

J.D. POWER



COMMERCIAL TRUCK GUIDELINES

INDUSTRY REVIEW

October 2020

J.D. Power Valuation Services



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SUMMARY

Class 8 Market Turns and Burns for Another Month

The Class 8 auction channel saw higher volume and pricing in September. The retail channel also saw higher volume and generally stable pricing. Medium duty trucks had a relatively strong month.

CLASS 8 AUCTION UPDATE

September saw substantially higher volume than August, and pricing was generally higher, especially for newer trucks. We now know pricing increased every month in the 3rd quarter. See below for average pricing detail for our benchmark truck.

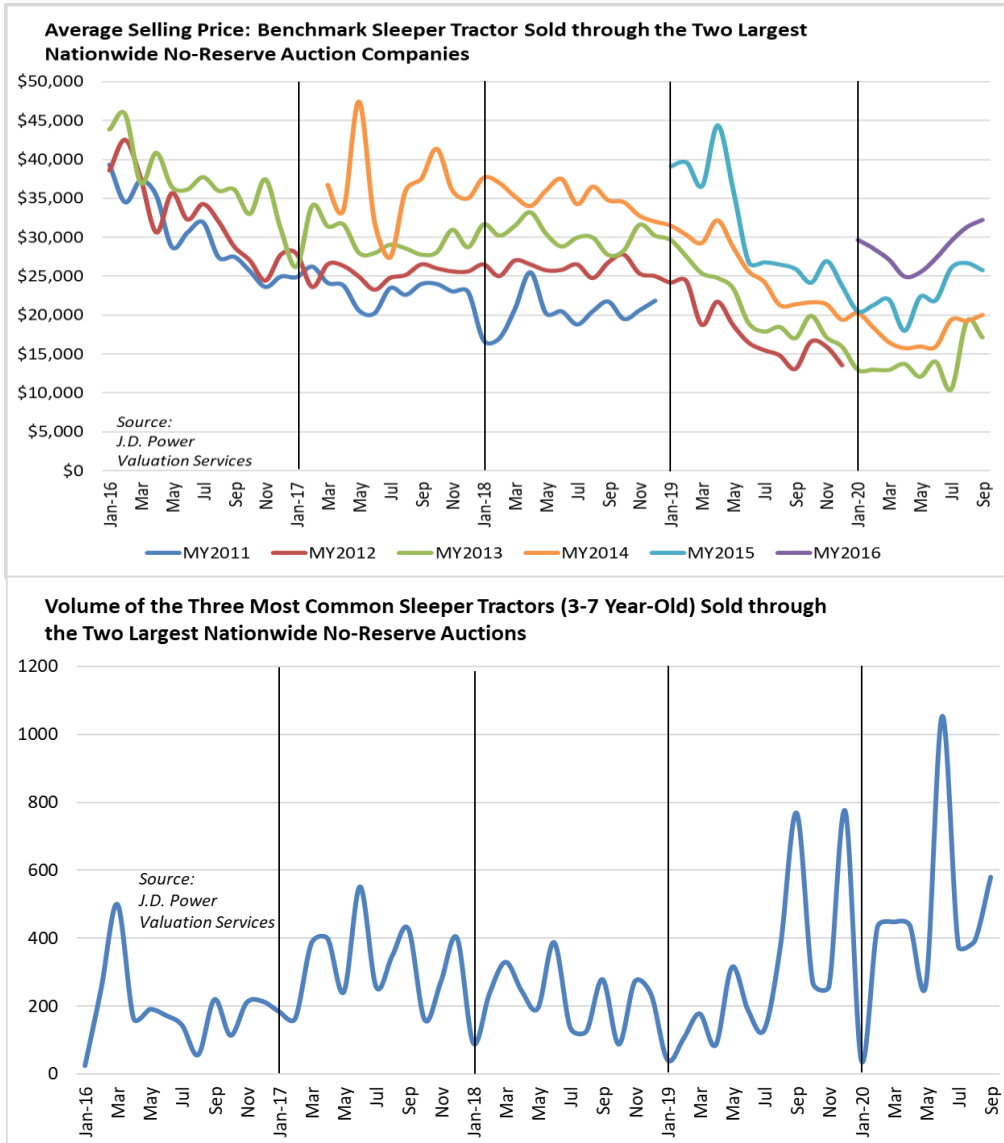
- Model year 2017: \$51,542 average; \$10,033 (24.2%) higher than August
- Model year 2016: \$32,228 average; \$918 (2.9%) higher than August
- Model year 2015: \$25,775 average; \$920 (3.4%) lower than August
- Model year 2014: \$20,000 average; \$755 (3.9%) higher than August
- Model year 2013: \$17,171 average; \$2,057 (10.7%) lower than August

We now know pricing increased every month in the 3rd quarter.

Month-over-month, our benchmark group of 4-6 year-old trucks brought 10.1% more money. In the first 9 months of 2020, pricing averaged 12.4% lower than the same period of 2019. However, if we narrow the comparison to the 3rd quarter of both years, 2020 beats 2019 by 16.7%. Thanks to this year's 3rd quarter recovery, our benchmark truck now shows an average monthly price *gain* of 3.0% per month in 2020. Looking just at the 3rd quarter, trucks gained an average of 6.0% per month.

There was a large increase in volume of model-years 2015 and 2016 trucks sold. The fact that pricing remained stable for both years points to healthy interest. Demand for newer trucks is evident in the extremely strong result for model-year 2017 trucks. As we predicted last month, pricing strength is no longer limited to trucks with low mileage. Even average-mileage trucks are seeing price improvements at this point.

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



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CLASS 8 RETAIL UPDATE

September’s retail results were basically a carbon copy of August’s. Pricing dipped mildly, due to a combination of a few large packages of higher-mileage trucks sold and natural market movement. A healthy number of check-writers continued to visit dealers’ lots in September.

The average sleeper tractor retailed in September was 69 months old, had 469,858 miles, and brought \$42,066. Compared to August, this average sleeper was one month older, had 9,382 (2.0%) fewer miles, and brought \$24 (0.1%) more money. Compared to September 2019, this average sleeper was identical in age, had 12,747 (2.8%) more miles, and brought \$10,183 (19.5%) less money.

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

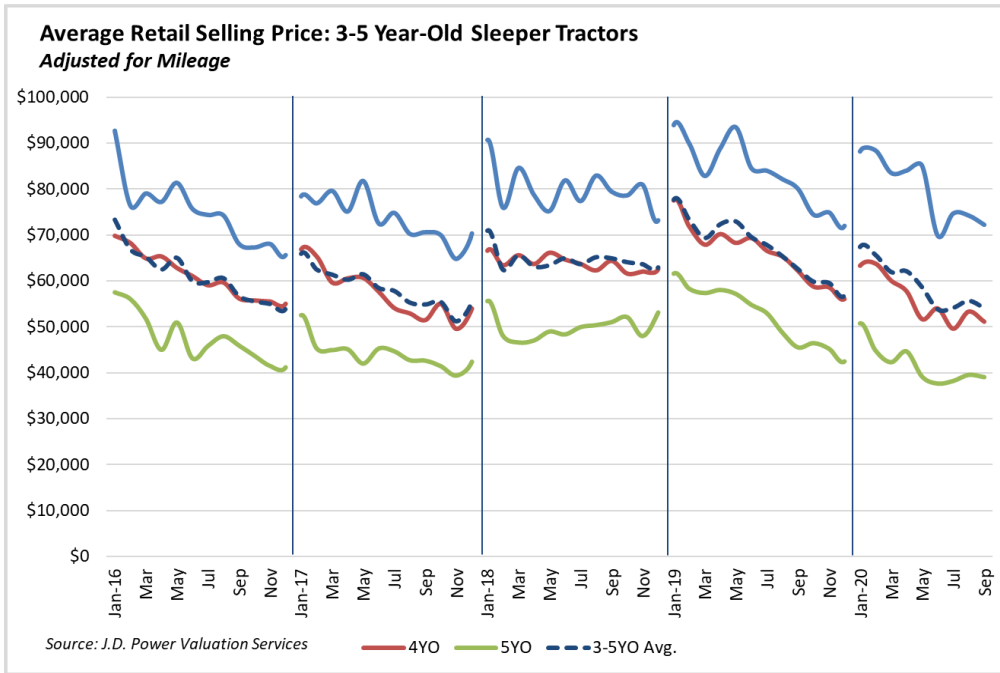
- Model year 2019: \$92,061; \$172 (0.2%) higher than August
- Model year 2018: \$72,178; \$2,010 (2.7%) lower than August
- Model year 2017: \$51,133; \$2,193 (3.7%) lower than August
- Model year 2016: \$39,011; \$481 (1.2%) higher than August

Month-over-month, late-model trucks brought 2.8% less money. In the first nine months of 2020, pricing averaged 15.5% lower than the same period of 2019. Depreciation in 2020 is averaging 2.8% per month, unchanged from the previous two months.

Unlike the auction market, 3rd quarter 2020 retail results are still behind the same period of 2019. This is because retail pricing held up better than auction pricing in the 2nd half of 2019, resulting in tougher comparisons on the retail side. We're now in the period where we'd expect some market softening due to uncertainty around the Presidential election combined with the lack of a renewed stimulus package. However, freight markets are still hot at the time of this writing, so those headwinds haven't yet materialized.

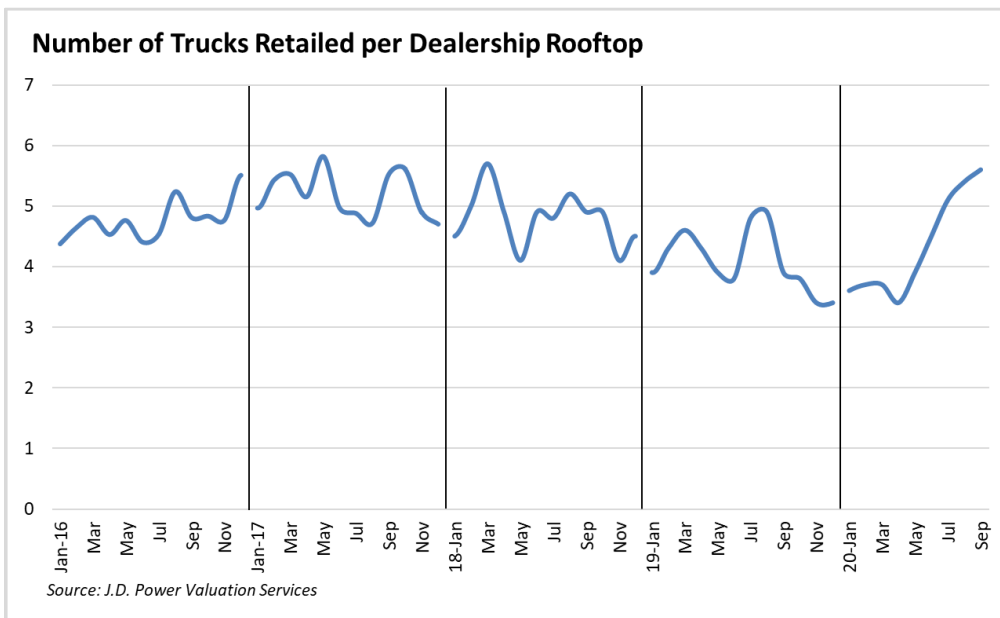
See the "Average Retail Selling Price: 3-5 Year-Old Sleeper Tractors" graph for detail.

Depreciation in 2020 is averaging 2.8% per month, unchanged from the previous two months.



Dealers retailed an average of 5.6 trucks per rooftop in September, 0.2 truck higher than August, and a whopping 2.5 trucks higher than last September. A typical month in the post-recession, pre-COVID decade was 5.5 trucks per rooftop. So this month's foot traffic should have felt like the good old days.

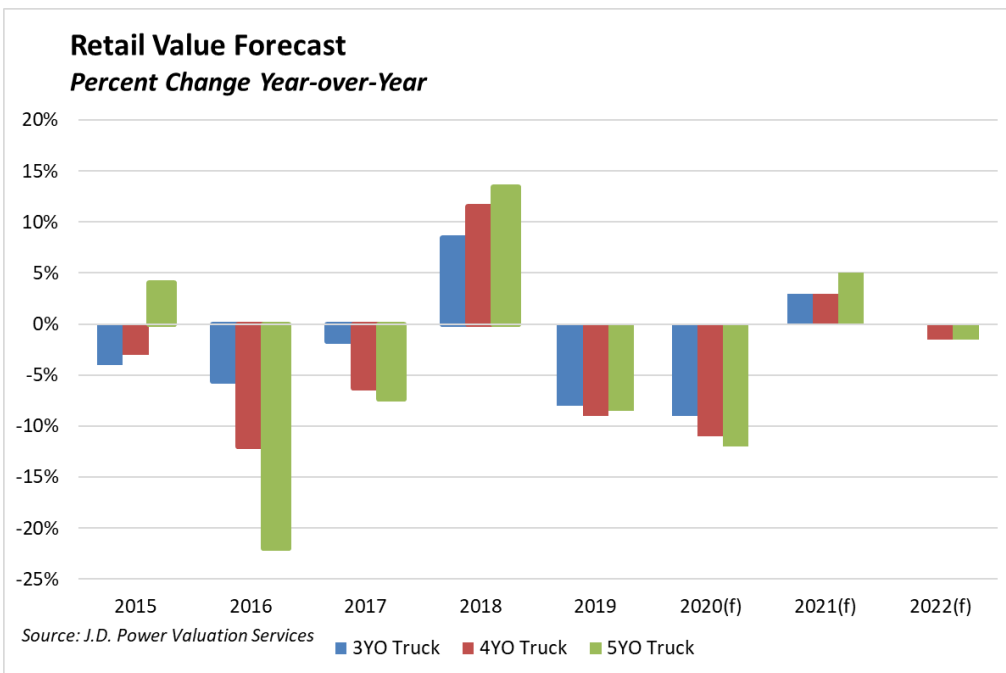
See the "Number of Trucks Retailed per Dealership Rooftop" graph for detail.



... this month's foot traffic should have felt like the good old days.

We're leaving our Retail Value Forecast figures unchanged this month. At this point, no one is attempting to address all the possible economic and societal variables that could affect consumer spending, so we'll just stick with our existing assumptions which include some downside risk.

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

Sales volume for all medium duty segments was lower in September, but pricing was higher, particularly for conventionals.

Starting with Class 3 – 4 cabovers, September's average for our benchmark group was \$12,375, \$167 (1.3%) higher than August, and \$5,636 (31.3%) lower than a very strong September 2019. The first 9 months of 2020 are averaging 22.7% lower than the same period of 2019. However, pricing has remained remarkably stable in 2020, and average monthly depreciation year-to-date is negligible.

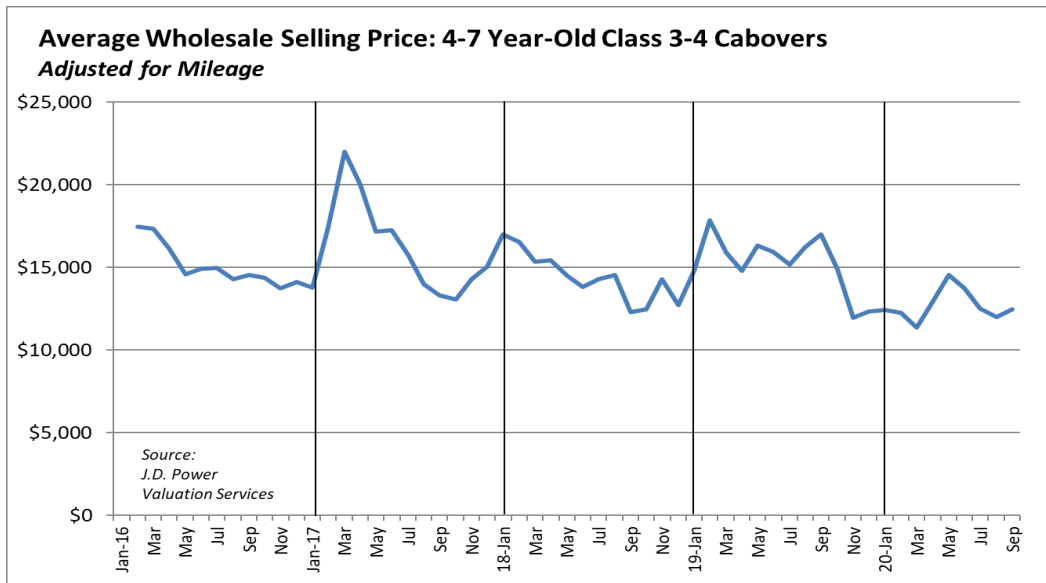
Looking at Class 4 conventionals, average pricing for our benchmark group was \$22,798, \$1,306 (6.1%) higher than August, and \$520 (2.3%) higher than September

... pricing was higher, particularly for conventionals.

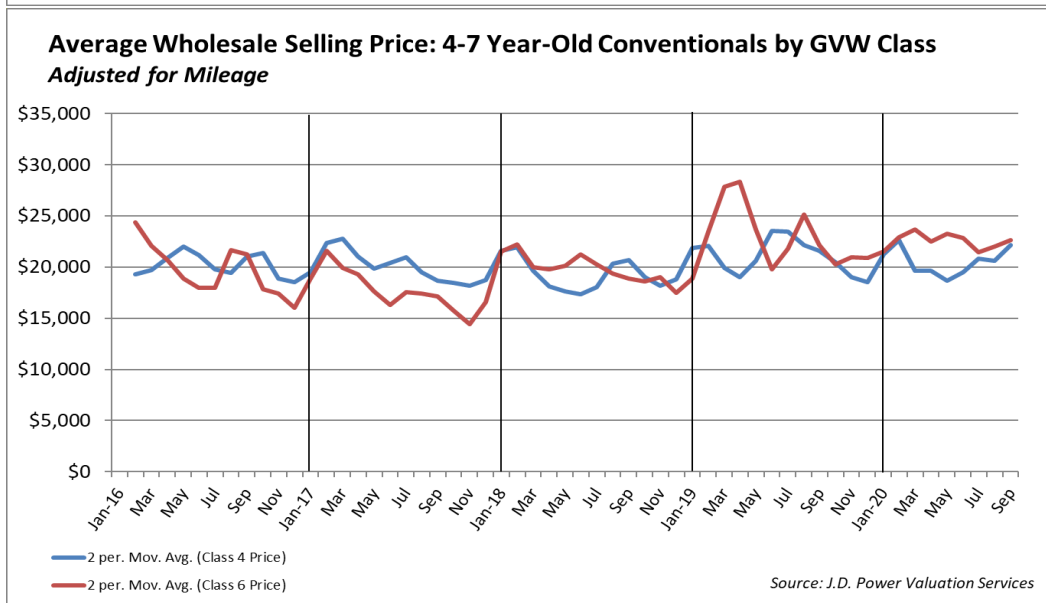
2019. The first 9 months of 2020 are averaging 4.2% lower than the same period of 2019. Average monthly depreciation is now down to 0 for the year.

Class 6 conventional pricing averaged \$23,102 in September, \$969 (4.4%) higher than August, and \$4,096 (21.6%) higher than September 2019. The first 9 months of 2020 are averaging 5.7% lower than the same period of 2019. Like Class 4, average monthly depreciation for Class 6 is now essentially zero for the year.

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 monthly depreciation is now down to 0 for the year.



Forecast

Consumer spending and inventory buildup remain the main drivers of freight volumes. Inventory buildup activity should eventually diminish as corporate targets are met, but consumer spending should remain strong assuming there are no major disruptions to economic conditions (this is of course a huge assumption). Wall Street seems pretty sanguine about either Presidential outcome, assuming a continued low tax/low regulation strategy under a second Trump administration and a larger stimulus under a Biden administration. The Paycheck Protection Program, the CARES Act, and other stimuli have scaled back – possibly only temporarily – but unemployment is steady to mildly improving. Watch that indicator going forward.

Wall Street seems pretty sanguine about either Presidential outcome...

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.

Commercial Truck Market Analysis

Chris Visser
703.610.7067
Chris.Visser@jdpa.com

Director Sales and Customer Service

Dan Ruddy
703.749.4707
Dan.Ruddy@jdpa.com