J.D. POWER

COMMERCIAL TRUCK GUIDELINES

INDUSTRY REVIEW

August 2020

J.D. Power Valuation Services

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SUMMARY

The Recovery is On Track

Conditions across the board generally stabilized in July, suggesting June's recovery was not based solely on pent-up demand.

CLASS 8 AUCTION UPDATE

Volume was back down to a typical level in July after June's massive increase. There were fewer auctions on the calendar in July, and June benefited from a degree of pent-up demand. Encouragingly, pricing for almost all model years of the benchmark model we track was stronger than June. See below for average pricing detail for this truck.
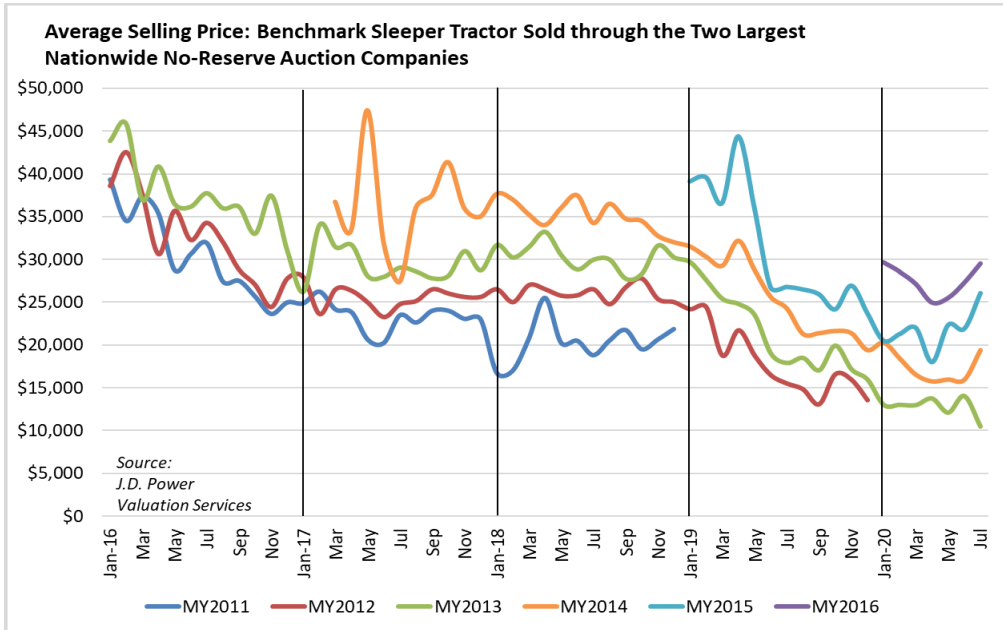
- Model year 2017: $36,831 average; $4,640 (14.4%) higher than June

- Model year 2016: $29,540 average; $2,227 (8.2%) higher than June

- Model year 2015: $26,062 average; $4,154 (19.0%) higher than June

- Model year 2014: $19,367 average; $3,459 (21.7%) higher than June

- Model year 2013: $10,475 average; $3,568 (25.4%) lower than June

Month-over-month, our benchmark group of 4-6 year-old trucks brought 13.5% more money. In the first 7 months of 2020, pricing averaged 21.5% lower than the same period of 2019. More positively, July's average is the highest in 12 months. Our year-to-date average monthly price delta is now into appreciation territory.
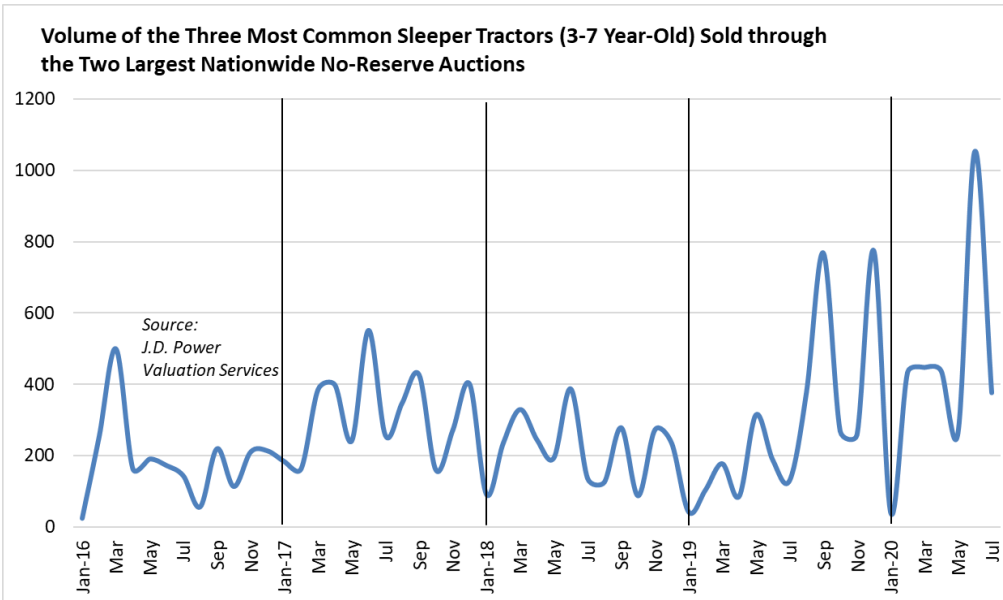
Freight data continues to move in the right direction, with some sectors fully recovered and looking strong, and others still slowly recovering. This trend should support pricing, at least in the short term.

> … pricing for almost all model years of the benchmark model we track was stronger than June.

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

Average Selling Price: Benchmark Sleeper Tractor Sold through the Two Largest Nationwide No-Reserve Auction Companies

Source:
J.D. Power
Valuation Services

Legend: MY2011 — MY2012 — MY2013 — MY2014 — MY2015 — MY2016

… July's average is the highest in 12 months.

Volume of the Three Most Common Sleeper Tractors (3-7 Year-Old) Sold through the Two Largest Nationwide No-Reserve Auctions

Source:
J.D. Power
Valuation Services

CLASS 8 RETAIL UPDATE

Retail volume increased again in July, with packages of higher-mileage trucks contributing to the volume and causing some of our averages to come in lower than last month.

The average sleeper tractor retailed in July was 68 months old, had 478,624 miles, and brought $39,650. Compared to June, this average sleeper was identical in age, had 374 (0.1%) more miles, and brought $2,677 (7.2%) more money. Compared to July 2019, this average sleeper was 3 months newer, had 13,970 (3.0%) more miles, and brought $15,023 (27.5%) less money.
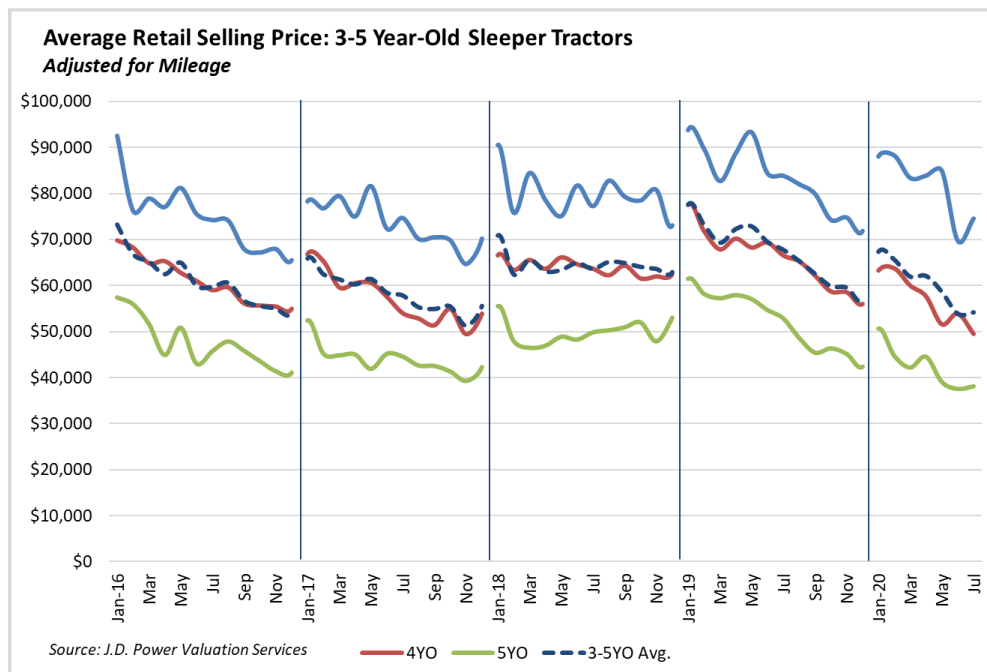
Looking at trucks two to five years of age, July's average pricing was as follows:

- Model year 2019: $87,799; $6,328 (6.7%) lower than June

- Model year 2018: $74,637; $4,829 (6.9%) higher than June

- Model year 2017: $49,596; $4,417 (8.2%) lower than June

- Model year 2016: $38,169; $568 (1.5%) higher than June

Our average for model year 2019 was impacted by a large number of high-mileage trucks sold, while our average for model year 2017 was impacted by a large package of low-spec trucks. On an apples-to-apples basis, conditions were better than those figures suggest. Month-over-month, late-model trucks brought 0.6% less money. In the first seven months of 2020, pricing averaged 15.8% lower than the same period of 2019. Depreciation in 2020 is averaging 2.8% per month, back down below 3.0% and not far from what we consider historically typical.

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

Depreciation in 2020 is averaging 2.8% per month, back down below 3.0% and not far from what we consider historically typcial.

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

Source: J.D. Power Valuation Services   — 4YO   — 5YO   ---- 3-5YO Avg.

Dealers retailed an average of 5.2 trucks per rooftop in July, 0.6 truck higher than June, and 0.3 truck higher than last July. This month's result is another healthy uptick, and the first result over 5.0 since August of 2018. There were definitely more retail buyers in July.
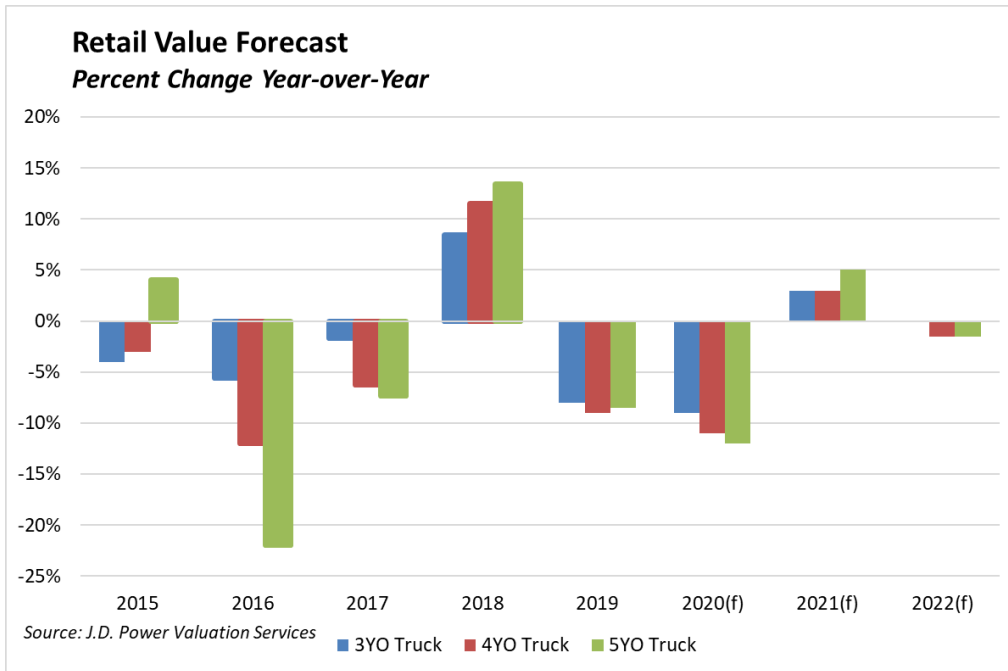
See the "Number of Trucks Retailed per Dealership Rooftop" graph for detail.
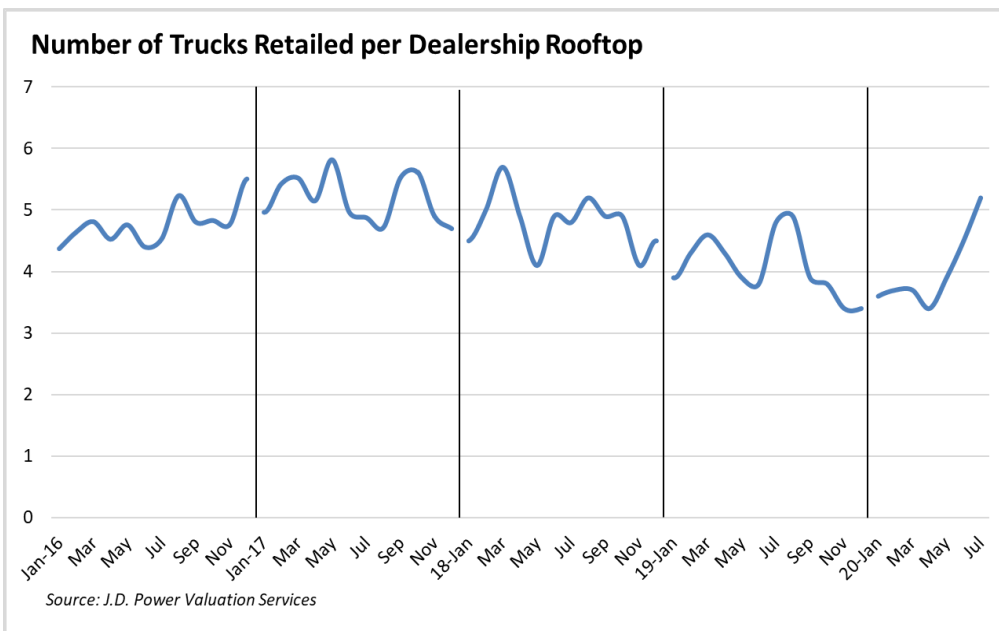
Number of Trucks Retailed per Dealership Rooftop

Source: J.D. Power Valuation Services

This month's result is another healthy uptick, and the first result over 5.0% since August of 2018.

Looking forward, we have to qualify any generalized forecasts with the disclaimer that pricing is more mileage-dependent than it has been in recent history. Trucks with under 300,000 miles could very well end the year showing no depreciation, while average-mileage trucks should end up closer to the 10%+ year-over-year decrease we currently forecast. So keep in mind the "Retail Value Forecast" graph is just a rough indicator of the overall used truck climate.

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.

Retail Value Forecast
Percent Change Year-over-Year

Source: J.D. Power Valuation Services
■ 3YO Truck   ■ 4YO Truck   ■ 5YO Truck

Medium Duty Trucks

Medium duty sales volume was back down to typical levels except for Class 6 conventionals, which saw another uptick. Pricing for cabovers pulled back after 3 months of stability, while conventional pricing was generally stable.
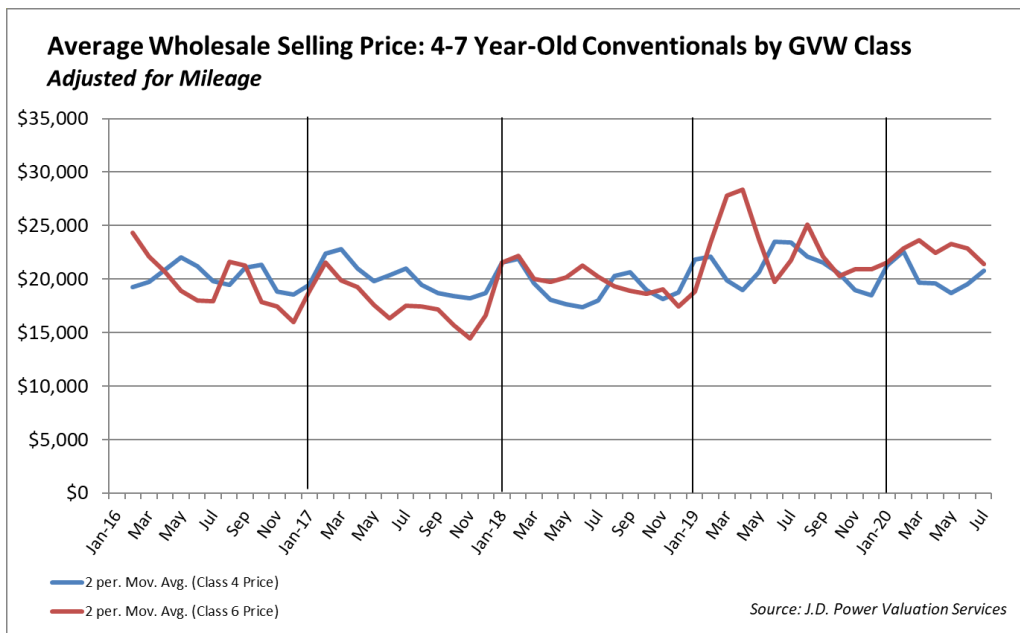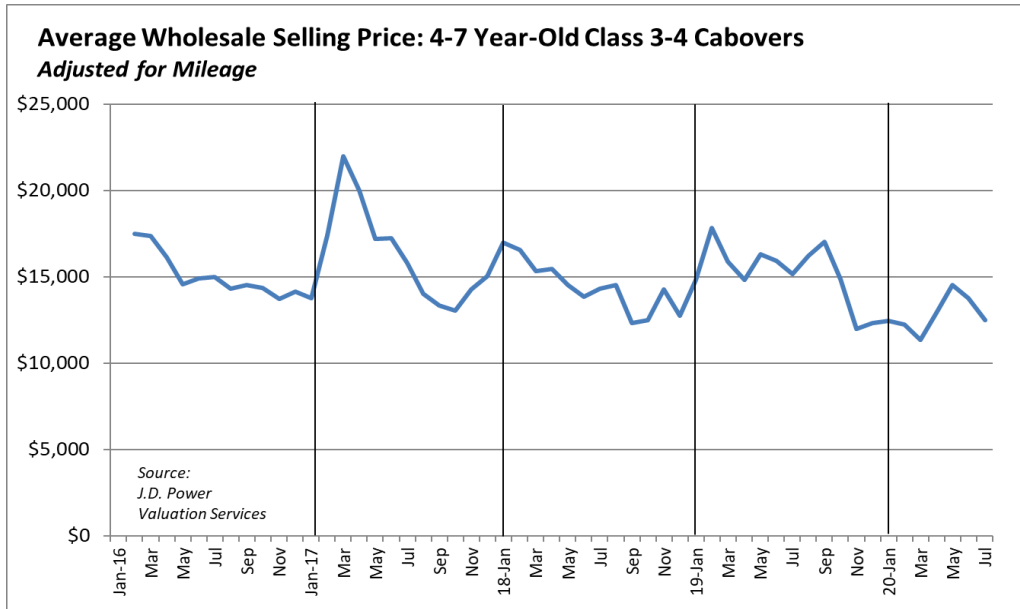
Starting with Class 3 – 4 cabovers, pricing and volume were both notably lower than June. July's average for our benchmark group was $11,418, $2,167 (16.0%) lower than June, and $5,016 (30.5%) lower than July 2019. The first 7 months of 2020 are averaging 15.6% lower than the same period of 2019. Despite July's weak result, average monthly depreciation in 2020 is still negligible.

Looking at Class 4 conventionals, average pricing for our benchmark group was $19,690, $2,199 (10.0%) lower than June, and $3,686 (15.8%) lower than July 2019. The first 7 months of 2020 are averaging 6.2% lower than the same period of 2019. Average monthly depreciation continues to relax, now averaging 1.9% for the year. We consider this month's result a mild pullback from last month's pent-up demand.

Class 6 conventional pricing averaged $21,854 in July, $834 (4.0%) higher than June, and $3,117 (12.5%) lower than July 2019. The first 7 months of 2020 are averaging 8.0% lower than the same period of 2019. Monthly depreciation in 2020 is averaging a very mild 1.2%.

Medium duty sales volume was back down to typical levels except for Class 6 conventionals…

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.

Average Wholesale Selling Price: 4-7 Year-Old Class 3-4 Cabovers
Adjusted for Mileage

Source:
J.D. Power
Valuation Services

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

2 per. Mov. Avg. (Class 4 Price)
2 per. Mov. Avg. (Class 6 Price)

Source: J.D. Power Valuation Services

Pricing for cabovers pulled back after 3 months of stability, while conventional pricing was generally stable.

Forecast

Anyone else feel like our industry is doing pretty well, all things considered? Pricing is solidifying, customers are buying more used trucks, and new truck orders and deliveries are heading back in the right direction. When a massive black swan event blows up everyone's forecasting models, the human gut becomes the main driver of decisions. Fleets waited to see what would happen to freight volumes once the stockpiling effect shook out, and they seem to be OK with what they're seeing. Used truck customers saw dry van freight return to pre-pandemic levels, and are more comfortable replacing that old truck.

It's not unusual for the trucking industry to outperform the economy overall. Within the scope of typical cyclical ups and downs, goods and materials still need to be delivered. This time around, the economy took a more major hit, and the recovery will remain industry-specific until we can safely "crowd up" at pre-pandemic levels. When government stimulus tapers off, the true extent of the damage will become clear, and it will take time – maybe years - to work through it.

Fundamentally, used truck supply should continue to decline from a high level (slowed by ongoing fleet bankruptcies), and freight volumes should stabilize as the industry adjusts to changes in demand patterns. Randomness and uncertainty are off the charts, but at this point, nationwide shutdowns are behind us, and there's more positive than negative pressure on used truck values.

> Pricing is solidifying, customers are buying more used trucks, and new truck orders and deliveries are heading in the right direction.

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.

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