

**J.D. POWER**

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# COMMERCIAL TRUCK GUIDELINES

**INDUSTRY REVIEW**

September 2020

J.D. Power Valuation Services

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## SUMMARY

### Another Month of Strength

Medium Duty and Class 8 pricing were higher across the board in August. September should continue this recent trend.

## CLASS 8 AUCTION UPDATE

August's volume was very similar to July's, with pricing up across the board for another month. See below for average pricing detail for our benchmark truck.

- Model year 2017: \$41,509 average; \$4,678 (12.7%) higher than July
- Model year 2016: \$31,310 average; \$1,770 (6.0%) higher than July
- Model year 2015: \$26,695 average; \$633 (2.4%) higher than July
- Model year 2014: \$19,245 average; \$122 (0.6%) lower than July
- Model year 2013: \$19,228 average; \$8,753 (83.6%) higher than July

Month-over-month, our benchmark group of 4-6 year-old trucks brought 7.7% more money. In the first 8 months of 2020, pricing averaged 17.1% lower than the same period of 2019. However, if we narrow the comparison to July and August of both years, 2020 beats 2019 by 7.8%. The second half of 2019 saw a notable decline in pricing, which means year-over-year comparisons will be easier going forward. Thanks to this year's midsummer recovery, our benchmark truck now shows an average monthly price *gain* of 1.6% per month in 2020.

Check writers continue to show up at auctions and dealerships ready to choose from a decreasing supply of used trucks. Anecdotal evidence suggests end users are currently responsible for the vast majority of aerodynamic sleeper tractors sold at the largest auctions. This group is always a major part of the auction environment, and in a recovering market, auctions are where end users go first to pounce on the most desirable iron. We are not overly concerned about changes in the composition

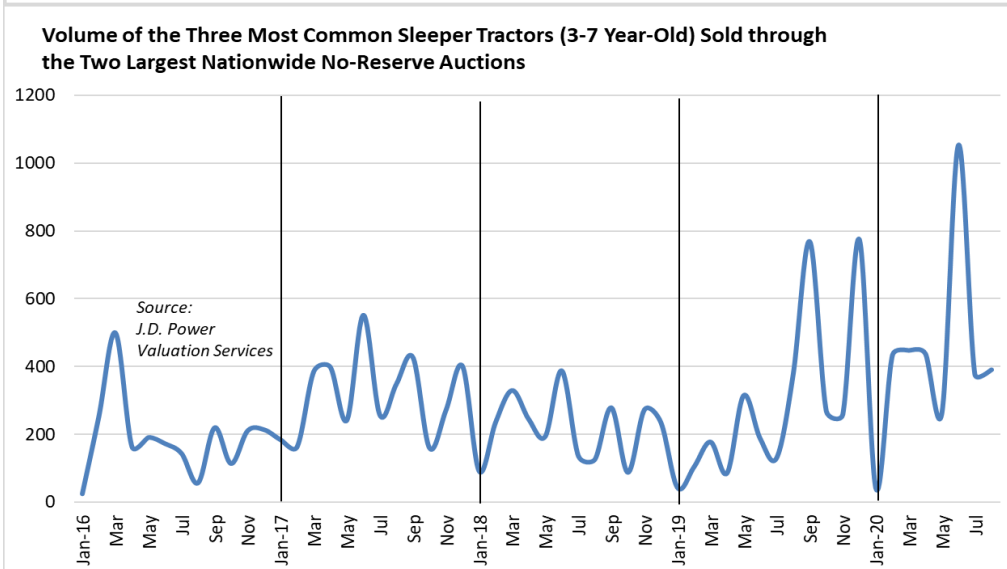
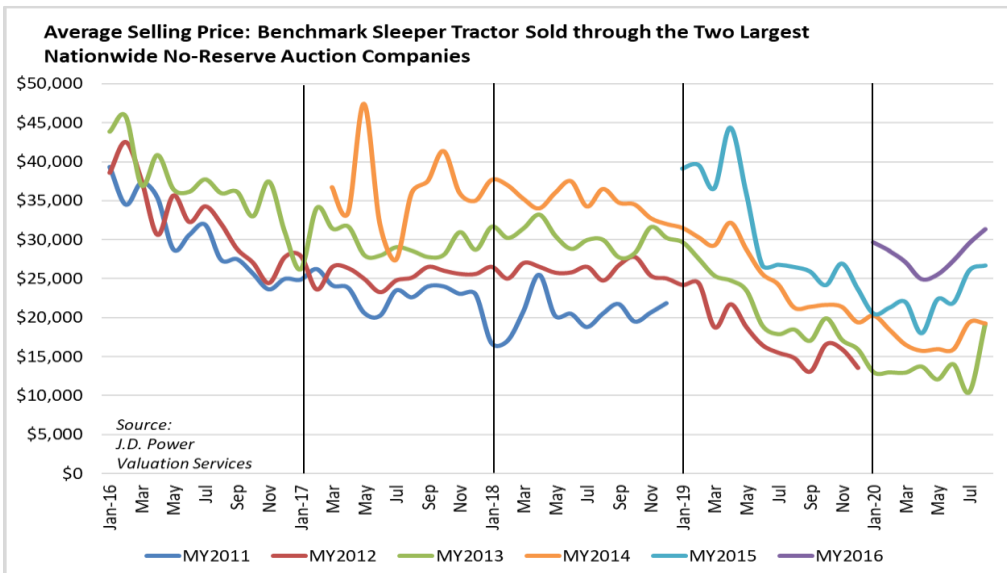
... our benchmark truck now shows an average monthly price *gain* of 1.6% per month in 2020.

of auction buyers on our data. We have always eliminated “grand slam” outliers from our averages, assuming they were end user bids. Auction pricing is still well below retail pricing for a given truck, apples-to-apples, so we still consider it a good proxy for a wholesale figure.

September should be another relatively strong month. The crystal ball clouds up going into the 4<sup>th</sup> quarter, but if economic conditions don't change dramatically, the supply of used trucks will continue to diminish and the freight markets will continue to stabilize. We still see more positive than negative pressure on used truck pricing.

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

September should be another relatively strong month.



## CLASS 8 RETAIL UPDATE

Retail volume increased for the third month in a row. There was a good mix of trucks sold, with no large packages of trucks with outlier mileage or specs, so our averages should represent true market conditions.

The average sleeper tractor retailed in August was 68 months old, had 460,476 miles, and brought \$42,090. Compared to July, this average sleeper was identical in age, had 9,727 (2.1%) fewer miles, and brought \$2,408 (6.1%) more money. Compared to August 2019, this average sleeper was 2 months newer, had 17,981 (4.1%) more miles, and brought \$12,600 (23.0%) less money.

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

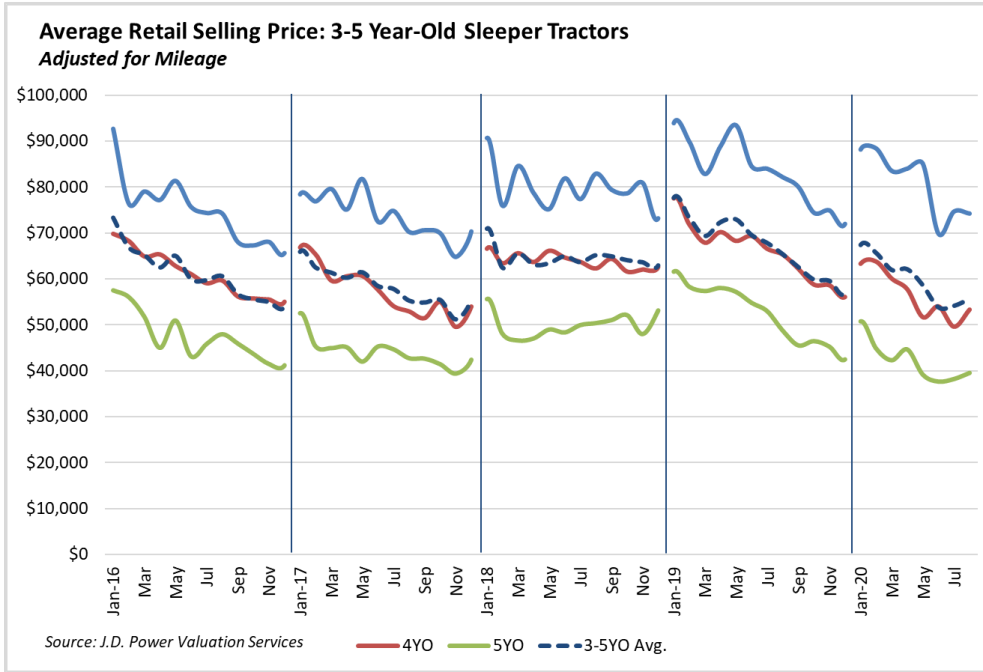
- Model year 2019: \$91,889; \$4,090 (4.7%) higher than July
- Model year 2018: \$74,188; \$449 (0.6%) lower than July
- Model year 2017: \$53,326; \$3,730 (7.5%) higher than July
- Model year 2016: \$39,492; \$1,323 (3.5%) higher than July

Month-over-month, late-model trucks brought 2.8% more money. In the first eight months of 2020, pricing averaged 15.7% lower than the same period of 2019. Depreciation in 2020 is averaging 2.8% per month, identical to last month's average.

Since mid-June, we've seen an increase in selling prices for the lowest-mileage iron. In a typical used truck market recovery, pricing eventually increases for average mileage trucks as well, as the supply/demand relationship continues to move positive. This time around, the next few months will be anything but typical, so consider us cautiously optimistic at this point.

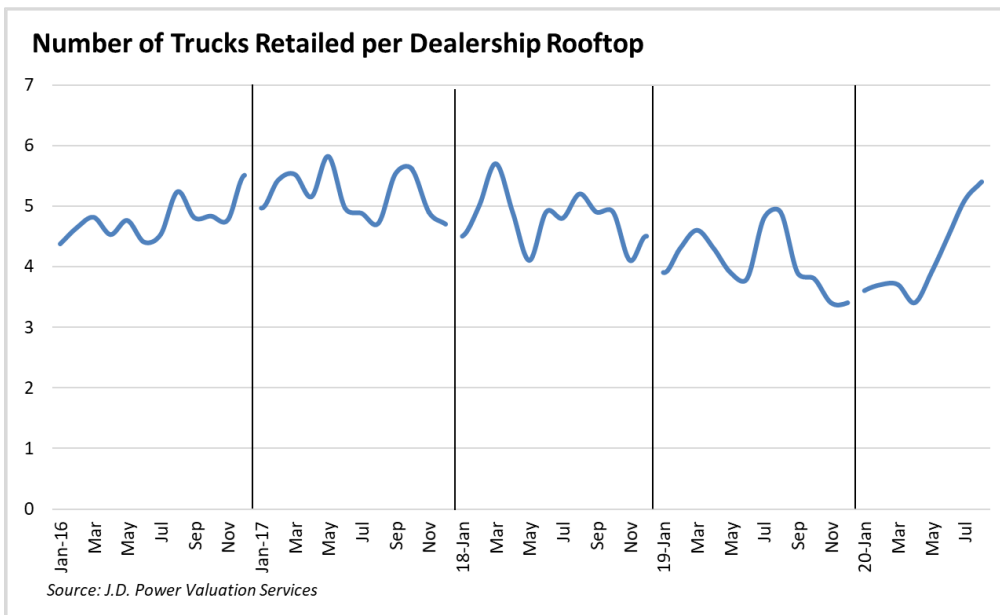
Since mid-June, we've seen an increase in selling prices for the lowest-mileage iron.

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



Dealers retailed an average of 5.4 trucks per rooftop in August, 0.3 truck higher than July, and 0.5 truck higher than last August. This month’s result is another healthy uptick, and the best result since March of 2018.

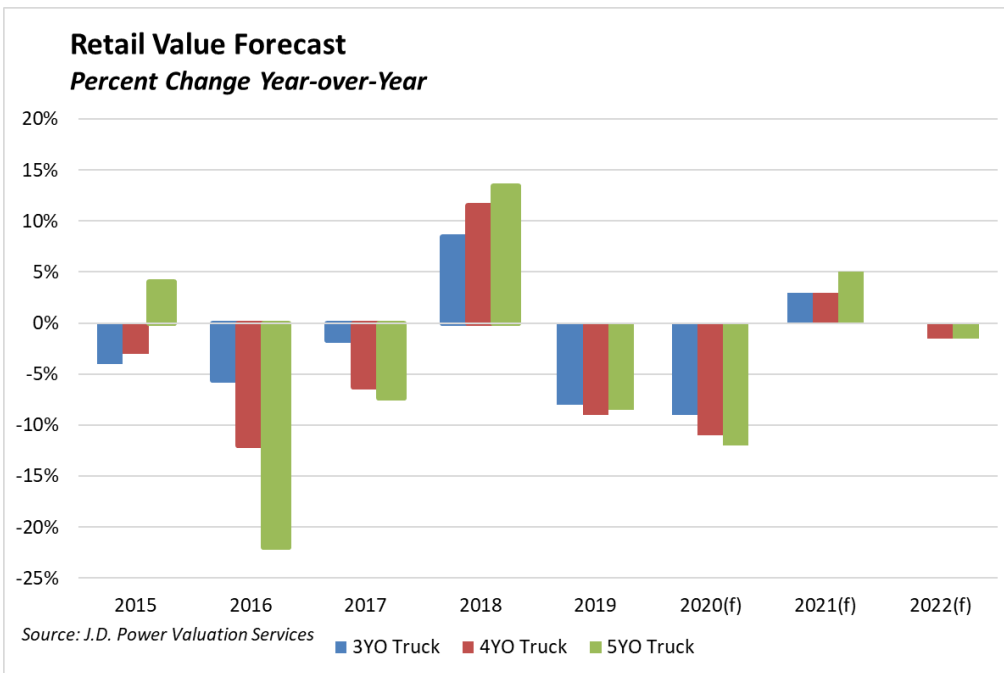
See the “Number of Trucks Retailed per Dealership Rooftop” graph for detail.



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We're leaving our Retail Value Forecast figures unchanged this month. If the recovery continues, pricing should recover a good portion of what was lost earlier in the year.

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

August was a healthy month for all segments of the medium duty market, with volume and pricing higher than July across the board.

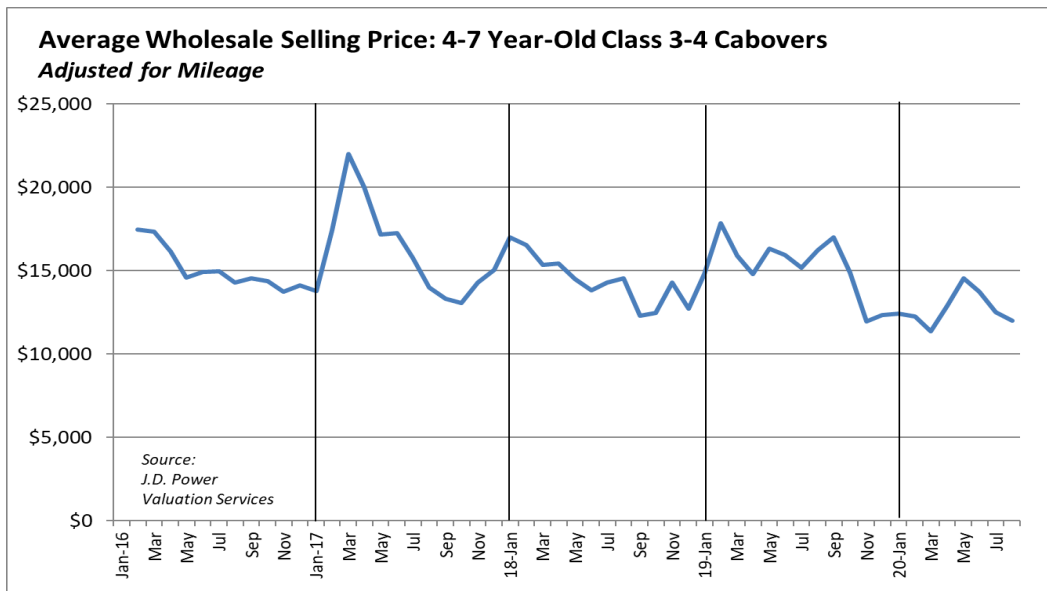
Starting with Class 3 – 4 cabovers, pricing and volume essentially split the difference between June’s strength and July’s pullback. August’s average for our benchmark group was \$12,542, \$1,124 (9.8%) higher than July, and \$3,448 (21.6%) lower than August 2019. The first 8 months of 2020 are averaging 21.5% lower than the same period of 2019. However, pricing has remained remarkably stable in 2020, and average monthly depreciation year-to-date is negligible.

Looking at Class 4 conventionals, average pricing for our benchmark group was \$21,492, \$1,802 (9.2%) higher than July, and \$633 (3.0%) higher than August 2019. The first 8 months of 2020 are averaging 5.1% lower than the same period of 2019. Average monthly depreciation continues to relax, now averaging 0.9% for the year.

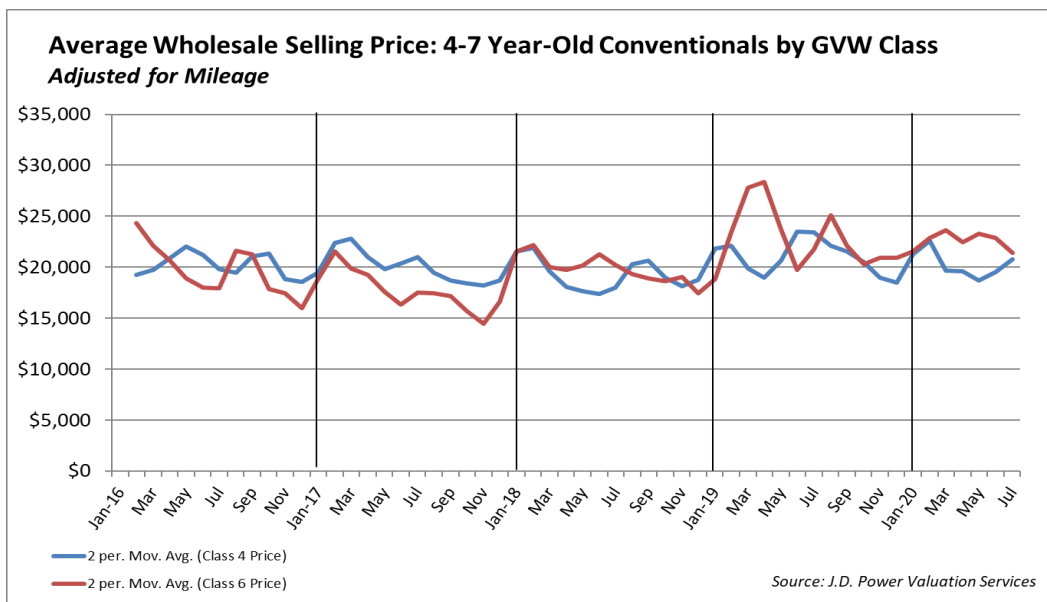
August was a healthy month for all segments of the medium duty market...

Class 6 conventional pricing averaged \$22,133 in August, \$334 (1.5%) higher than July, and \$3,102 (12.3%) lower than August 2019. The first 8 months of 2020 are averaging 8.6% lower than the same period of 2019. Monthly depreciation in 2020 is now down to a negligible 0.4%.

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.



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## Forecast

Our industry has been amazingly resistant to the massive social, political, and economic upheaval our country is enduring. Through it all, consumers continue to buy goods and construction projects continue. In the short term, we will see additional disruption when the CARES Act is rolled back and/or eliminated, and also when the most contentious Presidential election in at least a generation unfolds.

Looking first at the economic side, a moderately optimistic scenario is unemployment remains stable or increases minimally as government stimulus and assistance to businesses and individuals ends. This scenario has fairly good odds, since the hardest-hit industries like entertainment and travel are already showing up in unemployment figures to some degree. Also, nationwide shutdowns are extremely unlikely to return, even as the virus infection rate potentially ramps back up as people congregate indoors in the winter.

On the political side, a more optimistic scenario is in-person and mail-in voting proceeds as designed, and the eventual outcome is accepted as legitimate. We would include a delay in counting votes and even a 2000-style Supreme Court involvement as within the scope of this optimistic scenario, as long as the end result is accepted by both the winning and losing candidate, and the transition proceeds properly. Regardless of who wins, we don't see a major change in tax or regulatory policy, at least until all segments of the economy are closer to normal.

If these positive scenarios become reality, used truck supply will continue to decrease as freight volumes stabilize across all segments, and used truck pricing will continue to strengthen in 2021.

Regardless of who wins, we don't see a major change in tax or regulatory policy, at least until all segments of the economy are closer to normal.



## 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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