

J.D. POWER



COMMERCIAL TRUCK GUIDELINES

INDUSTRY REVIEW

December 2020

J.D. Power Valuation Services

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SUMMARY

November's Market Held Up as Expected

Class 8 auction pricing was similar to last month, while the retail channel saw higher pricing but lower volume. Medium duty cabovers continue to hold value, while conventionals had an off month.

CLASS 8 AUCTION UPDATE

November's volume and pricing were both similar to October. A larger sample size of model-year 2017 trucks brought our average back towards a more logical figure. A notable volume of model-year 2018 trucks with very high mileage continues to cycle through the auctions. Otherwise, pricing was similar to October. See the average pricing detail for our benchmark truck below.

- Model year 2017: \$45,562 average; \$9,062 (24.8%) higher than October
- Model year 2016: \$30,485 average; \$3,015 (9.0%) lower than October
- Model year 2015: \$24,879 average; \$121 (0.5%) lower than October
- Model year 2014: \$19,661 average; \$2,189 (10.0%) lower than October
- Model year 2013: \$16,669 average; \$2,169 (15.0%) higher than October

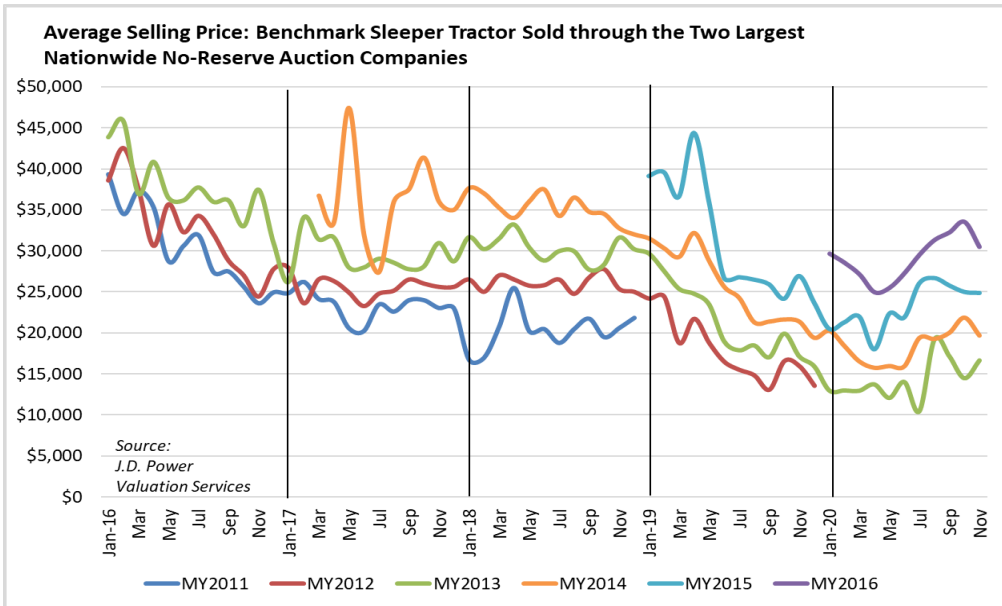
Month-over-month, our benchmark group of 4-6 year-old trucks brought 6.2% more money, recovering half of last month's decline. In the first 11 months of 2020, pricing averaged 7.1% lower than the same period of 2019. However, if we look at just the second half of both years, 2020 is well ahead. Our benchmark truck has increased in value an average of 2.8% per month in 2020.

It looks like the 4th quarter plateau in pricing we predicted was in effect for October and November. Pricing for trucks with average and lower mileage is on par with the 2nd quarter of 2019, which we consider fairly healthy. Incoming

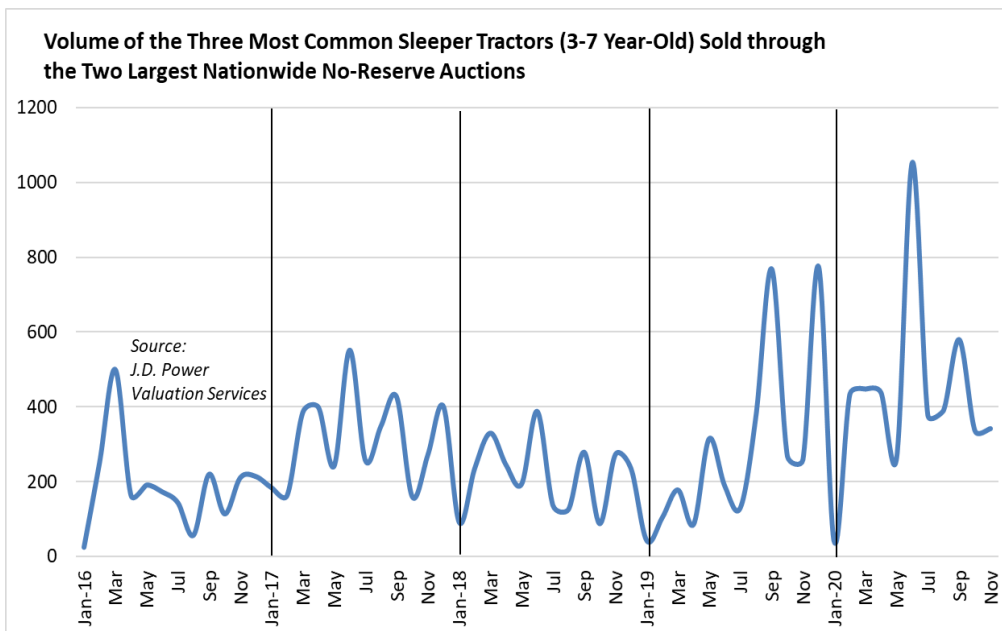
November's pricing and volume were both similar to October.

supply of trades and demand for freight should support pricing through the 2nd quarter of 2021, barring any major economic event.

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

Volume was generally lower this month. The mix of trucks sold was less impacted by large package deals of identically-spec'ed makes and models. Pricing remains firm, not particularly strong by historical standards, but also not depreciating.

The average sleeper tractor retailed in November was 67 months old, had 446,378 miles, and brought \$48,707. Compared to October, this average sleeper was one month newer, had 5,547 (1.2%) fewer miles, and brought \$4,853 (11.1%) more money. Compared to November 2019, this average sleeper was 9 months newer, had 39,129 (8.1%) fewer miles, and brought \$2,945 (6.4%) more money.

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

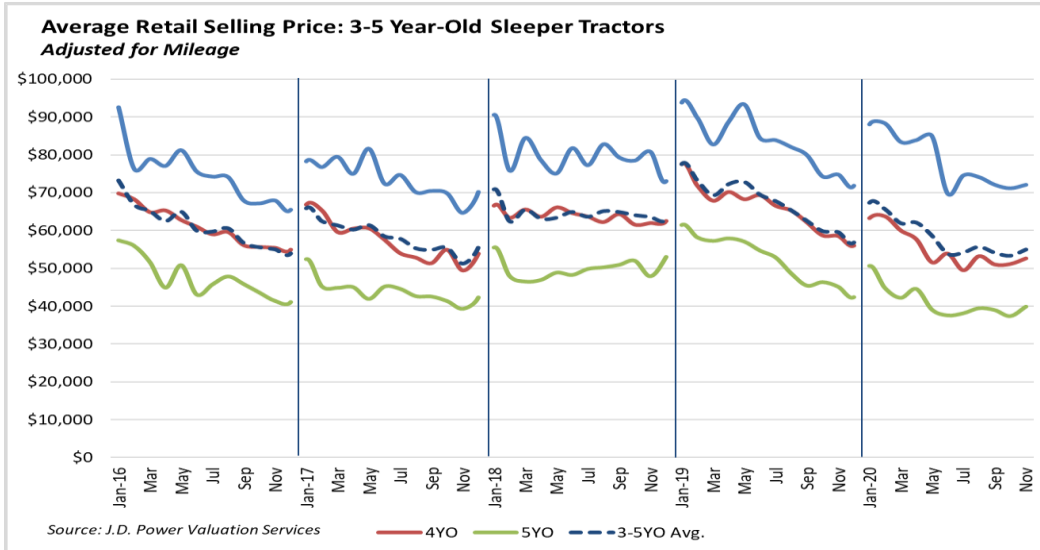
- Model year 2019: \$95,821; \$2,642 (2.8%) higher than October
- Model year 2018: \$72,165; \$919 (1.3%) higher than October
- Model year 2017: \$52,737; \$1,483 (2.9%) higher than October
- Model year 2016: \$39,929; \$2,520 (6.7%) higher than October

Month-over-month, late-model trucks brought 3.1% more money. In the first 11 months of 2020, pricing averaged 14.5% lower than the same period of 2019. Depreciation in 2020 is now averaging 2.1% per month, an 0.3% improvement from last month. If we look at just the second half of 2020, depreciation is close to zero.

Large packages of identical trucks continue to cycle through the market, but that factor was scaled back from last month. Interestingly, the models affected do not show notable pricing deterioration outside of those package deals.

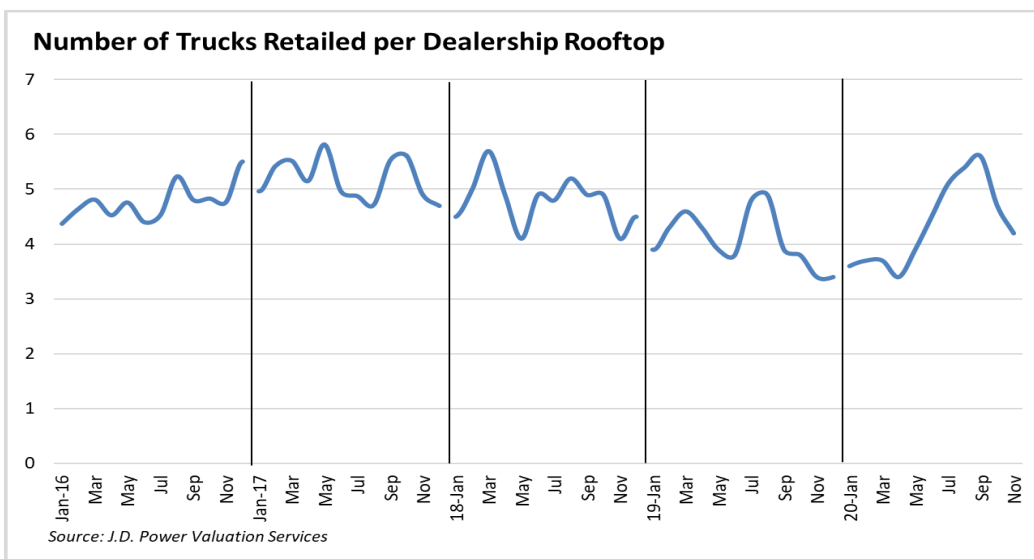
If we look at just the second half of 2020, depreciation is close to zero.

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



Dealers retailed an average of 4.2 trucks per rooftop in November, 0.5 truck lower than October, and the second month of volume pullback. Compared to October and November of 2019, the same period of this year is averaging 0.9 truck higher. Volume definitely recovered nicely in the second half of 2020, peaking at 5.6 trucks per month in September. Right now, the environment should feel similar to the acceptable conditions of late 2018 as opposed to the dismal conditions of late 2019.

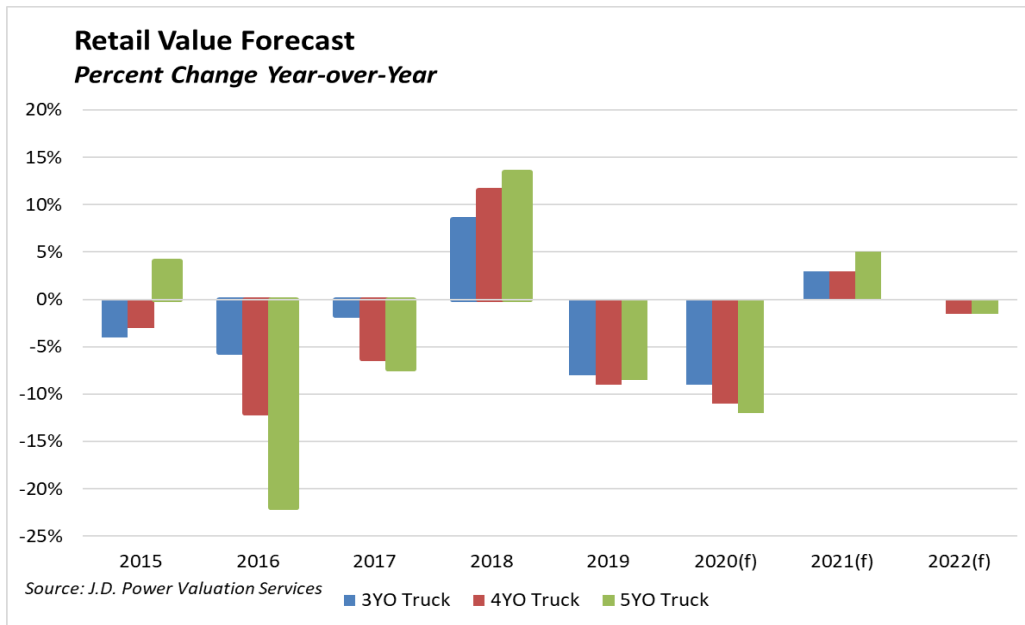
See the “Number of Trucks Retailed per Dealership Rooftop” graph for detail.



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Our Retail Value Forecast for the remainder of 2020 and first half of 2021 shouldn't change notably unless there is some major disruption to the economy.

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

Cabovers continue to hold up well. Light and heavy GVW conventionals had a tougher month.

Starting with Class 3 – 4 cabovers, November's average for our benchmark group was \$13,250, \$1,269 (10.6%) higher than October, and \$1,055 (8.7%) higher than November 2019. Volume was basically identical to last month. Pricing in the first 11 months of 2020 is averaging 18.8% lower than the same period of 2019. However, the 2nd half has been remarkably stable, and trucks in this segment have lost no value in 2020.

Looking at Class 4 conventionals, average pricing for our benchmark group was \$19,039, \$2,636 (12.2%) lower than October, and \$271 (1.4%) lower than November 2019. Volume was substantially lower than October's huge result, but still higher than the year-to-date average. Pricing in the first 11 months of 2020 is

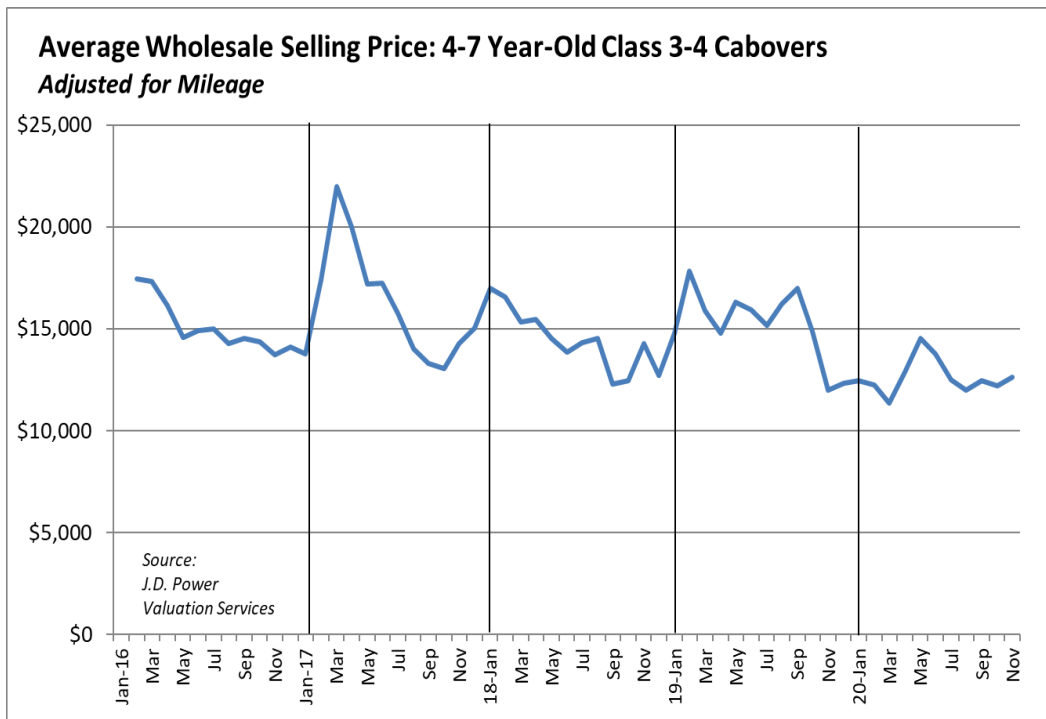
Cabovers continue to hold up well.

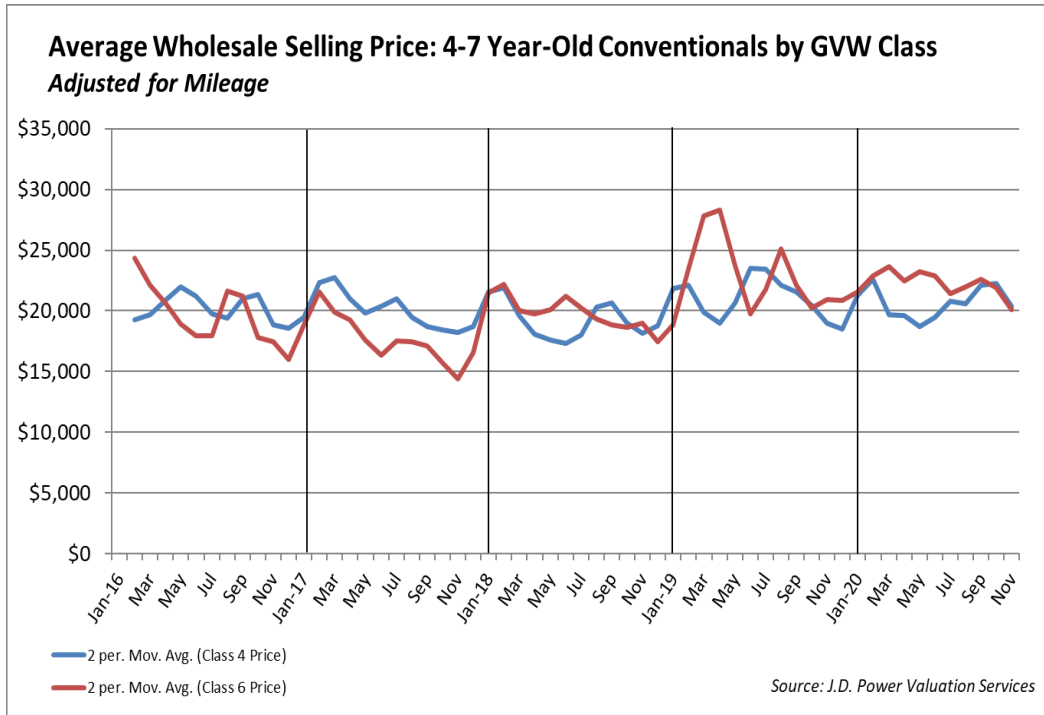
averaging 2.4% lower than the same period of 2019. Despite this month’s decline, average monthly depreciation remains near zero for the year.

Class 6 conventional pricing averaged \$19,416 in November, \$1,321 (6.4%) lower than October, and \$935 (4.6%) lower than November 2019. Volume was typical. Pricing in the first 11 months of 2020 is averaging 5.4% lower than the same period of 2019. Average monthly depreciation in 2020 has increased slightly to 0.9%.

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 in 2020 has increased slightly to 0.9%.





Forecast

December can be a higher-volume month at the auctions and on retail lots, as buyers look to lock in tax and depreciation incentives before the year ends. With conditions now better than most of 2019, sales teams should be somewhat busy.

The Presidential election is almost entirely in the rear-view mirror at this point, with the predicted controversy mostly played out. Any changes to the tax and depreciation policies directly impacting the new and used truck markets under the new administration remain to be seen. Meanwhile, a new round of stimulus looks more likely than not at the time of this writing, which would mitigate any new layoffs or cutback in consumer spending. As long as unemployment remains stable to improving, economic conditions should look pretty similar going forward.

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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

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