

J.D. POWER



COMMERCIAL TRUCK GUIDELINES

INDUSTRY REVIEW

July 2020

J.D. Power Valuation Services

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SUMMARY

Mid-Year Market Shift

Medium Duty and Class 8 volumes were much higher across the board in June. Pricing for average-mileage Class 8 trucks continues to depreciate, but the lowest-mileage iron is increasing in value.

CLASS 8 AUCTION UPDATE

Volume rose substantially in June, and was in fact the highest we've seen for our benchmark group since at least late 2015. Pricing was fairly solid, with month-over-month declines driven mainly by large packages of identical trucks. Newer, low-mileage trucks now look to be increasing in value. See below for average pricing detail for our benchmark truck.

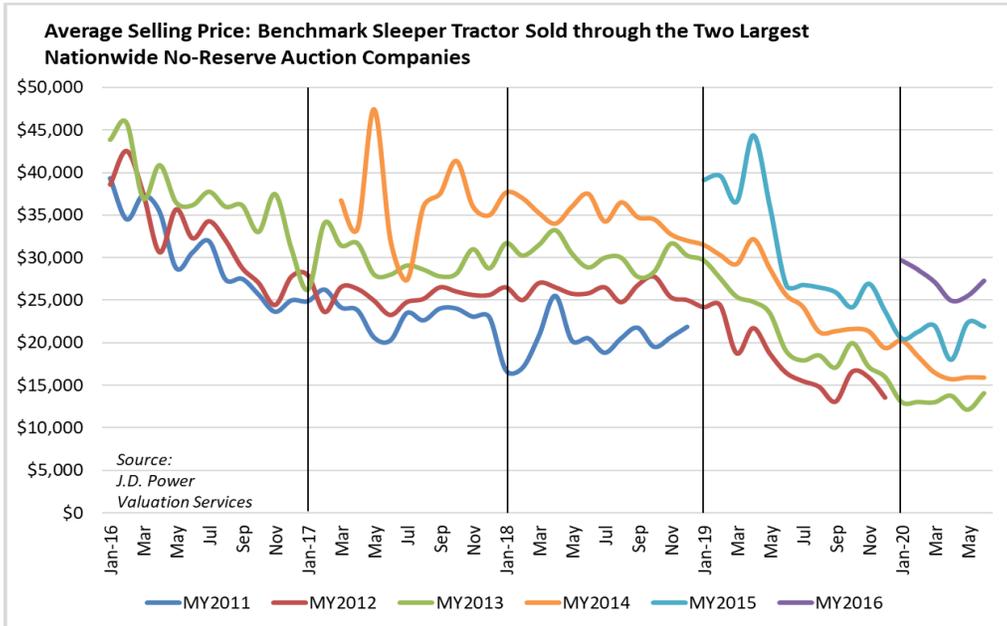
- Model year 2017: \$32,191 average; \$4,989 (13.4%) lower than May
- Model year 2016: \$27,313 average; \$1,768 (6.9%) higher than May
- Model year 2015: \$21,908 average; \$440 (2.0%) lower than May
- Model year 2014: \$15,908 average; \$32 (0.2%) lower than May
- Model year 2013: \$14,043 average; \$1,946 (16.1%) lower than May

Month-over-month, our benchmark group of 4-6 year-old trucks brought 4.3% less money. In the first 6 months of 2020, pricing averaged 23.9% lower than the same period of 2019. Depreciation in 2020 is still averaging a very low 0.9% per month. June's results essentially split the difference between April's drop and May's increase, which explains the unchanged depreciation average.

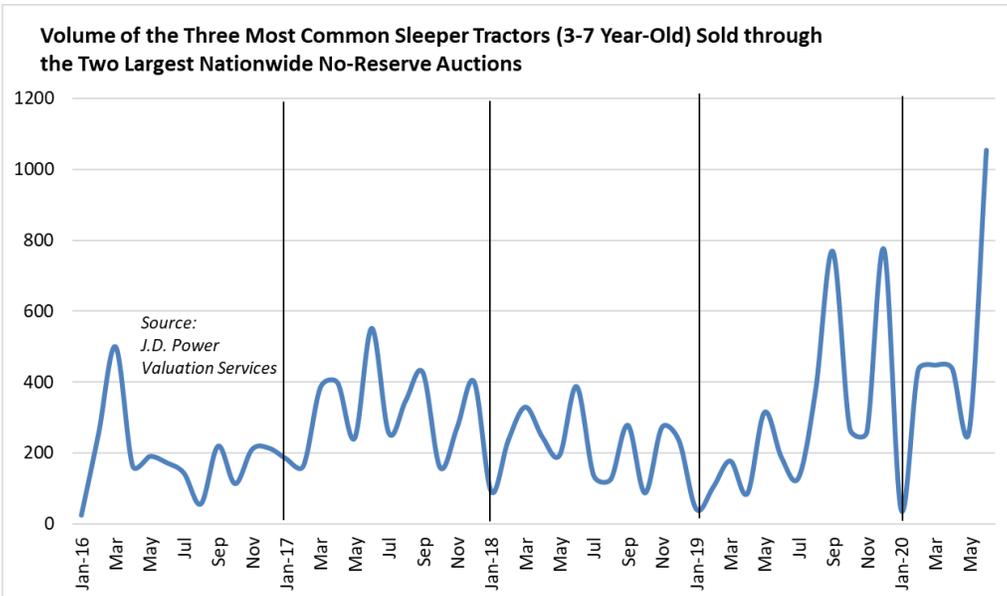
Freight data for dry van loads has fully recovered, and reefer metrics are not far behind. Other segments continue to improve. There's no shortage of supply, but demand continues to lift off the bottom.

Pricing was fairly solid, with month-over-month declines driven mainly by large packages of identical trucks.

See the "Average Selling Price: Benchmark Sleeper Tractor..." and "Volume of the Three Most Common Sleeper Tractors..." graphs for detail.



June's results essentially split the difference between April's drop and May's increase...



CLASS 8 RETAIL UPDATE

Retail volume was way up in June. Depreciation accelerated moderately as a result.

The average sleeper tractor retailed in June was 68 months old, had 478,296 miles, and brought \$36,973. Compared to May, this average sleeper was 1 month older, had

16,058 (3.5%) more miles, and brought \$3,233 (8.0%) less money. Compared to June 2019, this average sleeper was 1 month newer, had 17,354 (3.8%) more miles, and brought \$20,251 (35.4%) less money.

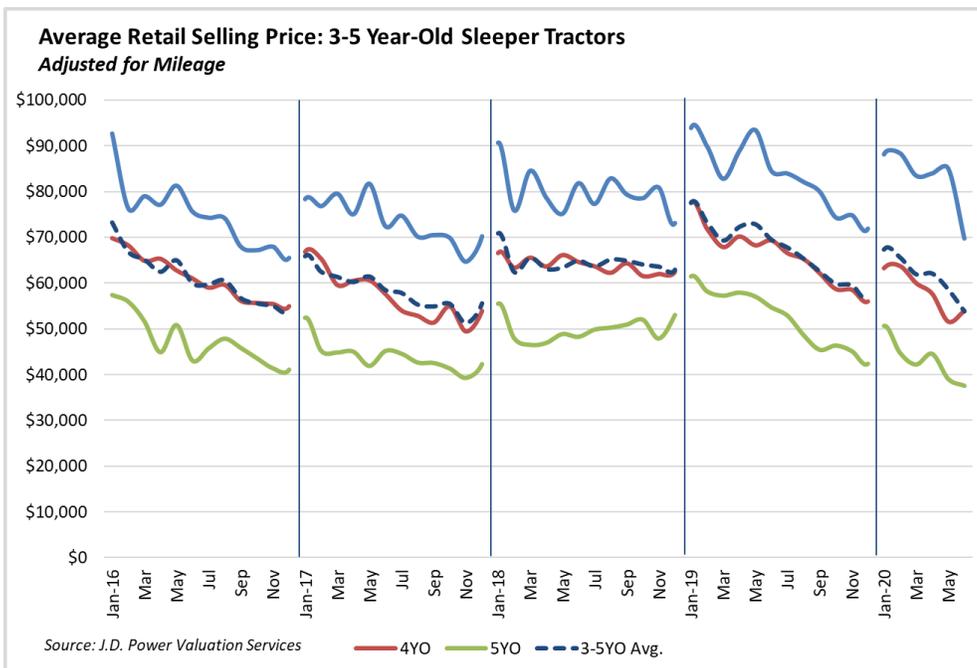
Looking at trucks two to five years of age, June’s average pricing was as follows:

- Model year 2019: \$94,127; \$4,409 (4.5%) lower than May
- Model year 2018: \$69,808; \$15,219 (17.9%) lower than May
- Model year 2017: \$54,013; \$2,338 (4.5%) higher than May
- Model year 2016: \$37,601; \$1,498 (3.8%) lower than May

Month-over-month, late-model trucks brought 8.5% less money. In the first six months of 2020, pricing averaged 15.1% lower than the same period of 2019. Depreciation in 2020 is averaging 3.1% per month, an increase from last month, and moderately above the historic range. Late-model sleepers that have accumulated less than 100,000 miles per year are bringing relatively strong money, especially those with under 300K. The gap between high-volume models and lower-volume models is increasing. Our subscription services provide much more detail on this topic.

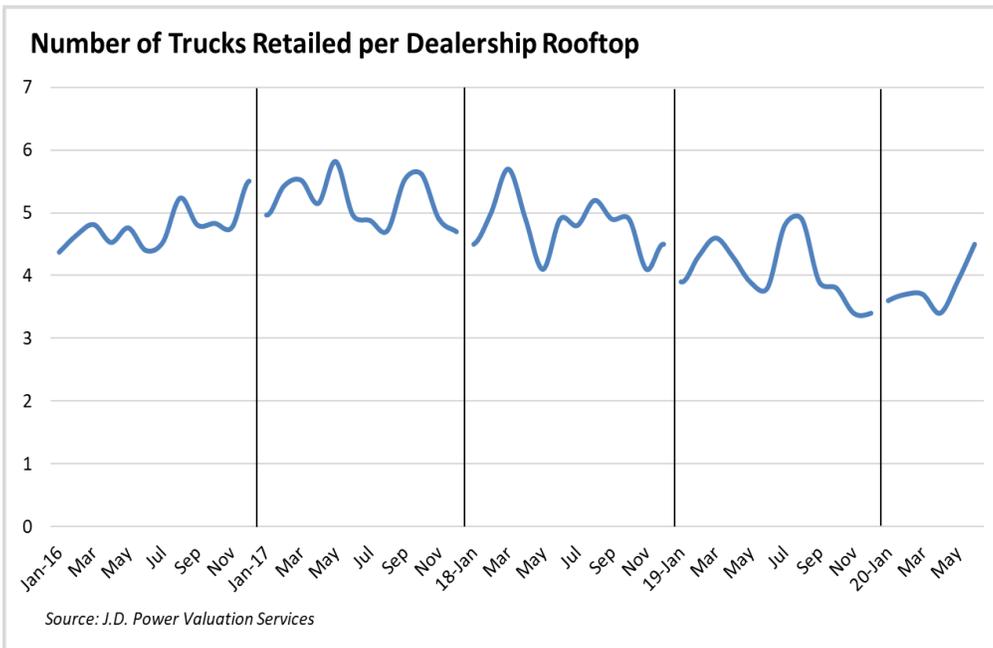
See the “Average Retail Selling Price: 3-5 Year-Old Sleeper Tractors” graph for detail.

Depreciation in 2020 is averaging 3.1% per month, an increase from last month, and moderately above the historic range.



Dealers retailed an average of 4.5 trucks per rooftop in June, 0.6 truck higher than May, and 0.7 truck higher than last June. This month’s result is the highest since last August. This increase is encouraging, and indicates somewhat better demand commensurate with the economic re-opening.

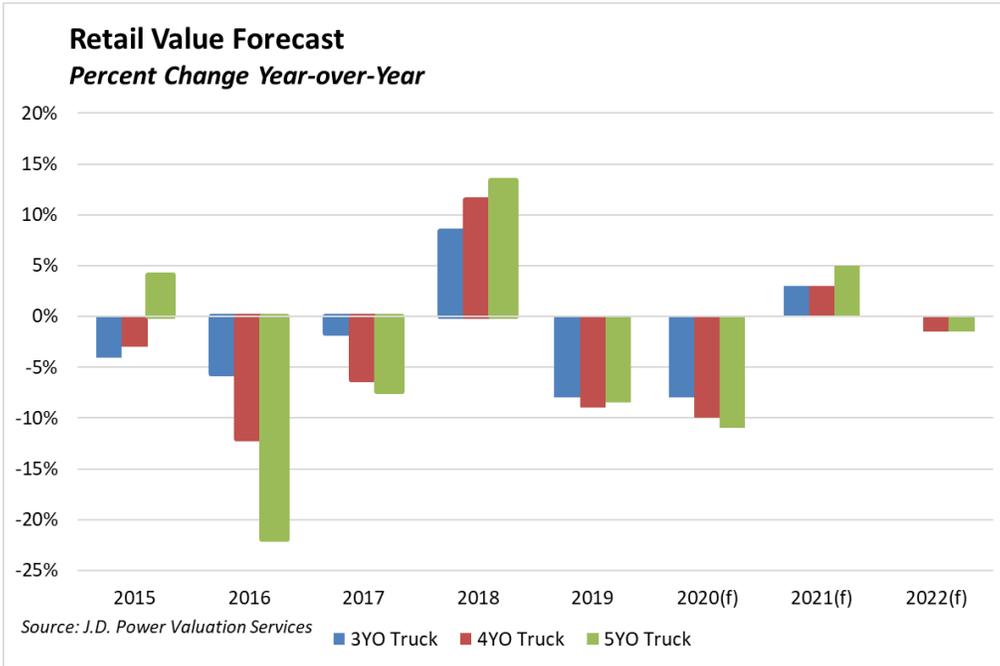
See the “Number of Trucks Retailed per Dealership Rooftop” graph for detail.



This month’s result is the highest since last August.

We’re expecting the economy to be a lot more fully recovered by this time next year, so we should see some pricing improvement. 2022 should be a high trade volume year, which would be a negative for pricing. But it remains to be seen how COVID-19 will impact trade cycles.

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

Medium duty sales volume was up across the board. Cabovers continued their run of relatively strong months, lighter-GVW conventionals performed near the upper range of their recent trend, and heavier-GVW conventionals performed near the lower end of their recent range.

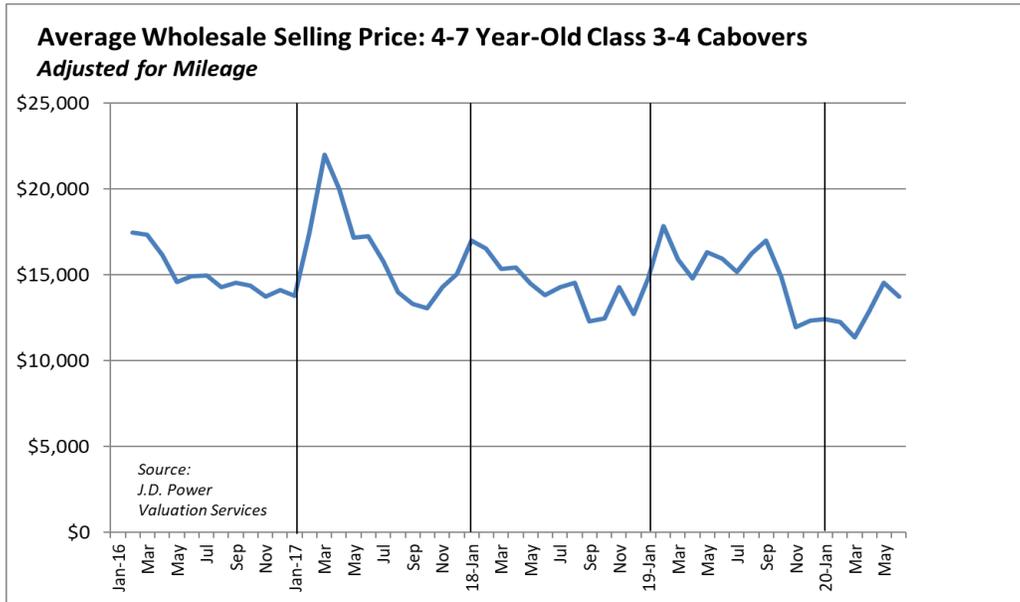
Starting with Class 3 – 4 cabovers, age and mileage metrics were similar to last month. June’s average for our benchmark group was \$13,585, \$320 (2.3%) lower than May, and \$313 (2.3%) lower than June 2019. The first 6 months of 2020 are averaging 19.9% lower than the same period of 2019. As was mentioned, pricing has improved since March, increasing by an average of 2.9% per month since then.

Looking at Class 4 conventionals, average pricing for our benchmark group was \$21,889, \$4,782 (28.0%) higher than May, and \$1,626 (6.9%) lower than June 2019. The first 6 months of 2020 are averaging 4.5% lower than the same period of 2019. This month’s strength improved average monthly depreciation to 2.3% so far this year. Higher pricing combined with higher volume suggests stronger demand.

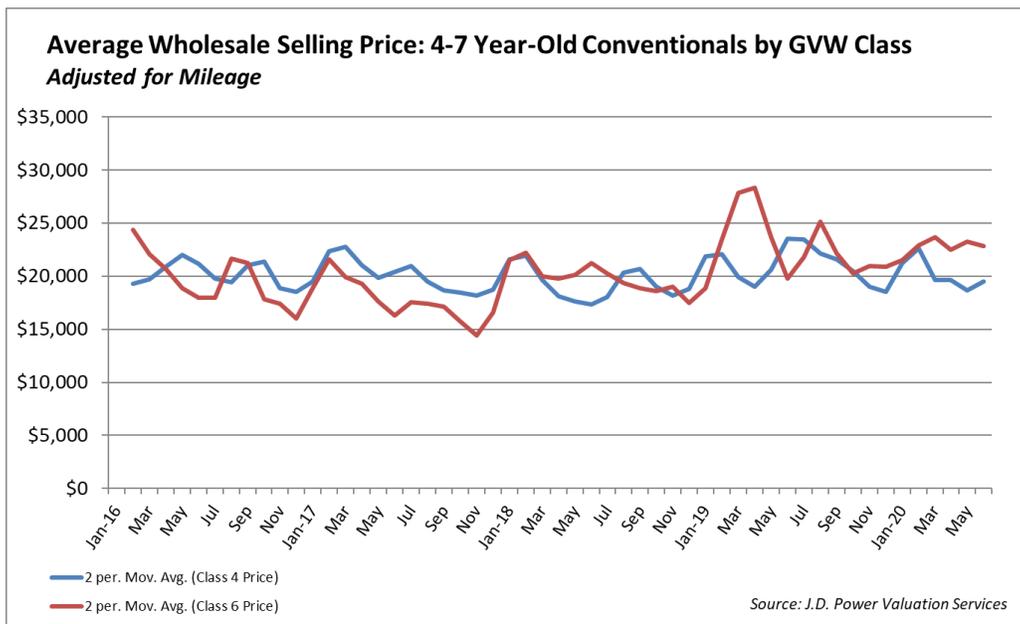
Class 6 conventional pricing averaged \$21,020 in June, \$3,694 (14.9%) lower than May, and \$2,445 (13.2%) higher than June 2019. The first 6 months of 2020 are averaging 4.6% lower than the same period of 2019. There has been essentially no monthly depreciation this year. Since January, pricing has fluctuated within a \$2,500 range each month, suggesting supply and demand are roughly in equilibrium.

Cabovers continued their run of relatively strong months...

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.



Higher pricing combined with higher volume suggests stronger demand.



Forecast

June's strong volume was probably a combination of pent-up demand from the previous two months combined with optimism about the slow-but-sure reopening of the economy. As predicted, reopening gathering places resulted in spikes in virus infections and attendant regional pullbacks. However, the genie has been let out of the bottle, and it is extremely unlikely we will see a return to large-scale shutdowns.

Our previous assessment of factors impacting the recovery remain in place. The lingering virus, permanent shifts in work and consumer dynamics, probability of white-collar layoffs and pay cuts as economic stimulus ends, and other fundamental issues remain headwinds. The upcoming Presidential election is another brake on investment that the economy doesn't need right now. In terms of the used truck market, supply is decreasing from a high level, and dealers are moving iron at prices the market will bear.

So we'll end with the same statement we made last month: We still have a lot to work through before economic conditions will look anything close to normal. The trucking industry in general will continue to perform better than most, and we still see more positive than negative pressure on used truck values.

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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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