

SEPTEMBER 2022 COMMERCIAL VEHICLE MARKET UPDATE

CLASS 8 AUCTION UPDATE

Auction channels sold a moderately higher volume of trucks in August 2022 as fleets continued to offload their highest-mileage units and owner-operators continued to shift back to fleets or out of the industry. Depreciation for trucks with mileage typical for their model year appears to have relaxed this month.

Looking at two- to six-year-old trucks, August's average pricing for our benchmark truck was:

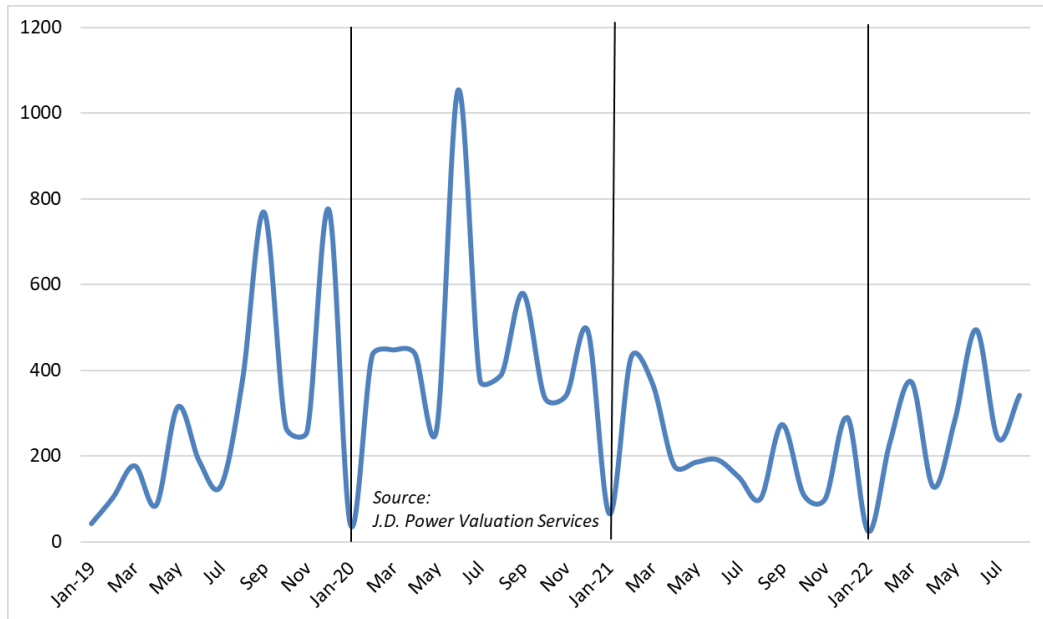
- Model year 2021: No trucks sold
- Model year 2020: \$93,426; \$23,414 (20.0%) lower than July
- Model year 2019: \$75,325; \$5,112 (6.4%) lower than July
- Model year 2018: \$64,406; \$3,083 (5.0%) higher than July
- Model year 2017: \$44,007; \$1,229 (2.9%) higher than July

In August, three- to six-year-old trucks averaged 8.0% less money than July, but 3.2% more money than August 2021. Year over year, late-model trucks sold in the first eight months of 2022 averaged 61.0% more money than the same period of 2021. Year to date, three- to six-year-old sleepers have depreciated 6.1% per month on average.

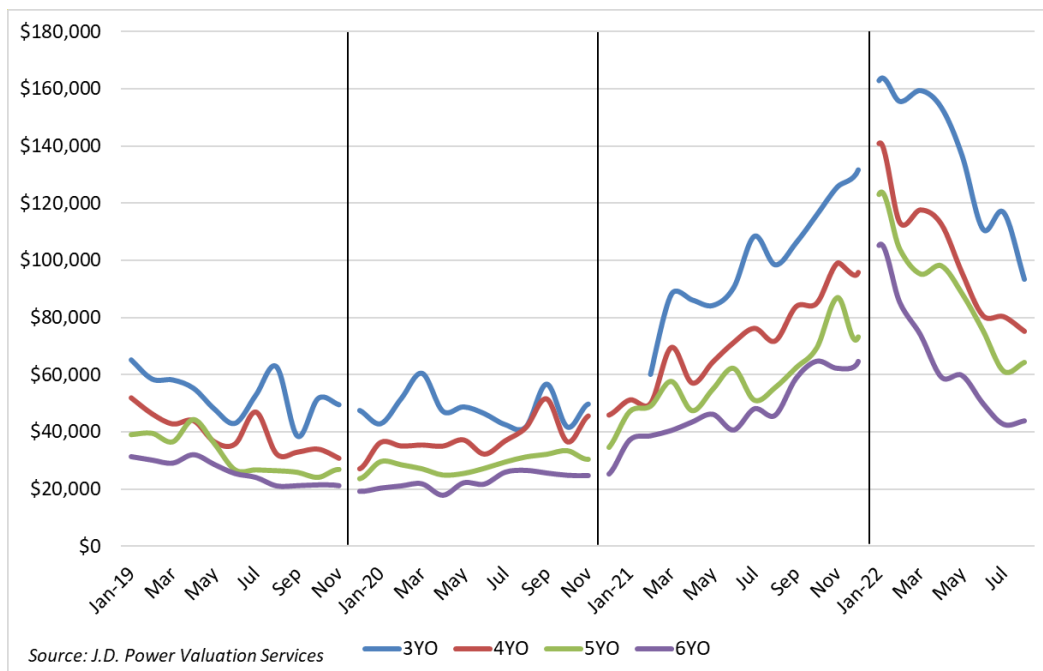
Despite the ongoing market correction, selling prices are still over 45% higher than the last pre-pandemic peak. Demand continues to fall back towards a more rational level, but various tailwinds will support pricing to an extent.

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

Due to incomplete data receipt for August, the figures and analysis in this section are subject to revision next month. With that in mind, August's retail environment appears to be similar to July 2022 with few check-writers buying trucks and selling prices being more stable than expected.

The average sleeper tractor retailed in August was 68 months old, had 439,965 miles and brought \$107,977. Compared with July, this average sleeper was two months older, had essentially identical miles, and brought \$64 (0.1%) less money. Compared with August 2021, this average sleeper was five months newer, had 14,142 (3.1%) fewer miles, and brought \$33,484 (44.9%) more money.

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

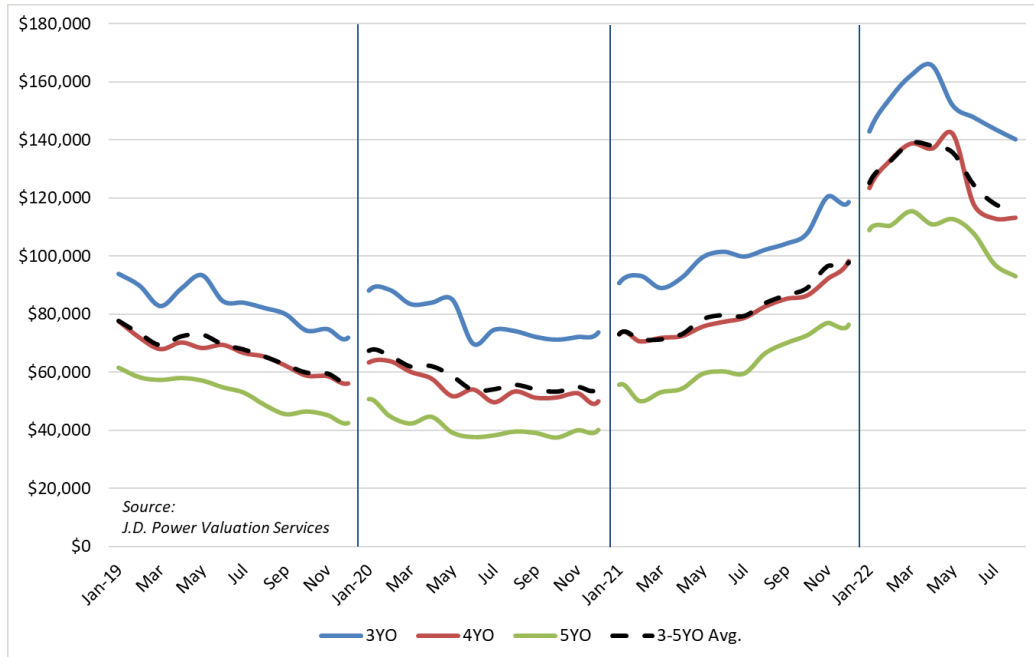
- Model year 2021: \$153,572; \$843 (0.5%) lower than July
- Model year 2020: \$140,214; \$3,585 (2.5%) lower than July
- Model year 2019: \$113,248; \$272 (0.2%) lower than July
- Model year 2018: \$93,121; \$4,123 (4.2%) lower than July
- Model year 2017: \$75,968; \$3,153 (4.3%) higher than July

The sample size of model-year 2021 trucks continues to increase, including a wider range of mileage. As such, going forward, the average price figure for that model year should look more like August and July than earlier months. For more detailed pricing intelligence reflecting mileage and spec for individual models, talk to us about our consulting products.

Otherwise, three- to five-year-old trucks brought an average of 2.1% less money in August than July. Trucks in this age group brought 68.6% more money in the first eight months of 2022 than the same period of 2021. Depreciation is averaging 1.5% per month in 2022, less than we had expected by this point in the year, and substantially better than the auction channel. Retail pricing for late-model trucks is still more than 50% higher than the last pre-pandemic peak.

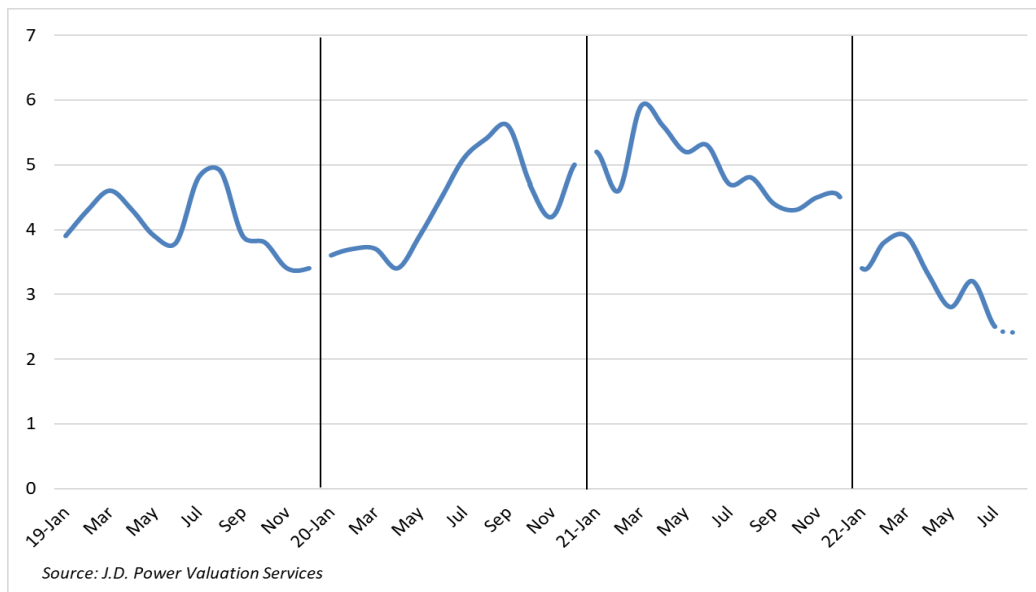
See the graphs on the next page and the Forecast section at the end of this document for additional analysis.

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



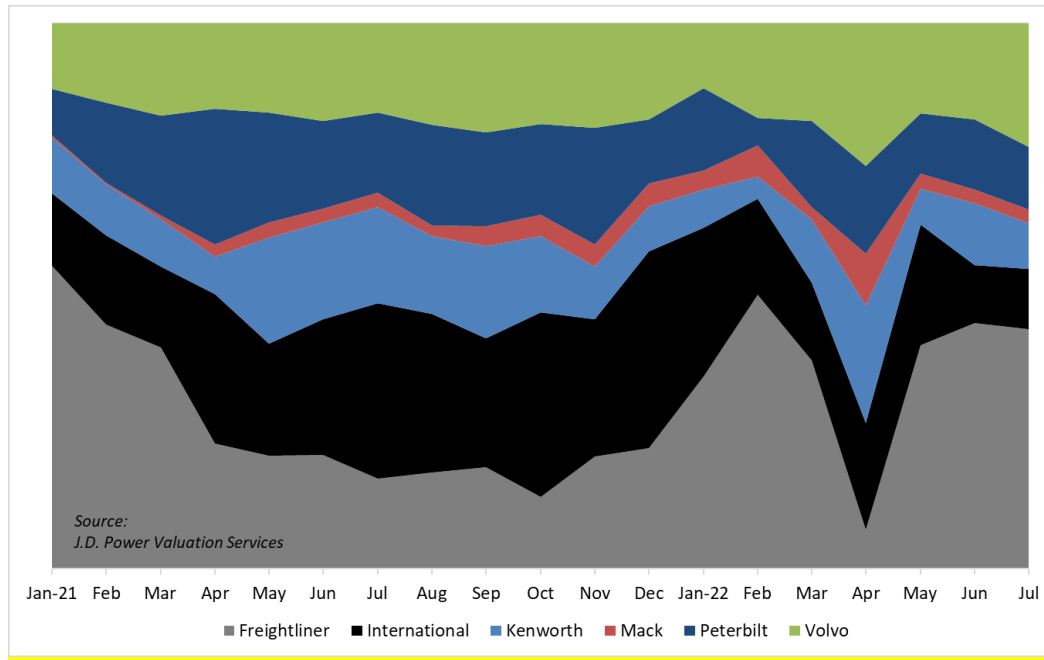
Due to August's data receipt issue, our sample group of dealers was not identical to previous months. As such, we are providing an estimate of sales per rooftop, which will be revised next month if we receive the full data set.

Number of Trucks Retailed per Dealership Rooftop



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

Note: Graph has not been updated for August due to a data receipt issue. We will bring the graph up to date next month.



MEDIUM DUTY UPDATE

Pricing is still extremely high by historical standards, but some degree of correction is likely underway.

Starting with Class 3-4 cabovers, the benchmark group averaged \$26,886 in August. This figure is \$1,500 (5.9%) higher than July, and \$6,537 (32.1%) higher than August 2021. The first eight months of 2022 are running 50.8% ahead of the same period of 2021. Trucks in this segment have lost an average of 2.1% per month on average. August was the second month in a row showing a sub-\$30,000 average for our benchmark group of trucks. Higher-mileage trucks are showing up in our data in greater numbers, suggesting owners are either trimming excess capacity or obtaining new (or newer) units. Fundamentally, this segment is performing strongly, but market dynamics may be moving back towards historical trend.

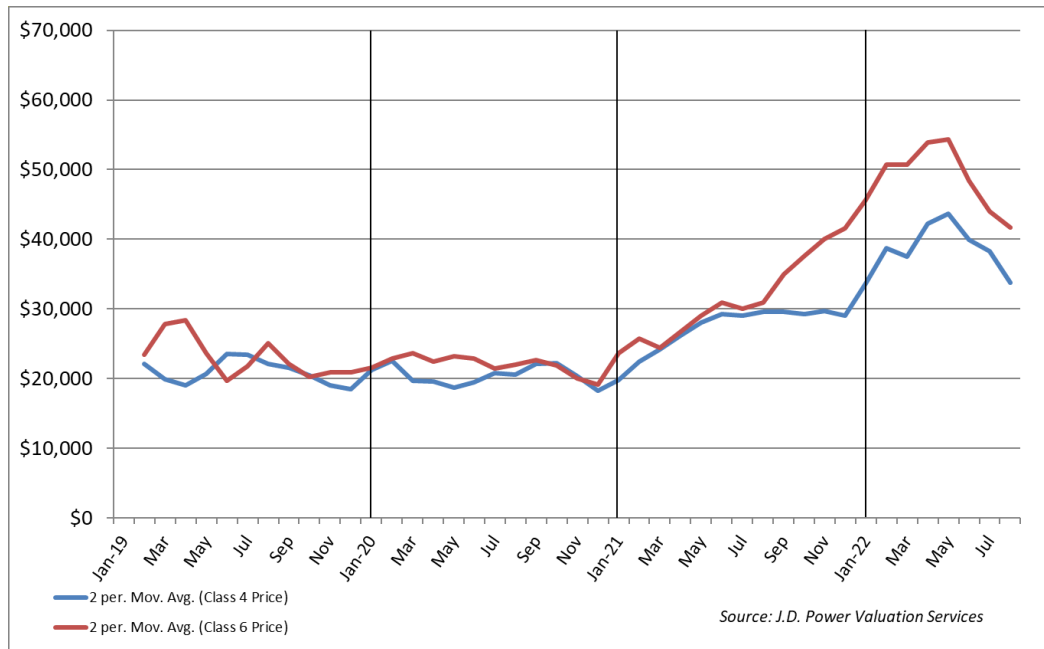
Average Wholesale Selling Price: 4- to 7-Year-Old Class 3-4 Cabovers, Adjusted for Mileage



Looking at Class 4 conventionals, average pricing for our benchmark group was \$31,084 in August, \$5,273 (14.5%) lower than July but \$743 (2.4%) higher than August 2021. The first eight months of 2022 are running 43.7% ahead of the same period of 2021. Trucks have lost an average of 1.5% of value per month so far this year. August's lower result is partly due to an older, higher-mileage mix of trucks sold, which may have been outside the ability of our adjustments to correct. At the same time, it is clear trucks of similar age and mileage did lose some degree of value month-over-month.

Class 6 conventionals averaged \$41,404 in August, \$41 (0.1%) lower than July but \$8,218 (24.5%) higher than August 2021. The first eight months of 2022 are running 70.6% ahead of the same period of 2021. Trucks have lost an average of 2.7% of value per month so far this year. August was the second month in a row showing a pricing pullback. Like other segments, it is likely the Class 6 supply and demand balance is starting to become more rational.

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



FORECAST

August’s relaxed auction depreciation for trucks in the 400,000-550,000-mile range was somewhat encouraging. We expect auction pricing to hit a “soft floor” before the end of the year, landing about 20% above the most recent pre-pandemic peak of early 2019.

Two main tailwinds should keep pricing above 2018/2019 levels as we close out the year. First, although new truck production is increasing, the backlog is considerable, and price increased substantially during the pandemic. This situation means buyers will continue to pay a premium for trucks with less than 400,000 miles, since that segment is the next best thing to a new truck. Second, although the freight environment continues to adjust back towards pre-pandemic trend, overall volumes and contract rates should remain solid going into the new year.

Keep in mind the macroeconomy is correcting from the most major black swan event in multiple generations, so negative results as we come down the other side of the peak were expected. For the best perspective, compare figures not just month over month and year over year, but also to the pre-pandemic trend.

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.