

JULY 2022 COMMERCIAL VEHICLE MARKET UPDATE

CLASS 8 AUCTION UPDATE

Auction volume increased substantially this month (the highest figure in 18 months) and pricing continued to steeply decline. It appears volume is driven mainly by small fleet liquidations, large fleets offloading their oldest units and individuals either exiting the industry or going to work for a fleet. Pricing declined throughout the month, which means the averages below include higher pricing from earlier in the month. Actual current pricing is lower than these figures reflect and, in fact, should be at or near year-over-year parity at time of publication.

Looking at two- to six-year-old trucks, June's average pricing for our benchmark is:

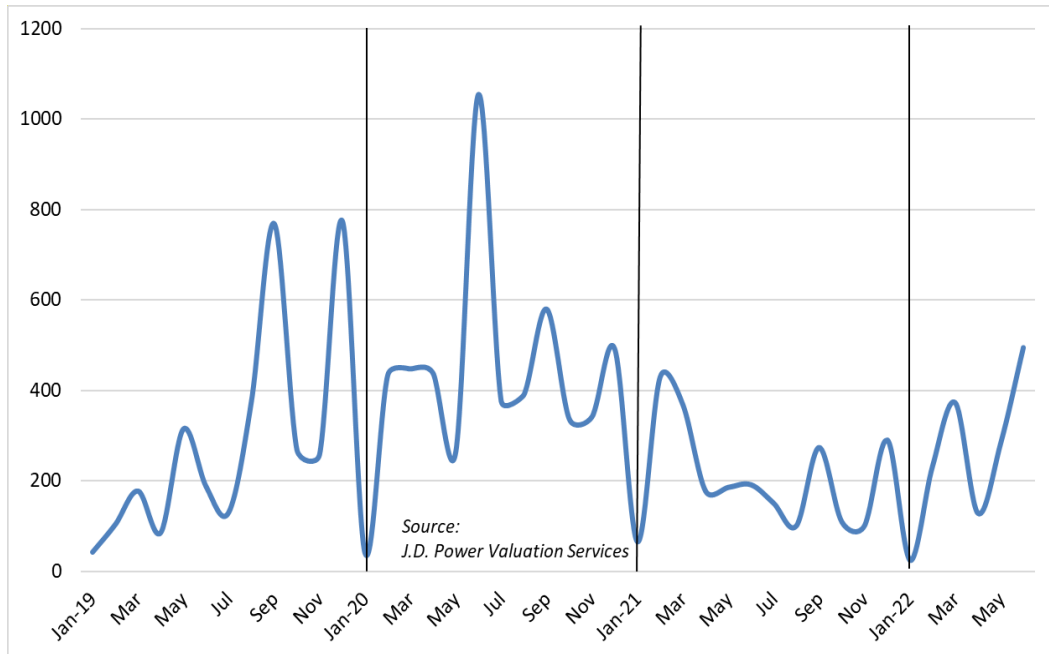
- Model year 2021: \$153,889; no basis for comparison in May
- Model year 2020: \$111,001; \$25,731 (18.8%) lower than May
- Model year 2019: \$80,727; \$14,926 (15.6%) lower than May
- Model year 2018: \$75,641; \$12,811 (14.5%) lower than May
- Model year 2017: \$50,107; \$9,747 (16.3%) lower than May

In June, three- to five-year-old trucks averaged 16.7% less money than May, but 19.4% more money than June 2021. Year over year, late-model trucks sold in the first six months of 2022 averaged 80.7% more money than the same period of 2021. Year to date, four- to six-year-old sleepers have depreciated 6.9% per month on average.

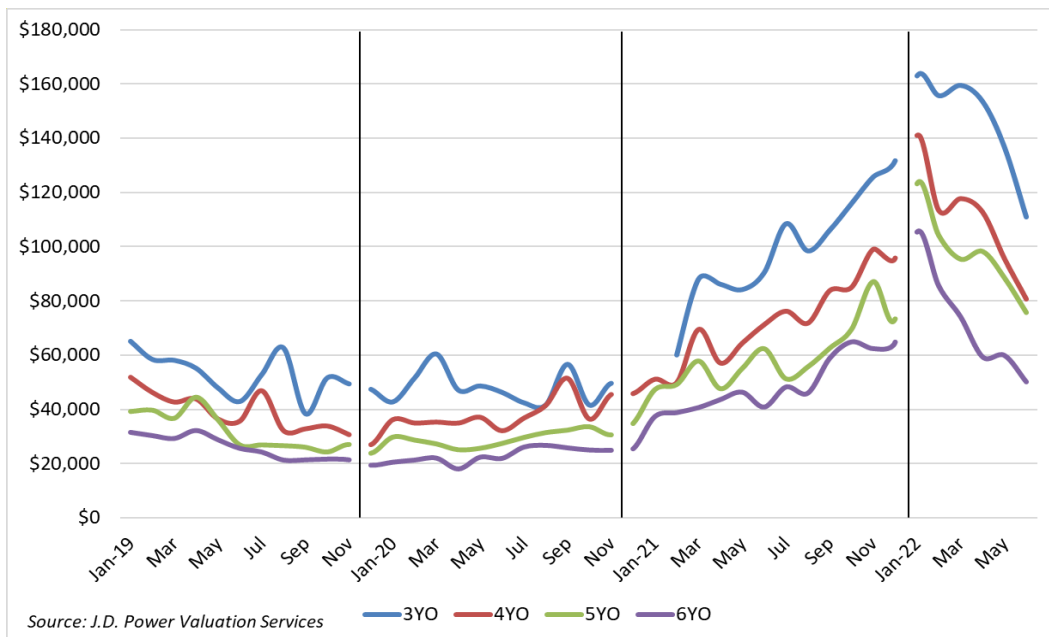
Through June, late-model pricing was still 68.9% higher than the previous pre-pandemic peak in Q3 2018, so values are still extremely high by historical standards. Also, the newest, lowest-mileage trucks have barely depreciated at all. Pricing will continue to drop closer to historical norms, but current freight economics support a relatively healthy used truck market once we work through the excess capacity of the pandemic spot rate bubble.

See the graphs on the next page and the Forecast section at the end of this document for additional 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

When we identified the auction market correction that started in mid-April, we stated retail pricing generally takes 2-3 months to adjust to market shifts. June marked month No. 3 and, right on schedule, pricing for individual trucks pulled back. As with all market shifts, the least-desirable trucks were hit hardest at first. The newest, lowest-mileage trucks available are still bringing extremely strong money.

The average sleeper tractor retailed in June was 69 months old, had 464,365 miles and brought \$108,641. This figure is an 8.9% drop from May's record high and supports our assessment that the retail market correction is underway. Compared with May, this average sleeper was two months newer, had 20,446 (4.6%) more miles, and brought \$10,589 (8.9%) less money. Compared with June 2021, this average sleeper was one month newer, had 13,466 (3.0%) more miles, and brought \$41,882 (62.7%) more money.

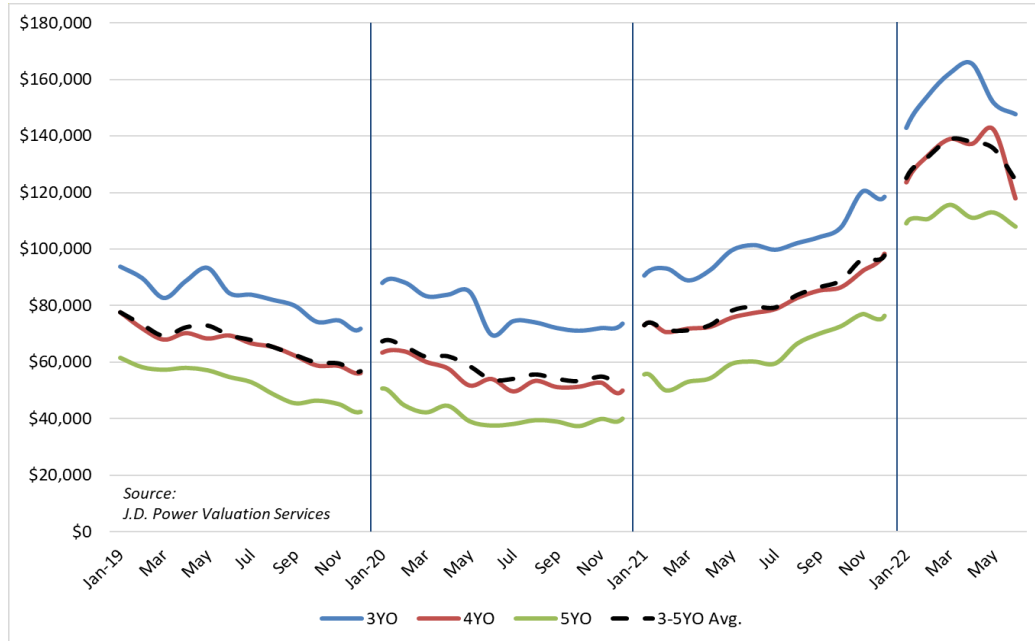
Looking at two- to six-year-old trucks, June's average pricing was as follows:

- Model year 2021: \$182,303; \$5,135 (2.7%) lower than May
- Model year 2020: \$147,761; \$4,016 (2.6%) lower than May
- Model year 2019: \$117,843; \$24,263 (17.1%) lower than May
- Model year 2018: \$107,899; \$5,003 (4.4%) lower than May
- Model year 2017: \$88,963; \$7,661 (8.6%) lower than May

The average for model-year 2019 in the above table is negatively affected by a relatively large group of identical trucks that sold for unimpressive money. Eliminating those trucks would still result in a 15% decrease month over month, so the figure is not far off from actual overall market movement.

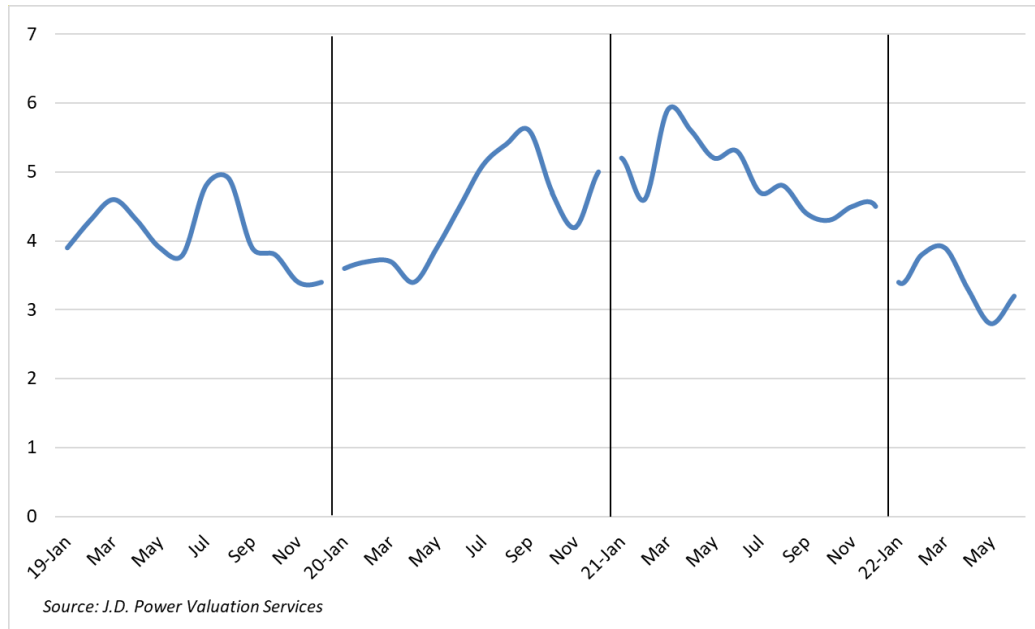
Three- to five-year-old trucks brought an average of 8.2% less money in June than May. Trucks in this age group brought 77.9% more money in the first six months of 2022 than the same period of 2021. Due to June's lower figures, average price movement per month in 2022 is now flat for the year. Overall, retail pricing is still roughly 50% higher than the last pre-pandemic peak in late-2018, but that difference will continue to close in upcoming months.

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



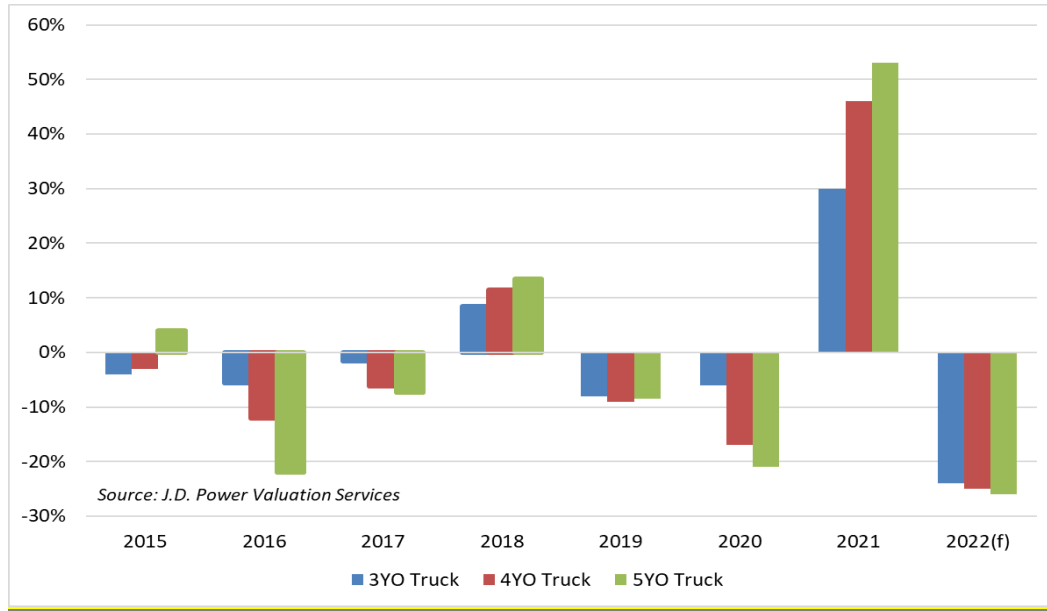
Dealers retailed an average of 3.2 trucks per rooftop in June, 0.4 more than May. Retail sales volume remains somewhat depressed as the sense of urgency has greatly diminished and fewer check writers are shopping for trucks.

Number of Trucks Retailed per Dealership Rooftop

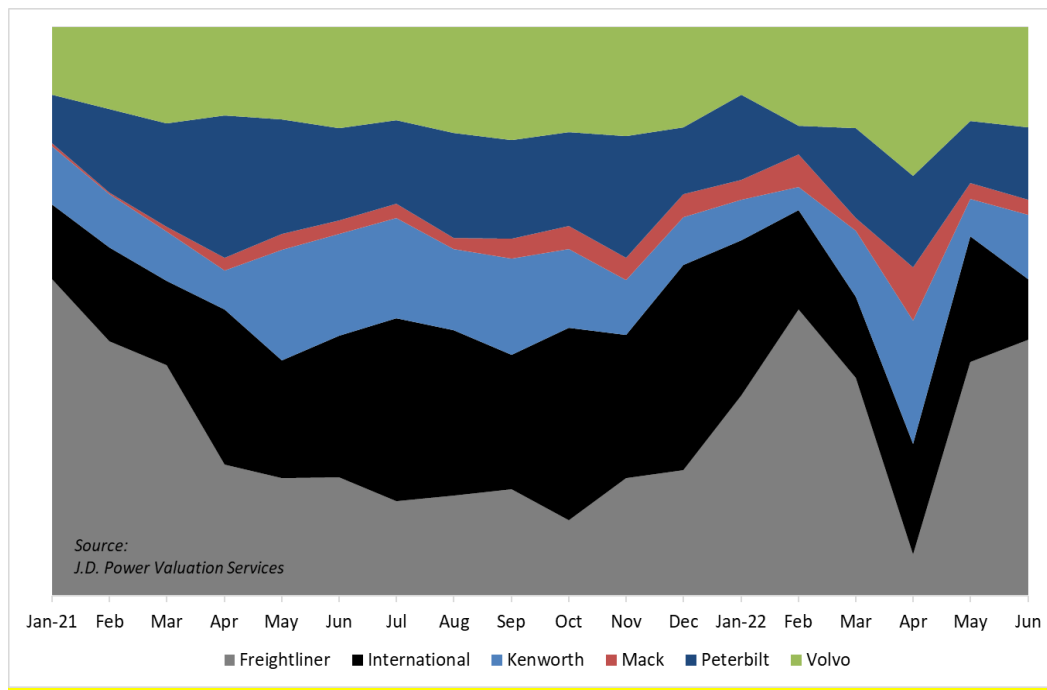


Retail pricing usually moves less drastically than auction, but we have most likely entered a depreciation period that will last until the market corrects closer to historically typical levels. See the Forecast at the end of this document for additional commentary.

Retail Price History/Forecast: Percent Change Year Over Year



Relative Proportion of Retail Sales Reported by OEM (3- to 5-Year-Old Sleeper Tractors)

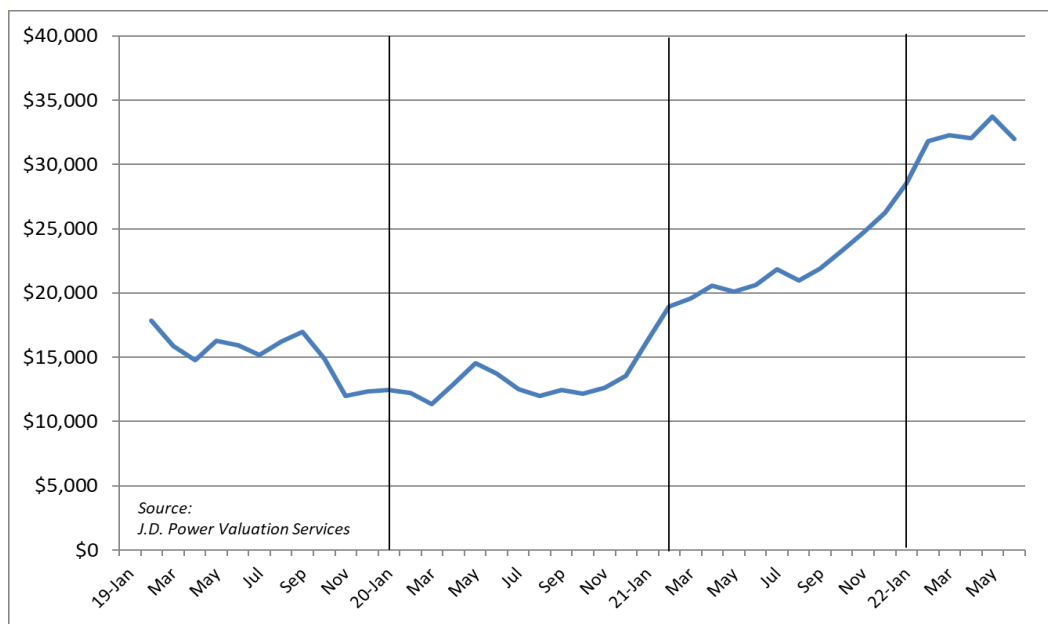


MEDIUM DUTY UPDATE

June was not a particularly impressive month for any segment of the medium duty market, at least by recent standards. A low volume of cabovers sold for lackluster money, and conventional segments were mixed. However, year-over-year comparisons are still extremely positive.

Starting with Class 3-4 cabovers, our benchmark group averaged \$28,752 in June. This figure is \$6,467 (18.4%) lower than May, and \$6,146 (27.2%) higher than June 2021. The first six months of 2022 are running 58.8% ahead of the same period of 2021. Due to this month's lower figure, average monthly price movement is now flat for the year. Lower volume combined with a slightly older mix of trucks was primarily responsible for the month-over-month drop. The actual market is in better shape than this average suggests.

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 \$40,319 in June, \$667 (1.7%) higher than May and \$11,221 (38.6%) higher than June 2021. The first six months of 2022 are running 55.1% ahead of the same period of 2021. Average monthly price movement is essentially flat for the year.

Class 6 conventionals averaged \$46,228 in June, \$4,240 (8.4%) lower than May and \$14,691 (46.6%) higher than June 2021. The first six months of 2022 are running 83.0% ahead of the same period of 2021. This month's lower figure brought our monthly price movement average down to flatline for the year. There were no apparent anomalies in trucks reported sold this month, so for now we consider this month's result natural market movement.

Compared with last year, medium duty trucks continue to bring extremely strong money. It will take notable degradation in macroeconomic conditions to cause any real pullback in pricing in upcoming months.

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



FORECAST

Class 8 auctions continue to sell inventory from small fleet liquidations, large fleets offloading their oldest equipment, and individuals either leaving the industry or going to work for a fleet. The degradation in pricing we've seen since April is due mainly to the adjustment back to a more normal freight rate environment and somewhat improved new truck availability. On the retail side, June was the first month to show clear evidence of a correction in that channel. The sense of urgency is mostly gone, and potential buyers are cautious. However, contract freight activity is still healthy, fleets will probably keep some capacity in reserve due to the unpredictable nature of the ongoing supply chain mess and the new truck backlog is still substantial. Given these factors, the market should support pricing in the neighborhood of the last pre-pandemic peak of late 2018. Selling prices are still more than 50% higher than that peak, so there is downward ground to cover.

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.