MAY 2022 COMMERCIAL VEHICLE MARKET UPDATE

CLASS 8 AUCTION UPDATE

After 18 months of unprecedented price appreciation, used truck pricing has crested the peak. Pricing is still extremely high by historical standards—particularly for the newest trucks available—but hammer prices for all trucks sold in April 2022 and early May 2022 were noticeably lower than earlier in the year.

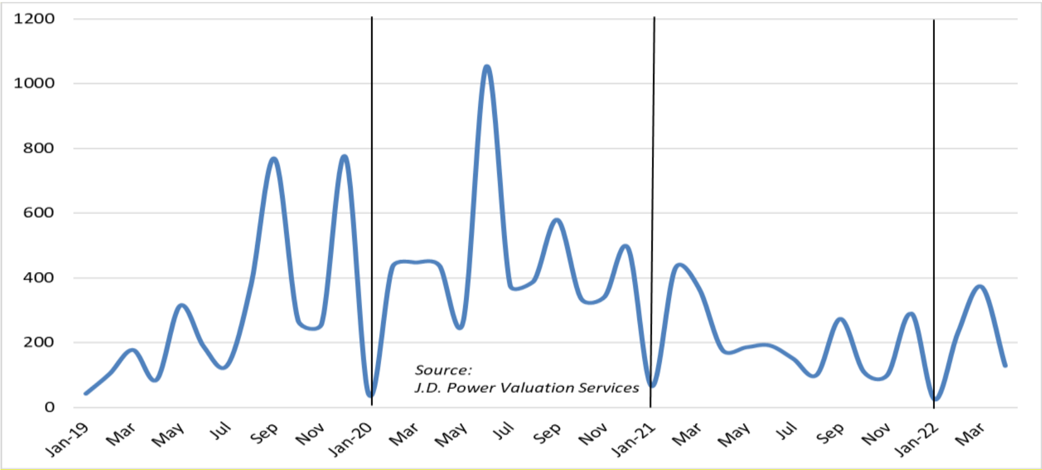
Looking at two- to six-year-old trucks, April's average pricing for our benchmark was as follows:

- Model year 2021: No trucks sold in April
- Model year 2020: $153,580; $5,920 (3.7%) lower than March
- Model year 2019: $112,785; $4,962 (4.2%) lower than March
- Model year 2018: $98,188; $2,879 (3.0%) higher than March
- Model year 2017: $59,302; $14,682 (19.8%) lower than March

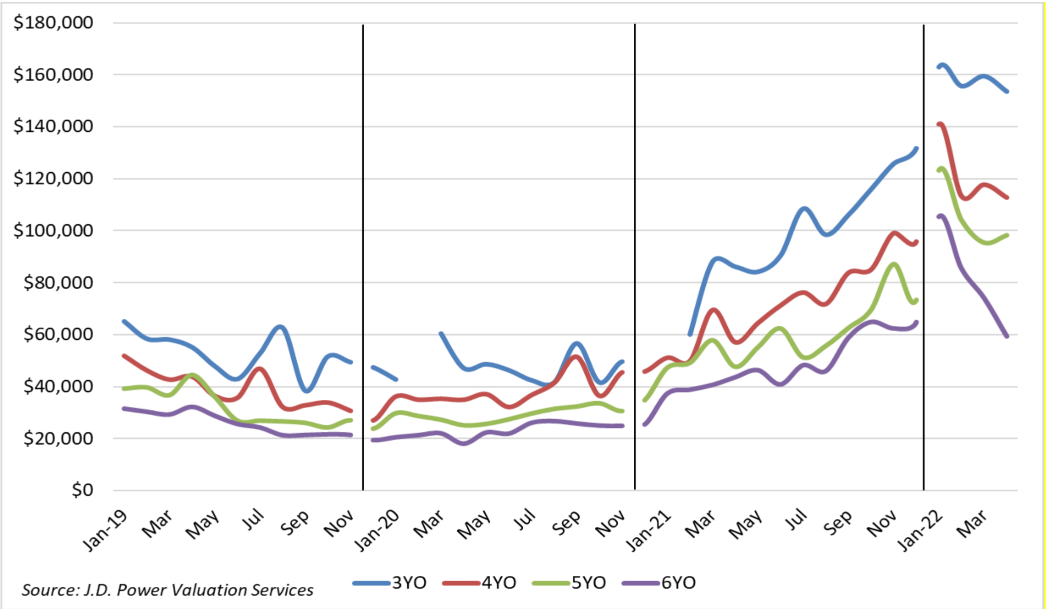
In April, three- to five-year-old trucks averaged 2.1% less money than March, and 75.5% more money than April 2021. Year over year, late-model trucks sold in the first four months of 2022 averaged 112.2% more money than the same period of 2021. The extreme drop in model-year 2017 trucks in the table above is due partly to a low-spec mix of trucks sold in April combined with a small sample size that provided a somewhat misleading result. Nonetheless, pricing for six-year-old trucks was still clearly lower than March. Year-to-date, four- to six-year-old sleepers have depreciated 6.9% per month on average, but that includes the less-valid 2017 result.

The socioeconomic changes we've been talking about for more than a year are finally coming to bear and affecting used truck market dynamics. See the Forecast section at the end of this document for the full 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

Retail selling prices usually take 2-3 months to adjust to market shifts, and April's strong results showed buyers were still paying money near historic highs. It is likely dealers worked a little harder for sales, particularly later in the month.

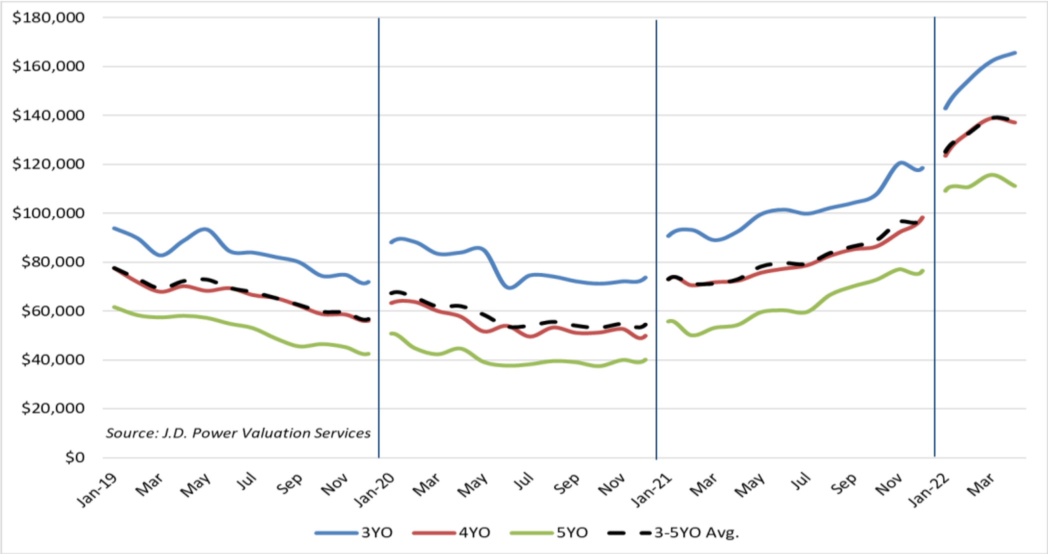
The average sleeper tractor retailed in April was 73 months old, had 448,640 miles and brought $113,060. After setting a record every month since March 2021, this figure finally pulled back. Compared with March 2022, this average sleeper was five months older, had 12,772 (2.8%) fewer miles, and brought $4,498 (3.8%) less money. Compared with April 2021, this average sleeper was five months older, had 13,362 (3.1%) more miles, and brought $50,498 (80.7%) more money.

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

- Model year 2021: $197,563; $16,437 (9.1%) higher than March
- Model year 2020: $165,660; $3,377 (2.1%) higher than March
- Model year 2019: $137,093; $1,798 (1.3%) lower than March
- Model year 2018: $111,057; $4,513 (3.9%) lower than March
- Model year 2017: $86,631; $4,307 (5.2%) higher than March

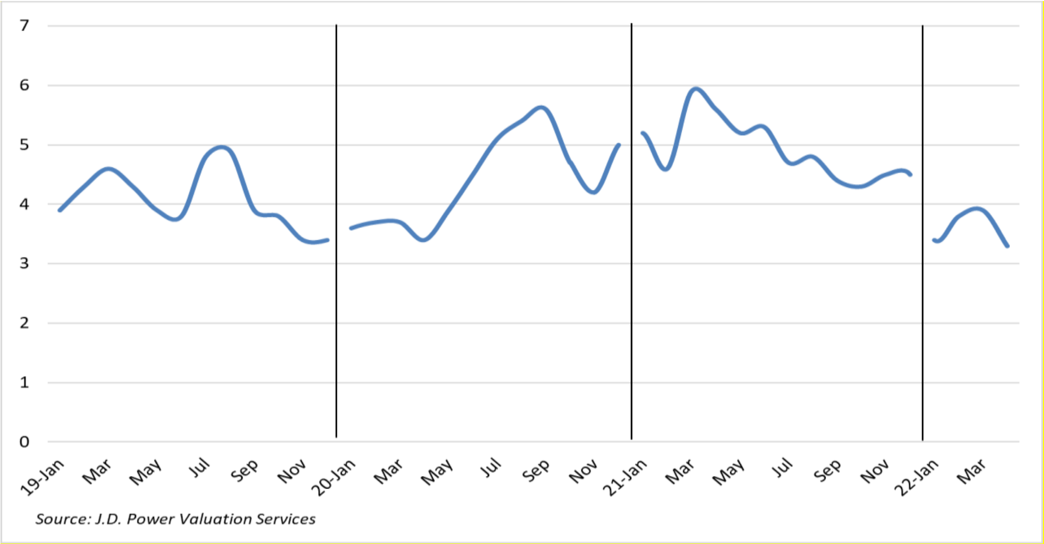
Three- to five-year-old trucks brought an average of 0.7% more money in April than March. Trucks in this age group brought 79.9% more money in the first four months of 2022 than the same period of 2021. Year to date, late-model sleepers have increased an average of 2.7% per month in value. This figure should decrease and flip to depreciation in upcoming months.

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



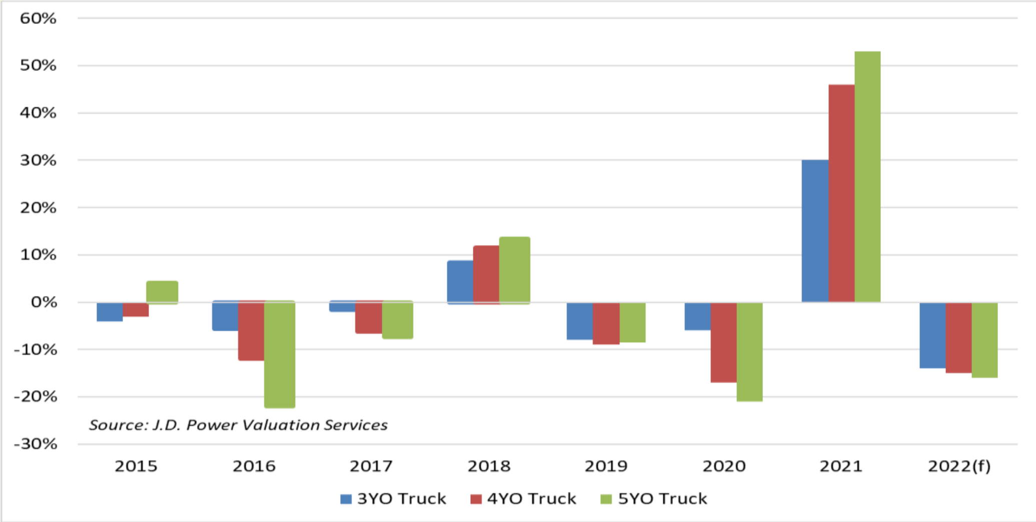
Dealers retailed an average of 3.3 trucks per rooftop in April, 0.6 less than March. The market shift in the auction channel had not yet spilled over to the retail channel in April, although slightly cooler demand may have played a role in this month's results, for the first time since 2020.

Number of Trucks Retailed per Dealership Rooftop

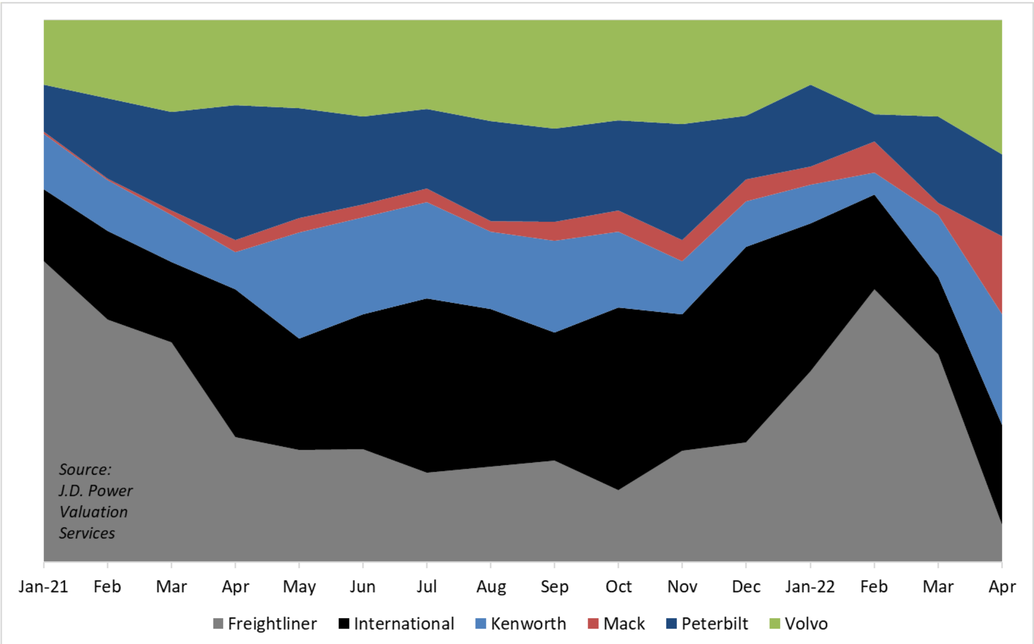


As we suspected, the relationship between the freight environment and truck supply is looking different as we enter the second half of the year. We had predicted strong used truck pricing through the first half, and while pricing is still strong by historical standards, the initial correction happened a month or two earlier than anticipated—at least in the auction channel. The chart below references retail pricing, which did not show notable downward movement in April. Year-over-year auction comparisons will be more negative than retail in next couple of months. 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)

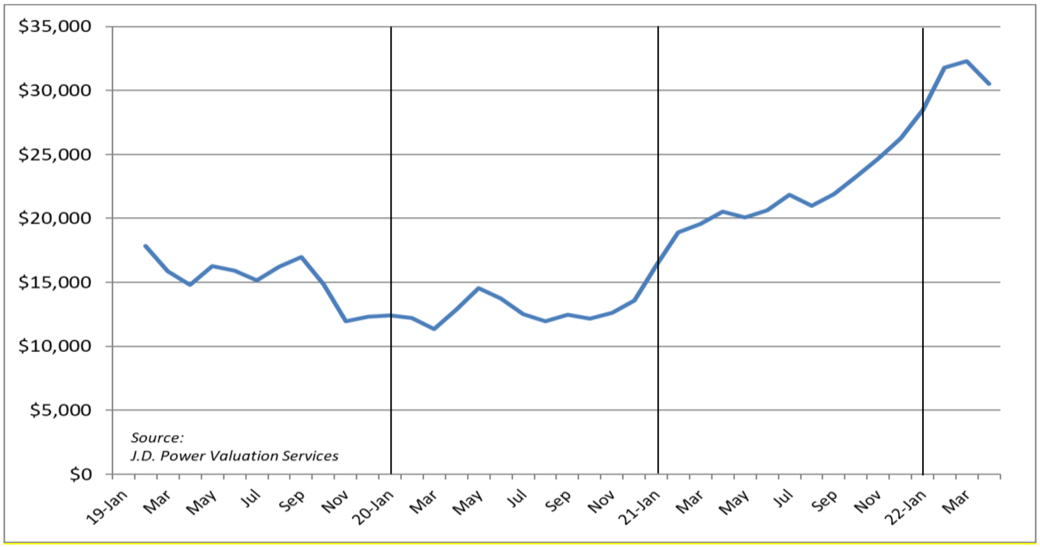


MEDIUM DUTY UPDATE

The medium duty conventional market went a bit haywire in April, with an unusually large volume of newer trucks selling in the two segments we track for this report. We do adjust for age and mileage, but unusually lopsided data is beyond the scope of our adjustments. As such, our average selling price for both cohorts was boosted to extremely high levels—the highest, in fact, in the 15 years that J.D. Power has been tracking those segments. Our assumption is this first substantial batch of newer off-trade units in 18 months had buyers climbing over each other. The cabover market behaved more normally.

Starting with Class 3-4 cabovers, our benchmark group averaged $29,138 in April. This figure is $2,731 (8.6%) lower than March, and $8,118 (38.6%) higher than March 2021. The first four months of 2022 are running 57.8% ahead of the same period of 2021. In 2022, trucks in this group have depreciated 1.5% per month on average, but this trend could level out or reverse given fluctuating availability.

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 $48,337 in April, $11,556 (31.4%) higher than March and $21,614 (80.9%) higher than April 2021. The first four months of 2022 are running 66.9% ahead of the same period of 2021. As mentioned above, we are putting a big asterisk next to this month's results, since the sales data was weighted so heavily to newer trucks. Looking at pricing to date in 2022, our Class 4 cohort showed 2.5% depreciation on average if we exclude April's lopsided result. If April is included, that average flips to 4.4% appreciation. The only conclusion to be drawn here is the market is still behaving unpredictably based on incoming supply of available units.

Class 6 conventionals were even more out of whack, returning average pricing of $65,328 in April, $15,795 (31.9%) higher than March and $37,536 (135.5%) higher than April 2021. The first four months of 2022 are running 105.9% ahead of the same period of 2021. As with the Class 4 segment, consider this month's result an anomaly. Looking at average monthly appreciation/depreciation to date in 2022, Class 6's showed no change from January through March, but if April's result is included, that figure increases to 2.3% appreciation. Class 6 buyers were salivating over this first batch of available newer units. We'll see how pricing holds up going forward as additional newer units hit the market.

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

FORECAST

The socioeconomic effect of the post-shutdown "return towards normality" is finally emerging as we near the second half of the year. The end of individual stimulus, non-zero interest rates, increased inventories, a fully functional service industry, a widespread return-to-office and spiking inflation are finally causing the freight environment to pull back from white-hot conditions. Spot rates have been on the decline since February, and volume has cooled recently. Combine that data with a greatly expanded number of seated trucks available to move that freight, and we have the ingredients for a pullback from extreme used truck valuations.

For perspective, in the 11-year period between the end of the Great Recession and the beginning of the COVID-19 era, the typical four-year-old sleeper tractor sold at auction in a range of roughly $30,000-$50,000, ebbing and flowing with traditional boom and bust cycles. That same four-year-old sleeper peaked at about $118,000 early this year—a roughly 136% increase over the highest pre-pandemic peak. Hopefully, no one thought a 130%+ increase in pricing during the span of 18 months was the permanent new normal, and we've certainly advised clients since day one to be prepared for an eventual pullback towards trend.

On the new side, Class 8 deliveries in 2022 are following a pattern similar to 2021, with a weak January and February followed by a somewhat stronger March and April. We have no way of knowing if future months will hit and sustain the mid-20,000 range required to fulfill the orders of the past 18 months—or if buyers will still want 100% of those orders—but we're assuming production will look somewhat healthier in 2022 than 2021. That's great for customers who have been desperate for new iron, but it also portends more trade-ins and a higher volume of used trucks now that the freight economy is contracting.

So, the question now is: How much will pricing decline, and how quickly? In terms of time, the most recent boom-to-bust pricing cycle in 2019 took 8-10 months to unfold. Currently, we're coming off the superheated conditions of mid-2020 to early 2022, where the peaks in both truck and freight pricing were much higher than 2019. Whether this contraction levels out near historic trend or overcorrects to the downside depends largely on the global supply chain (specifically the ongoing "everything shortage" and resultant inflation) and general consumer conditions (including employment and financial trends). The economic cycle is pretty clearly entering a contraction phase, and extremely tough year-over-year comparisons (which will inevitably be misinterpreted to some extent) will fuel negative sentiment. For the best perspective on the actual relative health of the economy, compare data to pre-pandemic trends.

Weighing all these factors, we see the pricing correction playing out in the short term, with the longer-term outlook dependent on degree of macroeconomic contraction. Expect the biggest hits to come early.

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.