

AUGUST 2023 COMMERCIAL VEHICLE MARKET UPDATE

CLASS 8 AUCTION UPDATE

Historically typical seasonality was evident for another month as Class 8 sales volume dropped substantially in July 2023. However, pricing was stable for a second consecutive month.

Looking at three- to seven-year-old trucks, average pricing for our benchmark truck in July was:

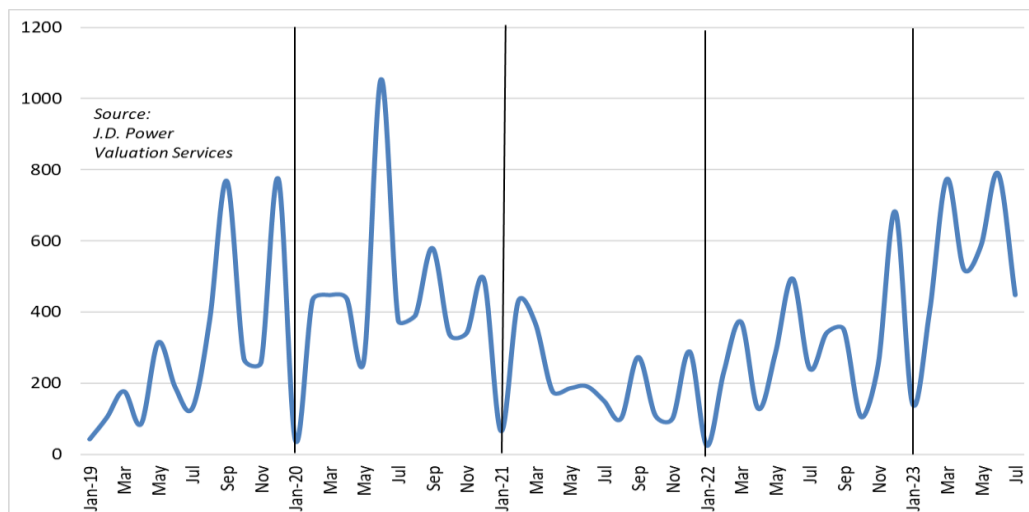
- Model year 2021: \$63,974; \$12,420 (16.3%) lower than June
- Model year 2020: \$66,925; \$5,900 (9.7%) higher than June
- Model year 2019: \$42,068; \$1,670 (3.8%) lower than June
- Model year 2018: \$29,077; \$1,165 (3.9%) lower than June
- Model year 2017: \$21,542; \$119 (0.5%) lower than June

Three-year-old trucks sold at auction had extremely high mileage for their age as well as somewhat undesirable specs, so once again we do not consider their average in the table above representative of actual market movement. Trucks with more typical mileage and specs were flat compared to June.

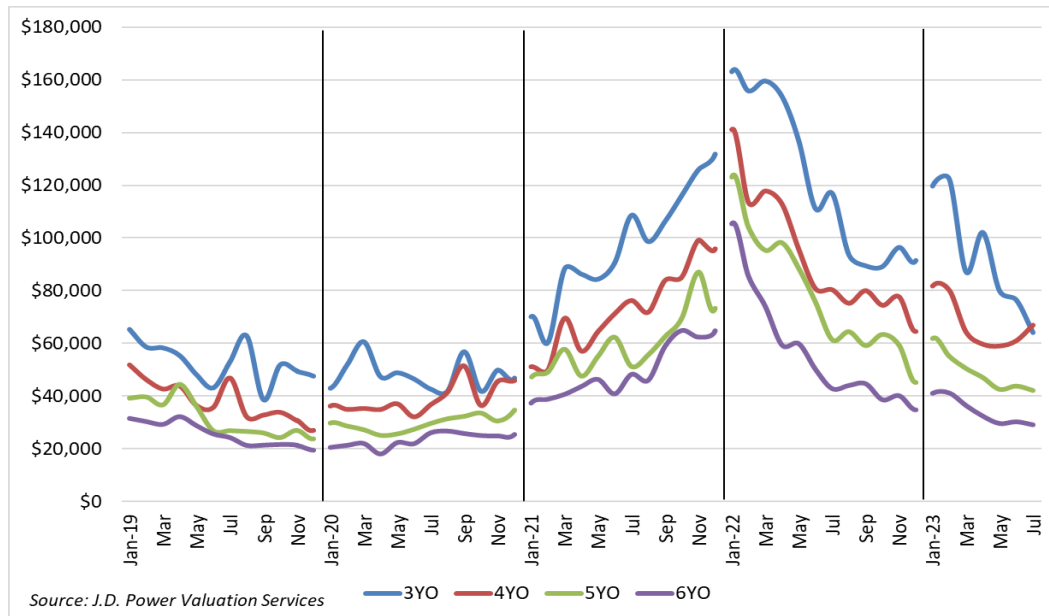
The late-model segment saw another uptick in pricing in July, with four- to six-year-old trucks bringing 2.3% more money than in June, but 25.1% less money than July 2022. In the first seven months of 2023, late-model sleepers brought 43.4% less money than the same period of 2022. July's uptick caused the year-to-date monthly depreciation average to relax even more to 5.1%. The newest model years available in the marketplace are bringing just more than 20% more money than the strong pre-pandemic period of 2018 in nominal figures, or slightly higher if adjusted for inflation. There is still more downward than upward pressure on selling prices, but for now supply and demand are in relative equilibrium.

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 (Nominal Numbers)



CLASS 8 RETAIL UPDATE

The average sleeper tractor retailed in July 2023 was 74 months old, had 464,561 miles and brought \$66,640. Compared with June 2023, this average sleeper was two months older, had 4,401 (1.0%) more miles and brought \$1,958 (2.9%) less money. Compared with July 2022, this average sleeper was eight months older, had 28,980 (6.7%) more miles and brought \$41,401 (38.3%) less money.

July's average pricing for two- to six-year-old trucks was as follows:

- Model year 2022: \$131,846; \$8,225 (6.7%) higher than June
- Model year 2021: \$94,592; \$16,324 (14.7%) lower than June
- Model year 2020: \$79,038; \$2,848 (3.7%) higher than June
- Model year 2019: \$60,977; \$820 (1.3%) lower than June
- Model year 2018: \$47,922; \$10,267 (17.6%) lower than June

There was an unusually high spread in selling price between trucks with similar specs and mileage in July that is not clearly explained by the data. That situation is largely responsible for the mixed comparisons with June. Discussions with dealers and OEMs could provide clarity on this observation.

Otherwise, three- to five-year-old trucks brought an average of 6.6% less money than June, and 34.4% less than July 2022. The first seven months of 2023 averaged 30.6% less money than the same period of 2022. Monthly depreciation in 2023 is currently averaging 3.7%. Late-model sleepers are bringing about 11% more money than the last strong pre-pandemic period of 2018 in nominal dollars, or about 9% less when adjusted for inflation. The recent stabilization in auction pricing suggests retail depreciation could follow suit.

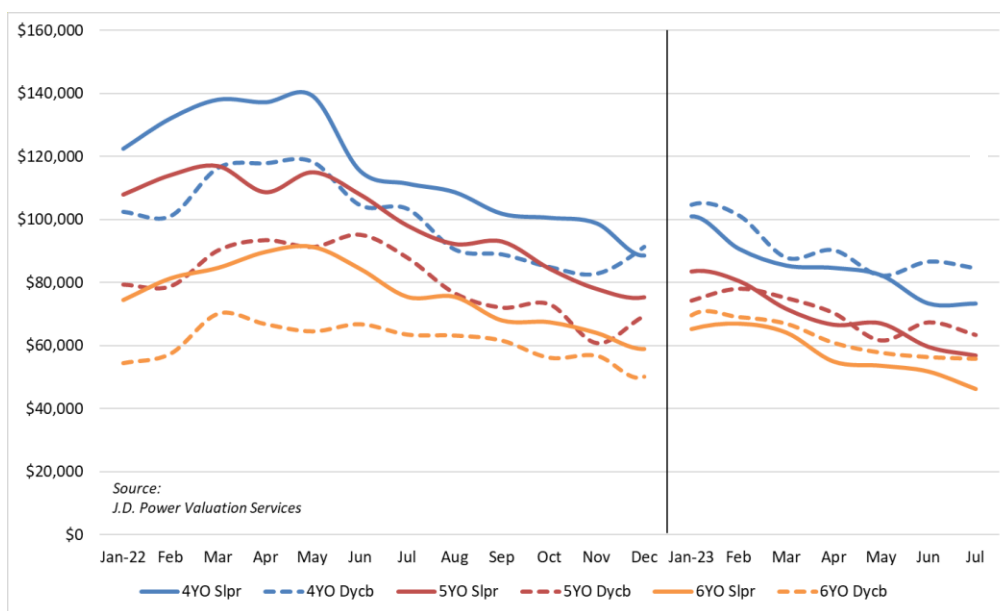
Daycabs continue to hold their value substantially better than aerodynamic sleepers in 2023, losing an average of 3.0% per month in 2023 to date. For at least the past two months, daycabs have been bringing more money than sleepers, all else being equal.

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

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

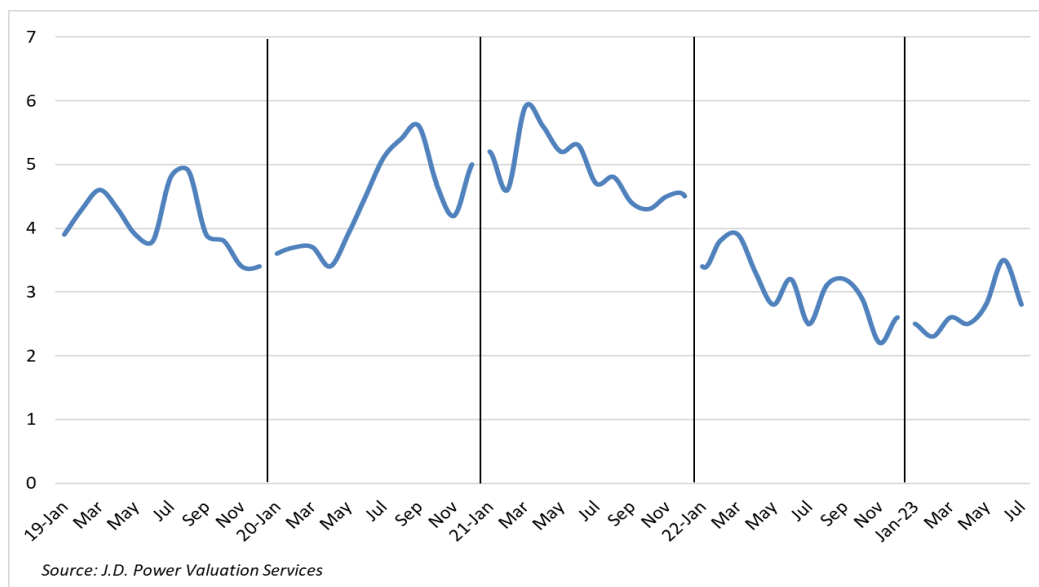


Avg. Retail Selling Price: 4- to 6-Year-Old Aerodynamic Sleepers and Daycabs, Adj. for Mileage (Nominal Numbers)

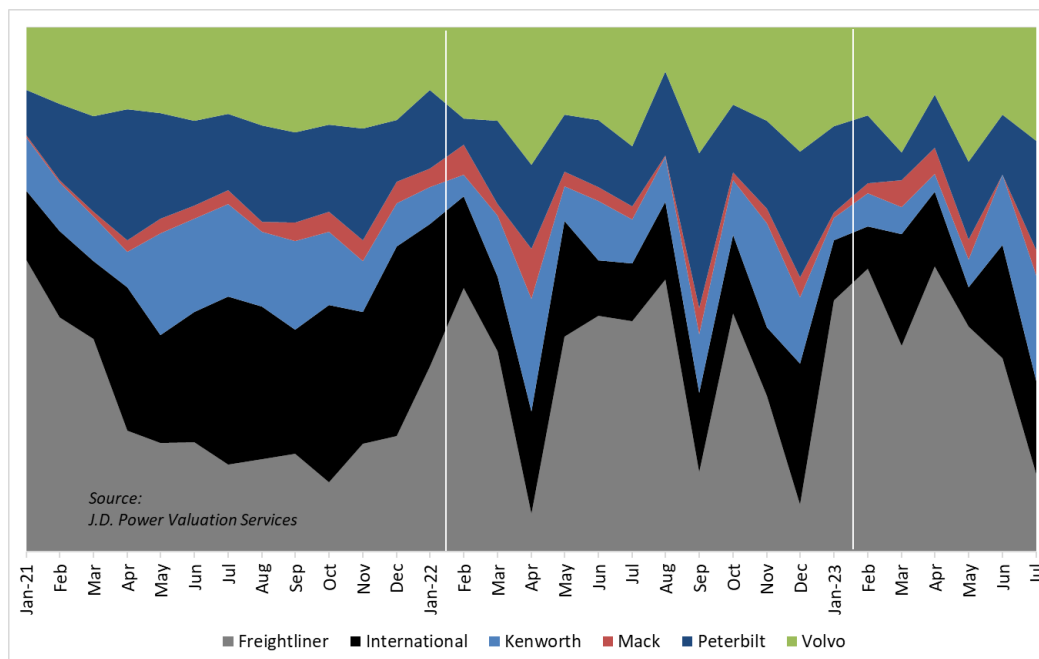


Following an encouraging June, July's retail sales per rooftop dropped down to 2.8 trucks, a 0.7 truck decline. July is historically a slightly stronger month for sales than June, so we'll continue to watch retail activity for signs of improvement.

Number of Trucks Retailed per Dealership Rooftop



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

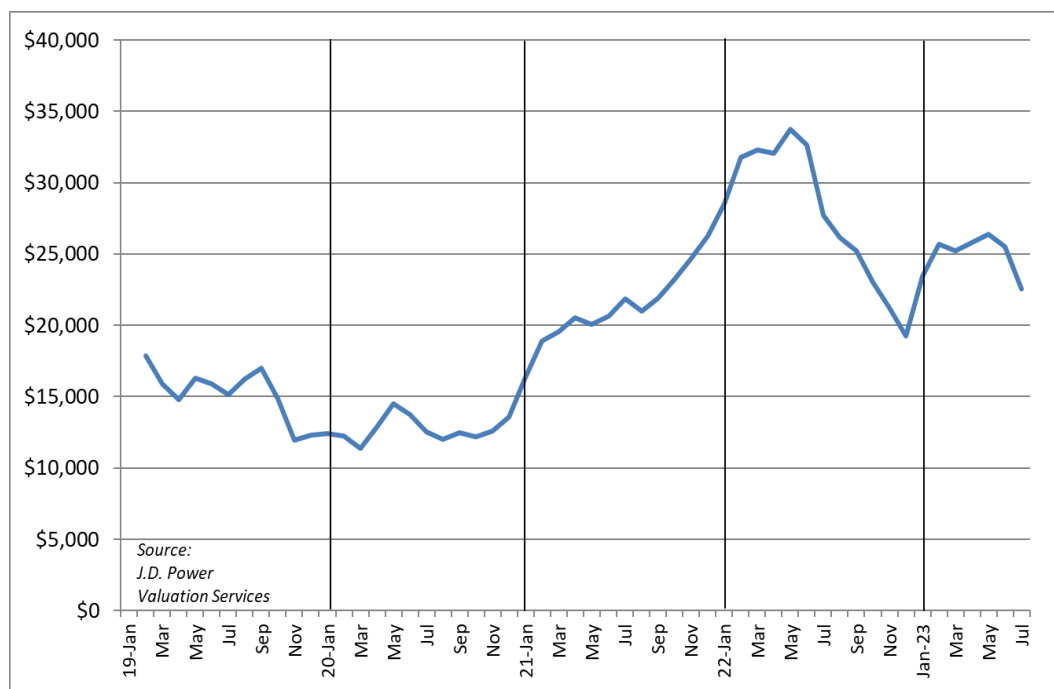


MEDIUM DUTY UPDATE

July's medium duty market was flat to downward. Supply is potentially becoming a factor in price movement.

In July, the Class 3-4 cabover group performed almost identically to June, averaging \$22,662. This figure is \$239 (1.1%) higher than June, but \$2,724 (10.7%) lower than July 2022. Trucks sold in the first seven months of 2023 brought 18.9% less money than the same period of 2022. Monthly depreciation is averaging 1.9% per month in 2023.

Average Wholesale Selling Price: 4- to 7-Year-Old Class 3-4 Cabovers, Adjusted for Mileage (Nominal Numbers)



Average pricing for the benchmark group of Class 4 conventionals was \$33,085 in July, \$3,853 (10.4%) lower than June, and \$3,272 (9.0%) lower than July 2022. Trucks sold in the first seven months of 2023 brought 7.5% less than the same period of 2022, but if we eliminate April 2022's outlier result, that difference drops to 4.9%. Monthly depreciation in 2023 remains essentially nonexistent on average, but we have noted a potential softening in conventional segments that is more notable in Class 6.

Class 6 conventionals averaged \$32,989 in July, \$509 (1.6%) higher than June but \$8,756 (21.0%) lower than July 2022. Trucks sold in the first seven months of 2023 brought 23.9% less than the same period of 2022. Lower selling prices in June and July pushed our monthly depreciation average down to 3.6%. Sales volume has been substantial in the second and third quarters, and it is looking more likely that the market could be exhibiting some saturation.

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



FORECAST

At the time of this writing in mid-August, the Yellow bankruptcy and the market effect of its substantial fleet liquidation is a common discussion topic. Not all of those trucks will be sold in the open market and, ultimately, the liquidation should place moderate negative pressure on Class 8 daycab values.

Otherwise, the Class 8 sleeper auction market continues to surprise on the upside, with pricing settled in at a level slightly higher than the most recent pre-pandemic bull market when adjusted for inflation. Freight volume and rates compared with the supply and availability of trucks suggests pricing should currently be depreciating somewhat. The retail channel is behaving more in line with those expectations.

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.