

OCTOBER 2022 COMMERCIAL VEHICLE MARKET UPDATE

CLASS 8 AUCTION UPDATE

Auction results for September 2022 were a bit of an upside surprise, with late-model trucks losing minimal value month over month. Volume was similar to August.

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

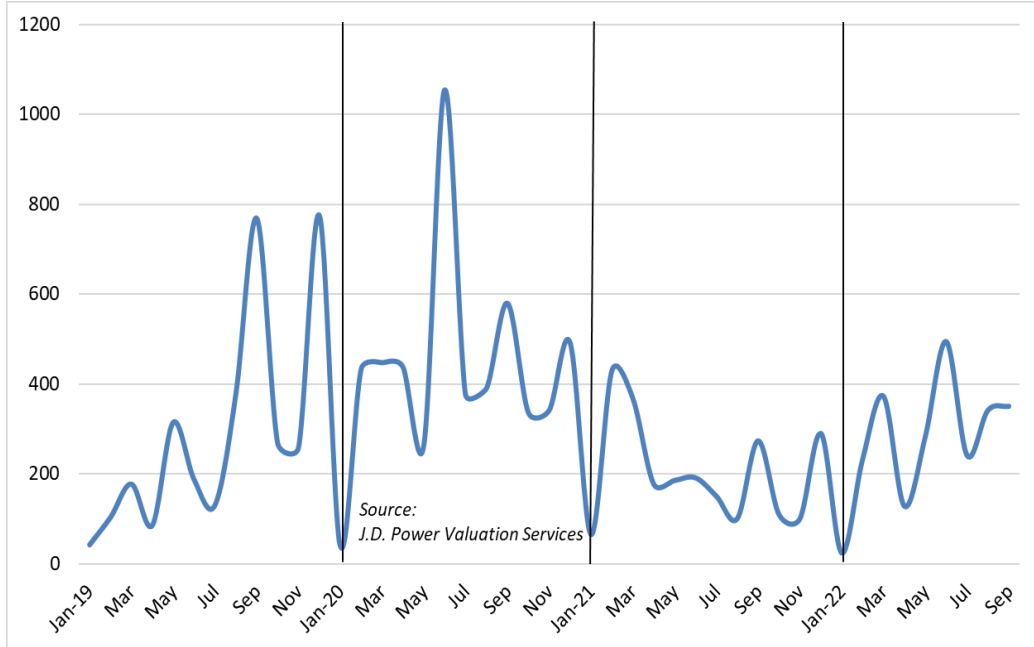
- Model year 2021: \$147,458 (no basis of comparison for August)
- Model year 2020: \$89,336; \$4,090 (4.4%) lower than August
- Model year 2019: \$80,002; \$4,767 (6.3%) higher than August
- Model year 2018: \$59,104; \$5,302 (8.2%) lower than August
- Model year 2017: \$44,659; \$652 (1.5%) higher than August

In September, three- to six-year-old trucks averaged 1.4% less money than August, and 12.2% less money than September 2021. Year over year, late-model trucks sold in the first nine months of 2022 averaged 50.9% more money than the same period of 2021. Year to date, three- to six-year-old sleepers have depreciated 5.8% per month on average.

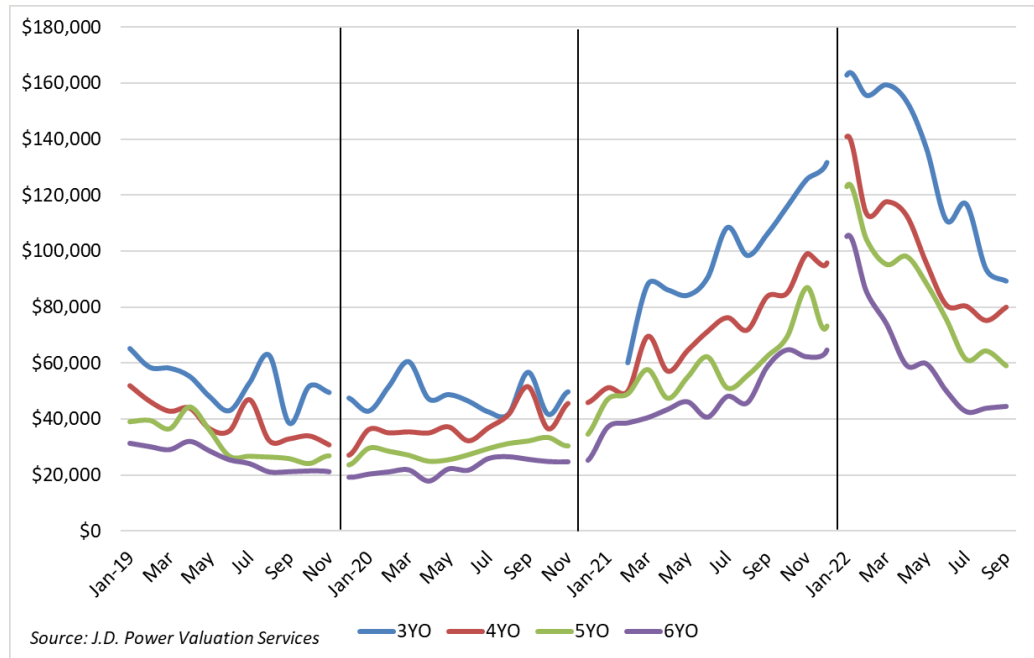
Year-over-year comparisons have finally turned negative, but depreciation is relaxing. Late-model sleepers are still bringing 45% more money than the last pre-pandemic peak. We had expected pricing to fall another 20-25% before leveling out, so for now at least, the market is outperforming expectations. Seasonality may have entered the picture, but the tight availability and high price of new trucks is keeping demand for sub-400,000-mile trucks extremely strong. Of course, this also means the price difference between low- and average-mileage trucks continues to increase.

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

Late-model sleepers lost 3.4% of their value in September, a figure roughly in line with the moderate month-over-month depreciation that began late in the second quarter. Year-over-year retail pricing comparisons are still extremely positive, unlike auction pricing, which turned negative in September.

The average sleeper tractor retailed in September was 69 months old, had 436,760 miles and brought \$102,780. Compared with August, this average sleeper was one month older, had 5,695 (1.3%) fewer miles, and brought \$5,711 (5.3%) less money. Compared with September 2021, this average sleeper was five months older, had 22,633 (4.9%) fewer miles, and brought \$24,573 (31.4%) more money.

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

- Model year 2021: \$147,652; \$5,920 (3.9%) lower than August
- Model year 2020: \$134,951; \$5,263 (3.8%) lower than August
- Model year 2019: \$108,631; \$4,617 (4.1%) lower than August
- Model year 2018: \$91,176; \$1,945 (2.1%) lower than August
- Model year 2017: \$64,492; \$11,476 (15.1%) lower than August

Three- to five-year-old trucks brought an average of 3.4% less money month-over month, but 29.0% more than September 2021. Trucks in this age group brought 63.7% more money in the first nine months of 2022 compared to the same period of 2021.

Depreciation is averaging 1.9% per month in 2022, although the more recent 3-5% per month is more indicative of current conditions. Retail pricing for late-model trucks is still 44% higher than the last pre-pandemic peak.

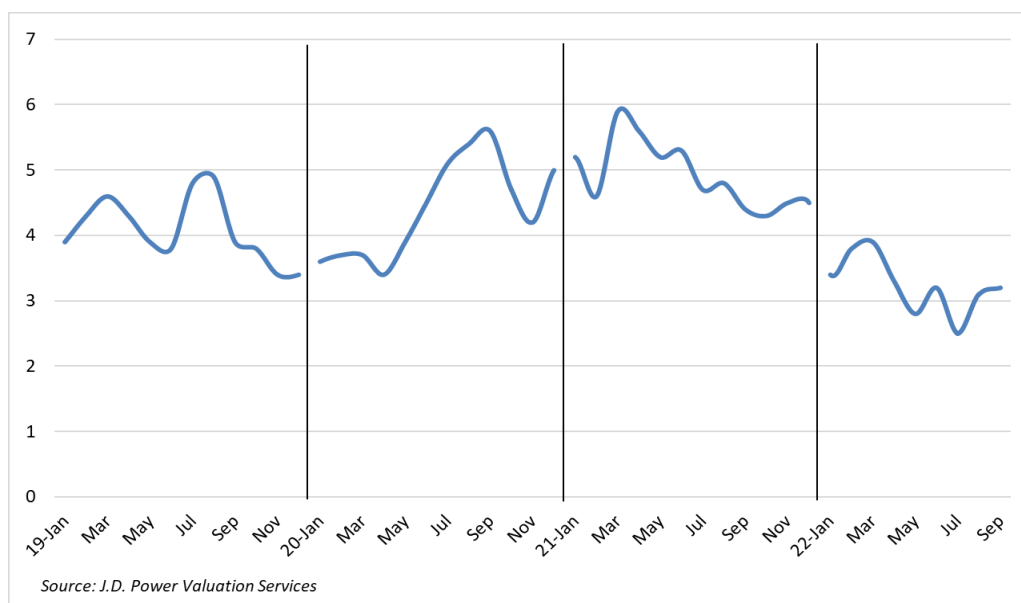
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Average Retail Selling Price: 3- to 5-Year-Old Sleeper Tractors, Adjusted for Mileage

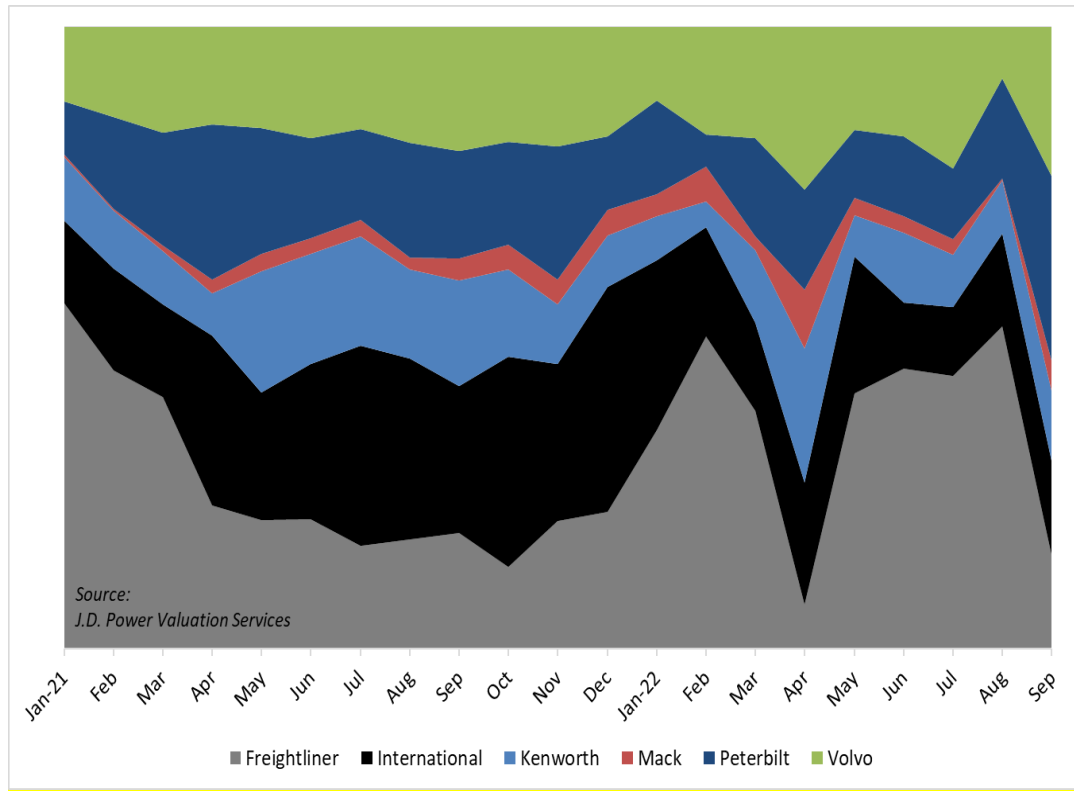


Retail sales per dealership rooftop averaged 3.2 trucks in September, 0.1 truck more than August. This figure is still almost 2 full trucks lower than the historical average, but notably better than the historic low of 2.5 reached in July. Lower pricing combined with somewhat increased acceptance of freight conditions has encouraged a few more buyers into the market.

Number of Trucks Retailed per Dealership Rooftop



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

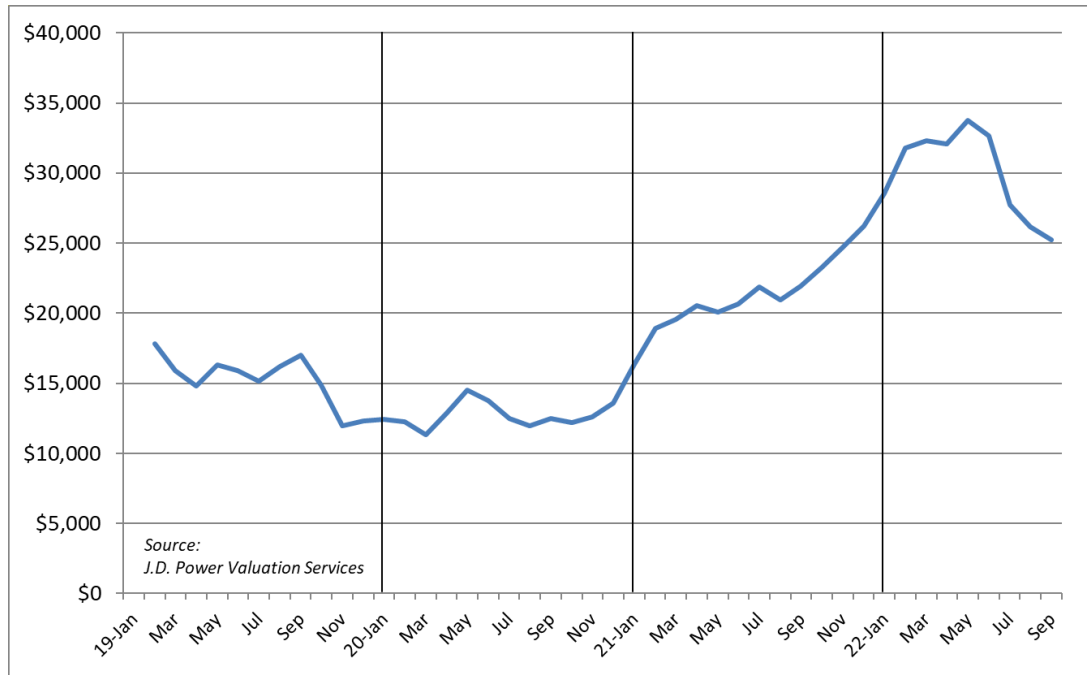


MEDIUM DUTY UPDATE

Medium duty segments are seeing mild to moderate depreciation. Conventionals continue to bring substantially more money in 2022 than 2021, while cabovers are now at parity.

Starting with Class 3-4 cabovers, the benchmark group averaged \$23,585 in September. This figure is \$3,351 (12.3%) lower than August, and \$31 (0.3%) higher than September 2021. The first nine months of 2022 are running 44.4% ahead of the same period of 2021. Trucks in this segment have lost an average of 3.0% per month on average. Depreciation has been at an historically typical 2-3% per month since the second quarter, and the year-over-year comparison has now hit parity. However, due to the tight availability of new trucks, depreciation will likely level out above pre-pandemic highs.

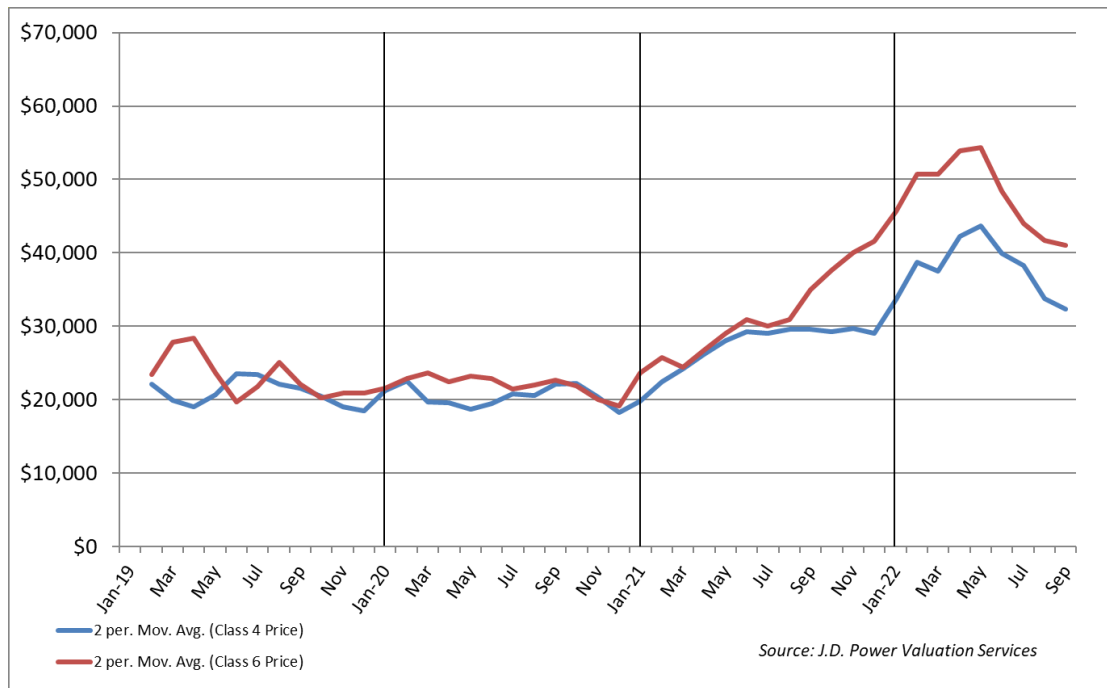
Average Wholesale Selling Price: 4- to 7-Year-Old Class 3-4 Cabovers, Adjusted for Mileage



Looking at Class 4 conventionals, average pricing for our benchmark group was \$33,558 in September, \$2,474 (8.0%) higher than August and \$4,672 (16.2%) higher than September 2021. The first nine months of 2022 are running 40.4% ahead of the same period of 2021. Trucks have lost an average of 1.5% of value per month so far this year. A more typical age mix of trucks in our sample nudged this month's average higher than last month's, but Class 4 pricing is moving mildly downward as the supply-demand balance returns to a more rational level.

Class 6 conventionals averaged \$40,432 in September, \$1,272 (3.1%) lower than August but \$3,981 (10.9%) higher than September 2021. The first nine months of 2022 are running 62.3% ahead of the same period of 2021. Trucks have lost an average of 3.0% of value per month so far this year. Class 6 pricing continues to substantially outperform last year as it heads back down the other side of the peak.

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



FORECAST

The auction environment was the big surprise this month. We had expected another 20-25% of depreciation to unfold before pricing started to level out. With the freight environment substantially cooler year over year and no obvious anomalies in the data, the market is currently outperforming expectations. Of course, one month isn't a trend, and seasonality is currently supporting values to some degree, so for now we'll increase our optimism level a notch or two as we monitor incoming October sales data.

Otherwise, the used truck market is basically a tale of two segments: Trucks with under 400,000 miles, and trucks with higher mileage. As has been the case for 18 months now, low-mileage trucks are still the proxy for difficult-to-obtain, high-priced new trucks. By contrast, demand for higher-mileage trucks has cooled to an historically typical level. Manufacturers are making progress in chipping away at the new truck backlog, but there's still a long way to go. Assuming freight conditions don't change dramatically, the supply of low-mileage trucks will remain inadequate into 2023.

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.