

NOVEMBER 2022 COMMERCIAL VEHICLE MARKET UPDATE

CLASS 8 AUCTION UPDATE

Class 8 sleeper pricing declined moderately in October 2022. Low-mileage trucks are still scarce and bringing strong money, while other segments continue to correct towards historic trend.

Looking at two- to six-year-old trucks, average pricing for our benchmark truck in October was:

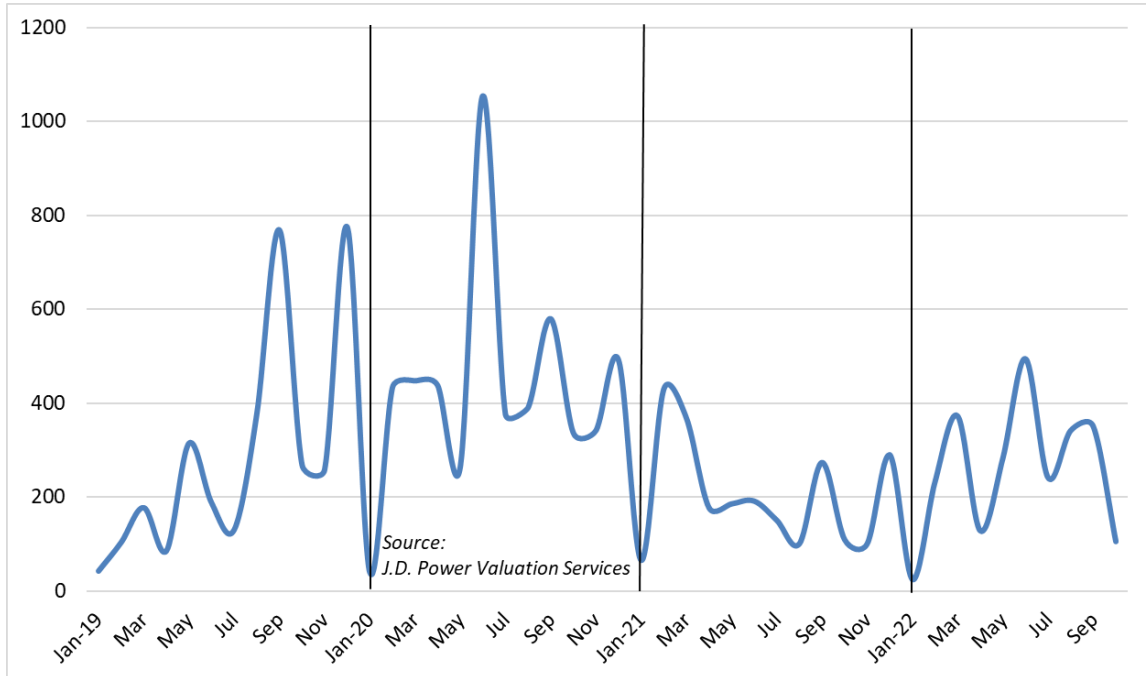
- Model year 2021: (no trucks sold)
- Model year 2020: \$89,025; \$311 (0.3%) lower than September
- Model year 2019: \$74,447; \$5,555 (6.9%) lower than September
- Model year 2018: \$63,349; \$4,245 (7.2%) higher than September
- Model year 2017: \$38,584; \$6,075 (13.6%) lower than September

In October, three- to six-year-old trucks averaged 2.8% less money than September, and 20.8% less money than October 2021. Year over year, late-model trucks sold in the first ten months of 2022 averaged 41.6% more money than the same period of 2021. Year to date, three- to six-year-old sleepers have depreciated 5.6% per month on average.

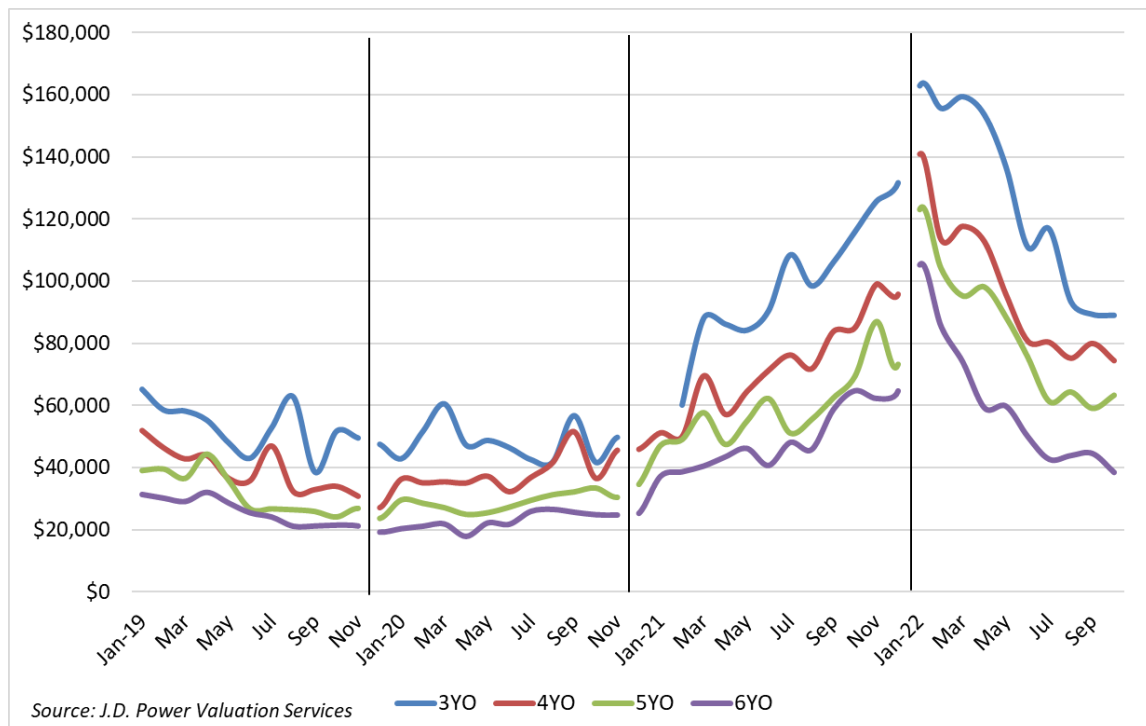
Year-over-year comparisons turned negative last month, but depreciation is still minimal for low-mileage trucks and moderate for average-mileage trucks. Late-model sleepers are still bringing 40-45% more money than the last pre-pandemic peak. Market dynamics should place increased downward pressure on used truck pricing in 2023, but for now, auction pricing is outperforming expectations.

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

Depreciation accelerated for trucks with average mileage in October. The value difference between individual makes and models is increasing, as is the impact of drivetrain specs. This dynamic is unfolding as expected in a market returning towards normality.

The average sleeper tractor retailed in October was 70 months old, had 464,349 miles and brought \$95,579. Compared with September, this average sleeper was one month older, had 27,589 (6.3%) more miles, and brought \$9,368 (8.9%) less money. Compared with October 2021, this average sleeper was three months newer, had 14,509 (3.2%) more miles, and brought \$12,984 (15.7%) more money. This is the first month since December 2021 to average below \$100,000.

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

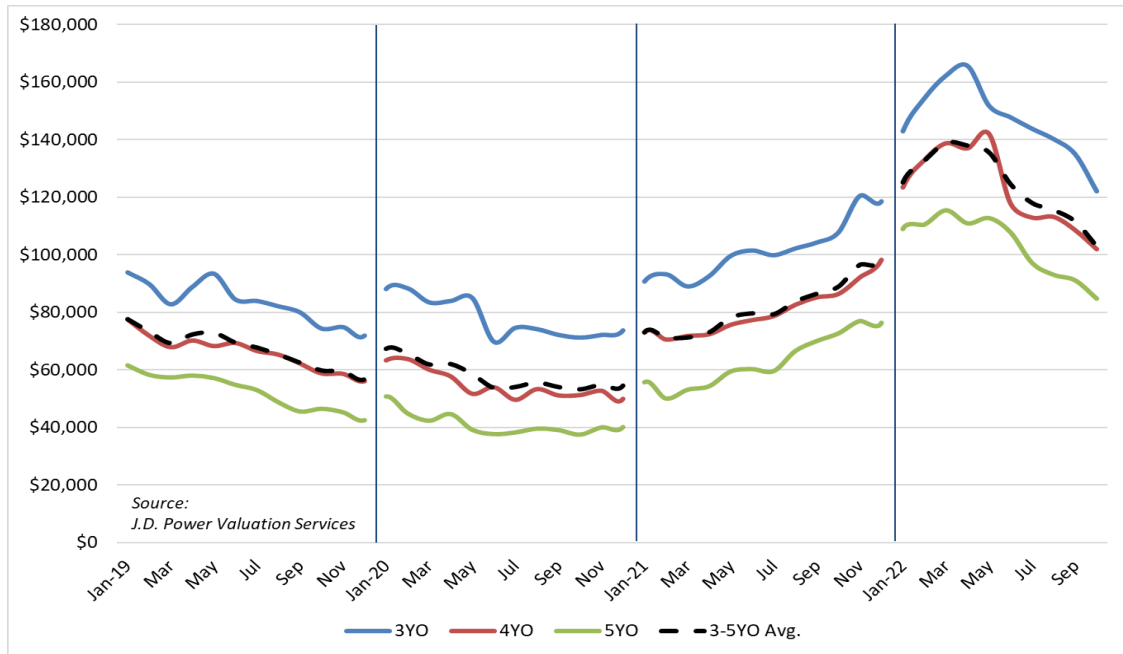
- Model year 2021: \$151,905; \$4,253 (2.9%) higher than September
- Model year 2020: \$122,088; \$12,863 (9.5%) lower than September
- Model year 2019: \$102,000; \$6,631 (6.1%) lower than September
- Model year 2018: \$84,804; \$6,372 (7.0%) lower than September
- Model year 2017: \$69,940; \$5,448 (8.4%) higher than September

Three- to five-year-old trucks brought an average of 7.7% less money month over month, but 15.8% more than October 2021. Trucks in this age group brought 58.3% more money in the first 10 months of 2022 compared with the same period of 2021.

Depreciation is averaging 2.1% per month in 2022, although that figure increases to 3.7% if we include only the most recent six months. Despite the ongoing correction, retail pricing for late-model trucks is still 45% higher than the last pre-pandemic peak.

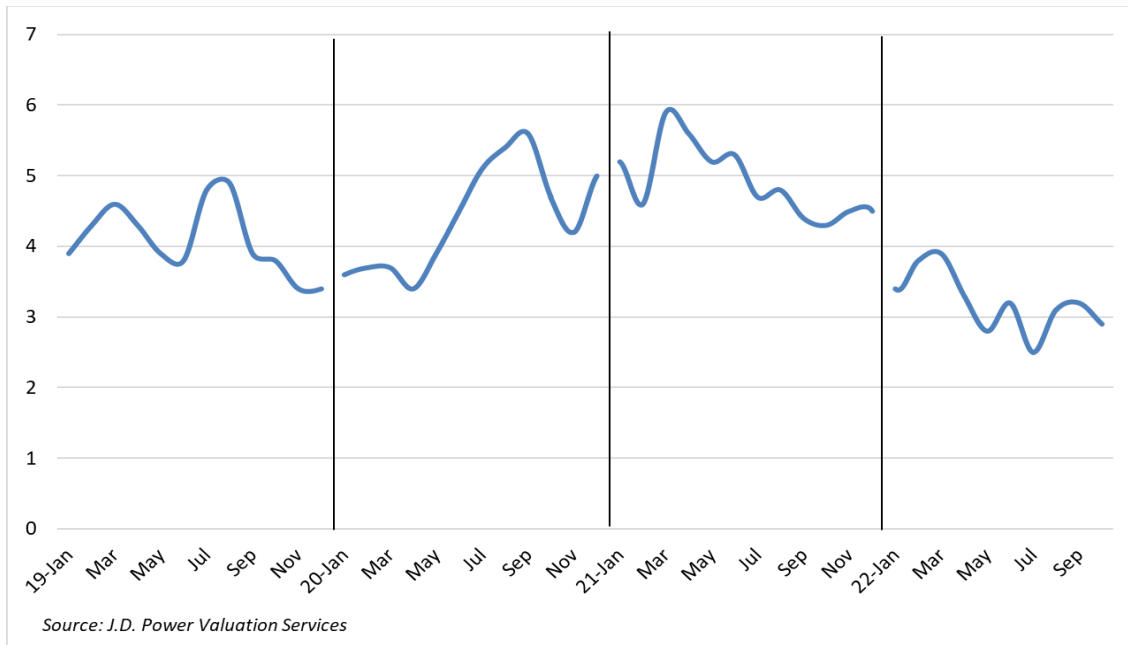
See the graphs on the next page and the Forecast section at the end of this document for additional analysis.

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



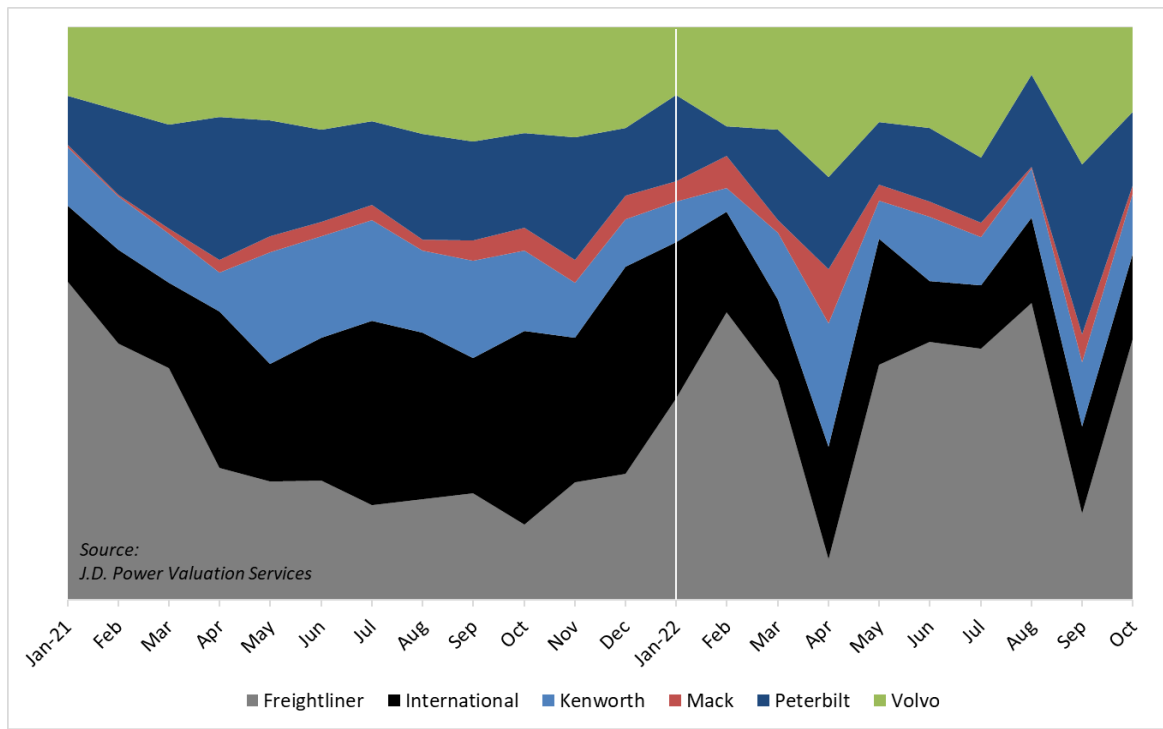
Retail sales per dealership rooftop averaged 2.9 trucks in October, 0.3 truck less than September. Factors limiting sales activity include a lack of desirable trucks to sell, increasing interest rates, and declining equity.

Number of Trucks Retailed per Dealership Rooftop



Source: J.D. Power Valuation Services

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

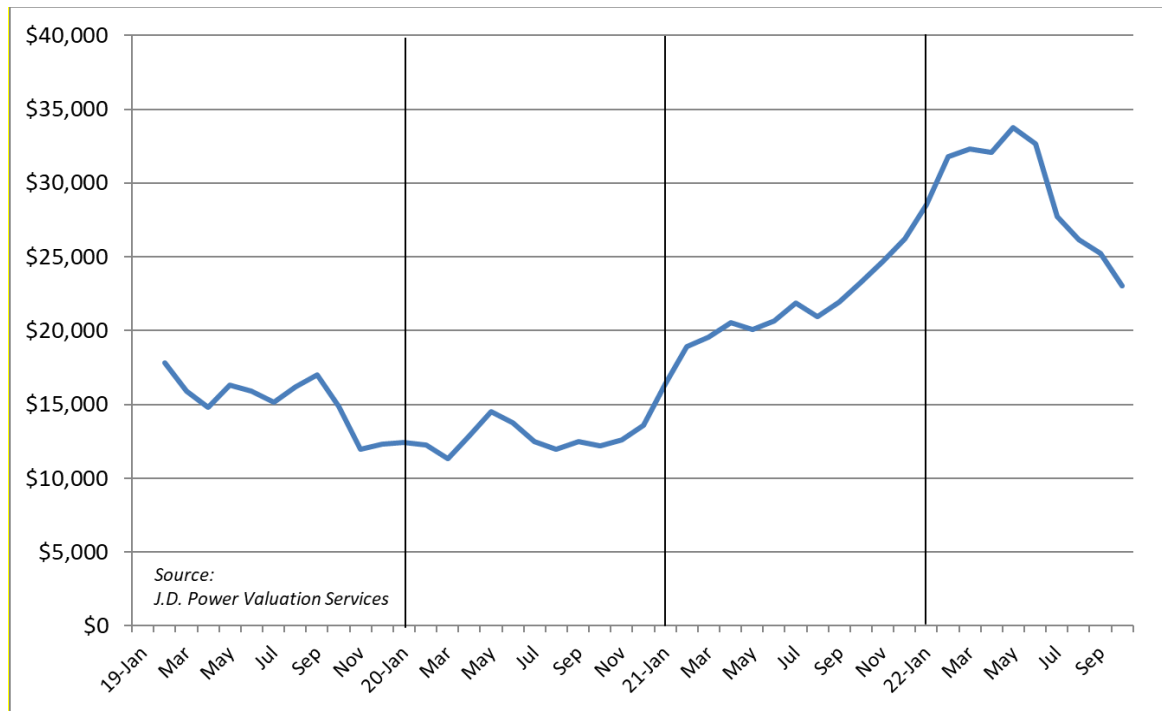


MEDIUM DUTY UPDATE

Medium duty pricing dipped in October, but values still exceed pre-pandemic levels by a substantial margin.

Starting with Class 3-4 cabovers, the benchmark group averaged \$22,532 in October. This figure is \$1,003 (4.3%) lower than September, and \$490 (2.1%) lower than October 2021. The first 10 months of 2022 are running 39.3% ahead of the same period of 2021. Trucks in this segment have depreciated 2.9% per month on average. Year-over-comparisons are in negative territory as we continue down the other side of the peak, but pricing is still well above pre-pandemic levels. Assuming economic conditions don't turn substantially negative, the tight availability of new trucks should keep depreciation to a normal rate into 2023.

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 \$31,877 in October, \$1,681 (5.0%) lower than September but \$2,259 (7.6%) higher than October 2021. The first 10 months of 2022 are running 36.9% ahead of the same period of 2021. Trucks have lost an average of 2.0% of value per month so far this year. The number of trucks reported sold increased mildly in the second half of the year, with older trucks represented in slightly higher proportion. Regardless, the supply-demand relationship will continue to support historically high pricing into 2023.

Class 6 conventionals averaged \$38,068 in October, \$2,364 (5.8%) lower than September and \$639 (1.7%) lower than October 2021. The first 10 months of 2022 are running 54.1% ahead of the same period of 2021. Trucks have lost an average of 2.7% of value per month so far this year. This month's result was a bit more negative than expected, but we're not reading much into it just yet. Class 6 has been depreciating at a historically typical rate in the second half of this year, and we expect this trend to continue, barring any unexpected economic downturn.

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



FORECAST

Looking at the trucking demand environment, freight spot rates are at a low point while contract rates are still strong but moving downward. Truck utilization (the proportion of seated trucks actively hauling freight) is forecast to return close to the historical average in 2023, meaning truck demand should relax and used truck supply should increase. On the positive side, consumers continue to spend strongly on goods, which will draw down the nation’s substantial stockpile of inventories as long this behavior continues.

Looking at supply, the new truck backlog is still considerable, but deliveries have been above a historically typical 20,000 per month since March. Delivering this volume of trucks into a correcting freight environment means we can expect more trades and depreciation going forward. That potential pool of trades is substantial, thanks to the strong build rate of model years 2019 and 2020. Regardless, with Class 8 auction pricing still 35-40% above the pre-pandemic peak, it will take some time before pricing returns to historic 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.