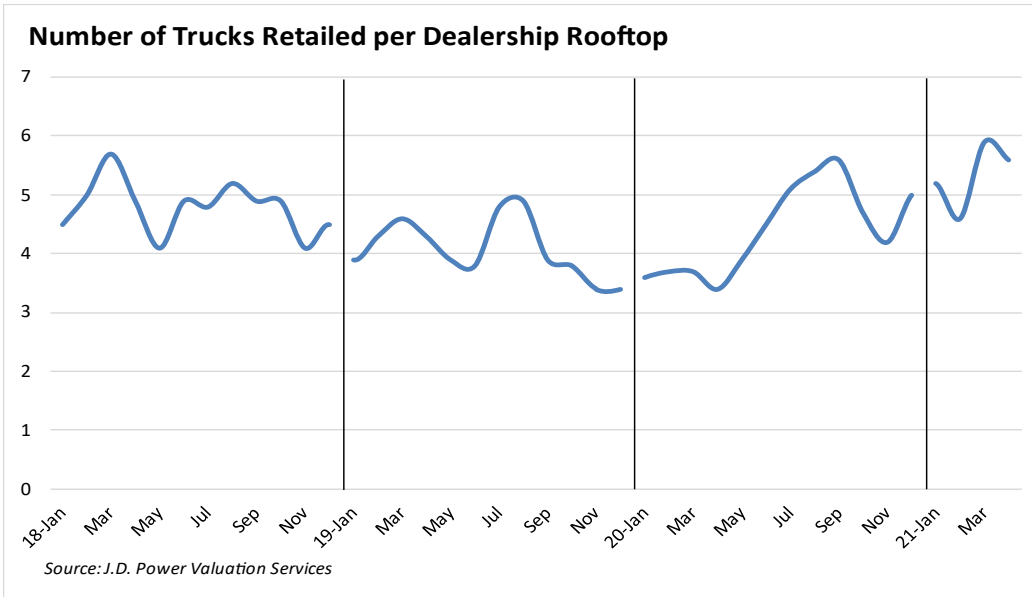
...we might see historically-high retail pricing before conditions start to relax.

See the "Average Retail Selling Price: 3-5 Year-Old Sleeper Tractors," "Relative Volume of Late-Model Sleeper Tractors Reported...", and "Number of Trucks Retailed per Dealership Rooftop" graphs for detail.



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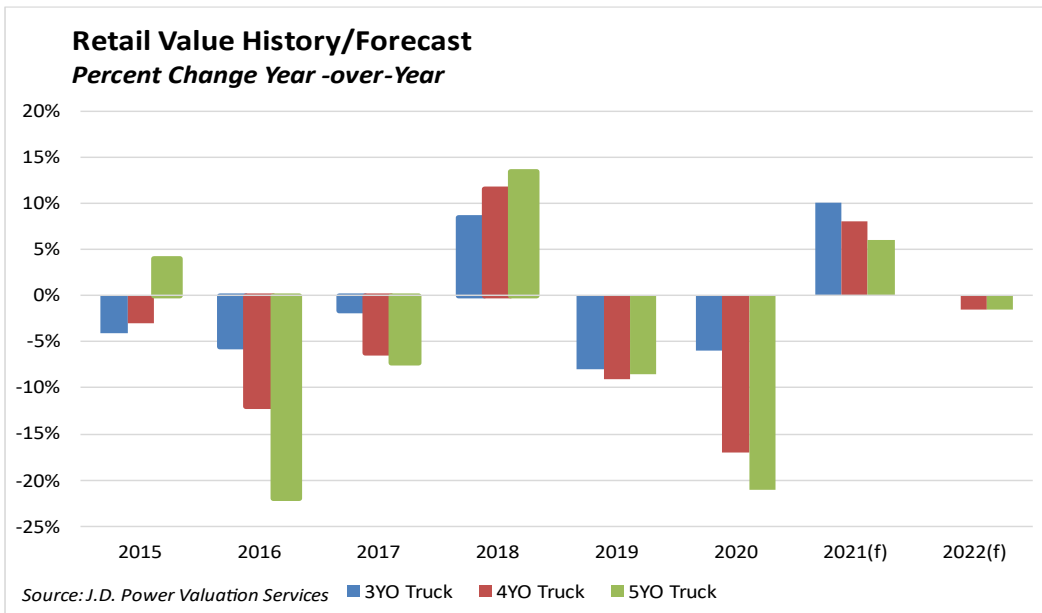




Looking forward, most trucks should see mild to moderate retail appreciation into the 3rd quarter. Later in the year, economic factors should start moving back towards trend, and truck availability should expand, limiting price appreciation somewhat.

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.

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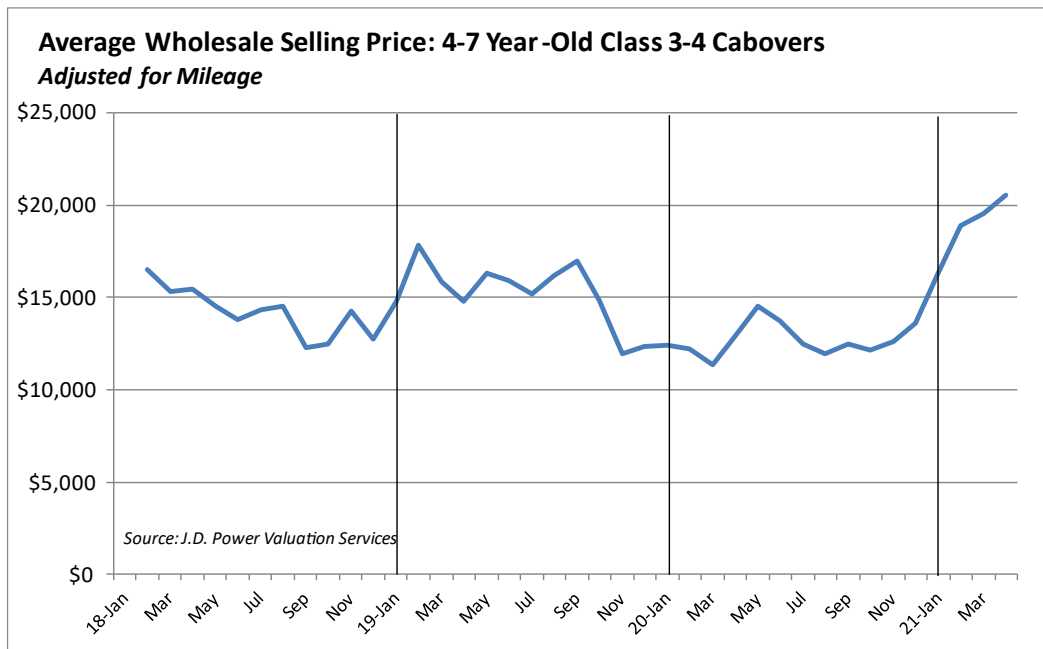


MEDIUM DUTY TRUCKS

Medium duty truck pricing continues to benefit from strong demand in last-mile, general freight, contractor, vocational, and many other segments. The tight supply of new trucks is providing an additional assist. We expect very strong year-over-year comparisons for at least another couple of months.

Starting with Class 3-4 cabovers, April’s average for our benchmark group was \$21,020, \$946 (4.7%) higher than March, and \$5,876 (38.8%) higher than April 2020. The first 4 months of 2021 are running 57.1% higher than the same period of 2020. Trucks in this segment have appreciated 3.2% per month so far in 2021.

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

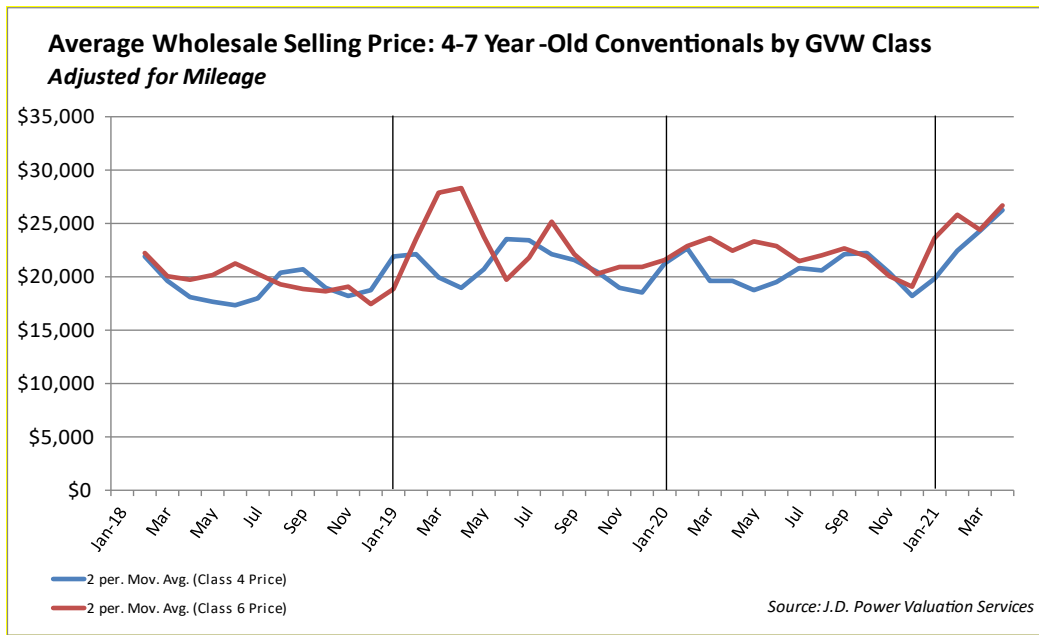


We expect very strong year-over-year comparisons for at least another couple of months.

Looking at Class 4 conventionals, average pricing for our benchmark group was \$26,723, \$1,010 (3.9%) higher than March, and \$6,460 (31.9%) higher than April 2020. The first 4 months of 2021 are now running 15.4% ahead of the same period of 2020. Trucks in this segment have appreciated an average of 5.2% per month so far in 2021.

Class 6 conventional pricing averaged \$27,702 in April, \$1,993 (7.8%) higher than March, and \$5,904 (27.1%) higher than April 2020. The first 4 months of 2021 are running 15.0% ahead of the same period of 2020. After dipping in February, pricing has increased each month, resulting in a flat depreciation trendline so far this year.

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



FORECAST

For a year now, used truck pricing has been driven by extremely strong demand for freight combined with a limited supply of new and used trucks. When will the freight market relax, and when will new and used truck availability expand?

On the freight front, we’re assuming consumer spending on goods has some expansion left, as we’re just now reaching where we left off pre-COVID. Major tailwinds for freight include stimulus benefits (for now), improving employment, the shift to permanent work-from-home, changing residential patterns, and inventory bottlenecks. The main headwinds will be the cessation of benefits, inflation, and an incremental shift in spending from goods to services.

... we see status quo for at least another two months.

On the supply side, firms that track the number of trucks available to move freight show a very small increase as 2021 progresses. Looking at used trucks, we see a mild to moderate increase in supply of off-trade units starting sometime in the 3rd quarter, assuming new truck production constraints gradually improve.

Based on all these considerations, we see status quo for at least another two months. After that, conditions should start to feel a little more “normal.” Most analysts do not predict any drastic economic changes. However, the used truck market usually shifts more rapidly and drastically than the general macroeconomy, as anyone who has observed a few boom and bust cycles will attest. So watch the auctions for an uptick in off-lease units.

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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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