

J.D. POWER



COMMERCIAL TRUCK GUIDELINES

INDUSTRY REVIEW

December 2021

J.D. Power Valuation Services



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SUMMARY

November was the Strongest Month on Record for Used Trucks

November was the strongest month on record for all segments of the used medium and heavy truck market. Buyers continue to pay retail pricing at auctions, to the point where trucks regularly bring higher pricing at auction than retail. Incoming December data shows the throttle firmly to the floor.

CLASS 8 AUCTION UPDATE

Volume pulled back again in November, mostly due to a lack of inventory. Pricing for the newest trucks available jumped notably, with soon-to-be-5-year-old trucks knocking on the door of 6 figures. See below for results:

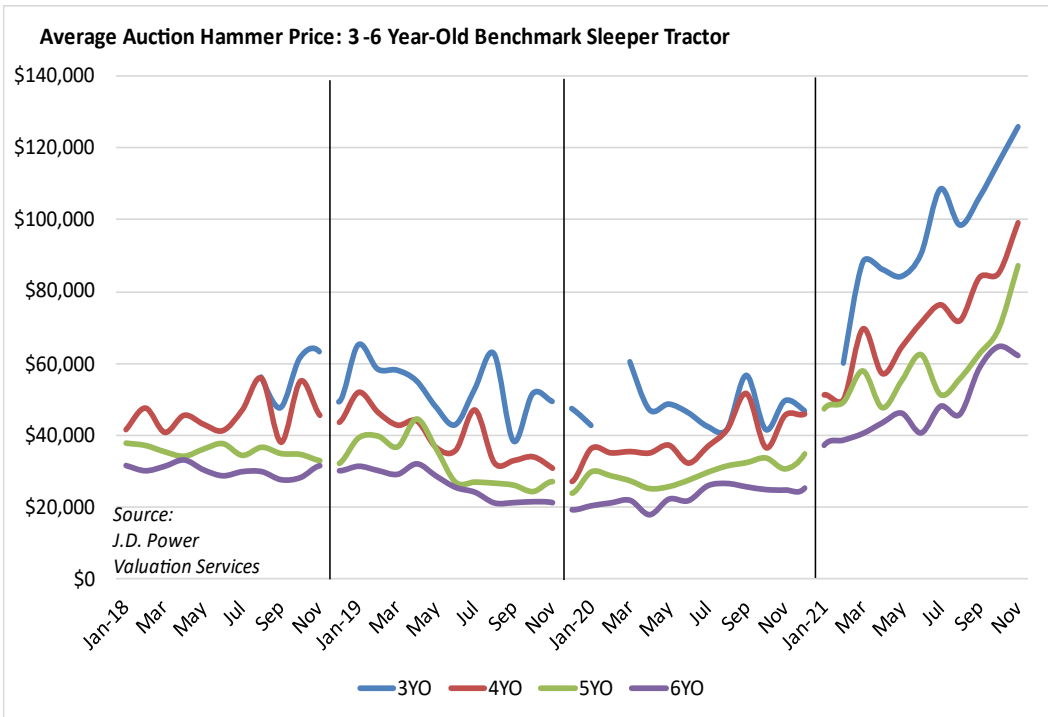
- Model year 2018: \$99,120 average; \$14,063 (16.5%) higher than October
- Model year 2017: \$87,071 average; \$17,662 (25.4%) higher than October
- Model year 2016: \$62,360 average; \$2,477 (3.8%) lower than October
- Model year 2015: \$50,969 average; \$6,449 (14.5%) higher than October
- Model year 2014: \$44,356 average; \$9,738 (28.1%) higher than October

Pricing for the newest trucks available jumped notably...

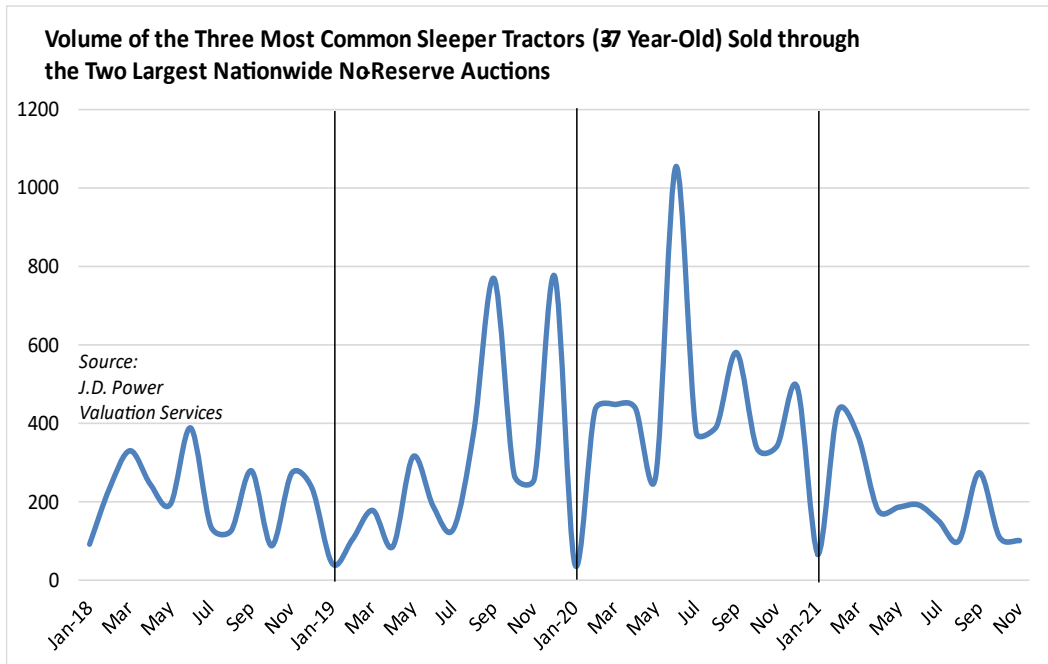
Month-over-month, our benchmark group of 4-6 year-old trucks brought 13.3% more money. Compared to the first 11 months of 2020, this group is running 95.6% ahead, and compared to the same period of 2019, 81.7% ahead. Late-model trucks have appreciated 7.1% per month on average in 2021 to date.

The sense of urgency is stronger than ever in the auction lanes, with buyers desperate for low-mileage iron. Pricing may plateau in the next few months, but we don't see a major market shift happening in the first quarter.

See the "Average Auction Hammer Price..." and "Volume of the Three Most Common Sleeper Tractors..." graphs for detail.



Late-model trucks have appreciated 7.1% per month on average in 2021 to date.



CLASS 8 RETAIL UPDATE

Used truck retail pricing has never been higher, at least in the modern era.

The average sleeper tractor retailed in November was 74 months old, had 460,645 miles, and brought \$89,979. Compared to October, this average sleeper was one month older, had 10,167 (2.3%) more miles, and brought \$7,391 (8.9%) more money. Compared to November 2020, this average sleeper was 7 months older, had 14,267 (3.2%) more miles, and brought \$41,272 (84.7%) more money.

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

- Model year 2020: \$134,812; \$634 (0.5%) higher than October
- Model year 2019: \$120,418; \$12,764 (11.8%) higher than October
- Model year 2018: \$92,189; \$5,788 (7.4%) higher than October
- Model year 2017: \$77,016; \$4,334 (6.0%) higher than October
- Model year 2016: \$62,979; \$7,075 (12.7%) higher than October

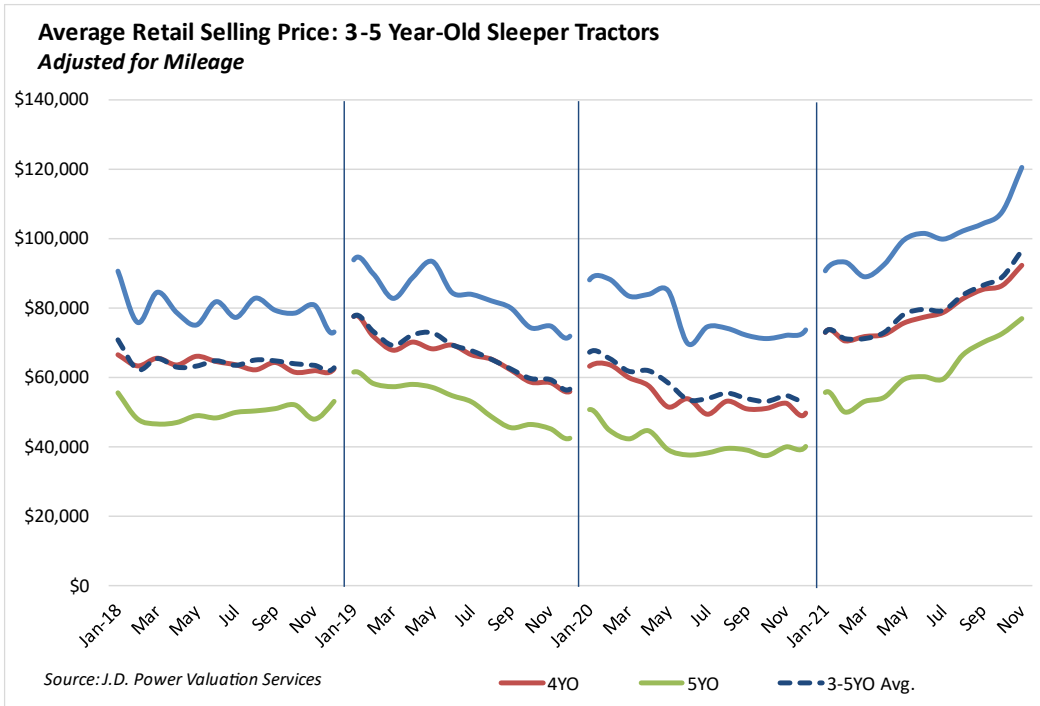
Month-over-month, late-model trucks brought 8.6% more money. In the first 11 months of 2021, late-model trucks were 37.4% ahead of the same period of 2020, and 17.5% ahead of the same period of 2019. On average, late-model trucks have appreciated 2.9% per month in 2021, and this figure is over 5% for trucks with lower-than-average mileage.

Buyers and sellers can be confident about market conditions in the first quarter of 2022. Subscribers to our residual value forecasts (not included here) saw another increase in 3, 4, and 5 year residuals. See the Forecast at the end of this document for additional thoughts.

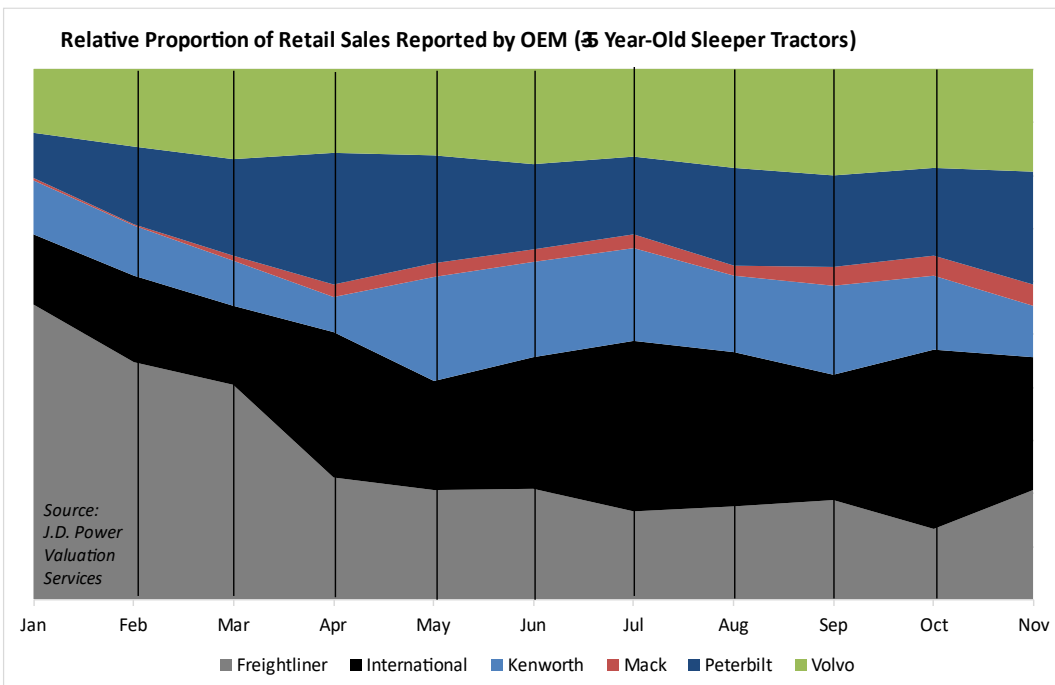
Dealers retailed an average of 4.5 trucks per rooftop in October, 0.2 truck higher than October. Year-over-year, the first 11 months of 2021 are running 0.6 truck ahead of the same period of 2020, and 0.8 truck higher than the same period of 2019. Sales volume remains constrained by supply.

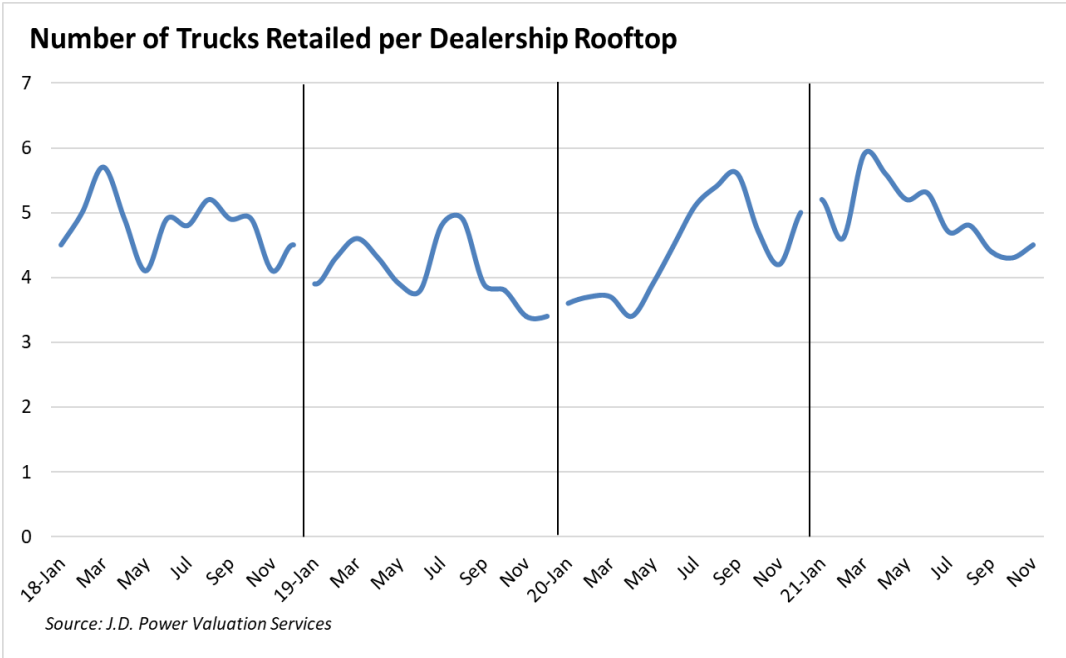
See graphs on next 2 pages for detail.

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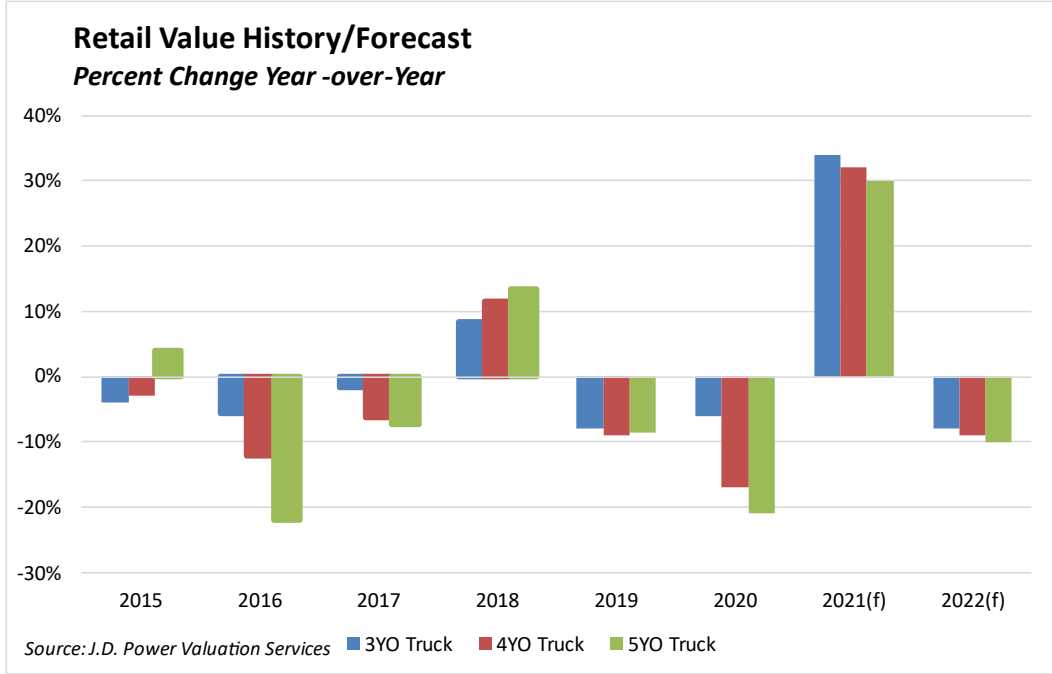


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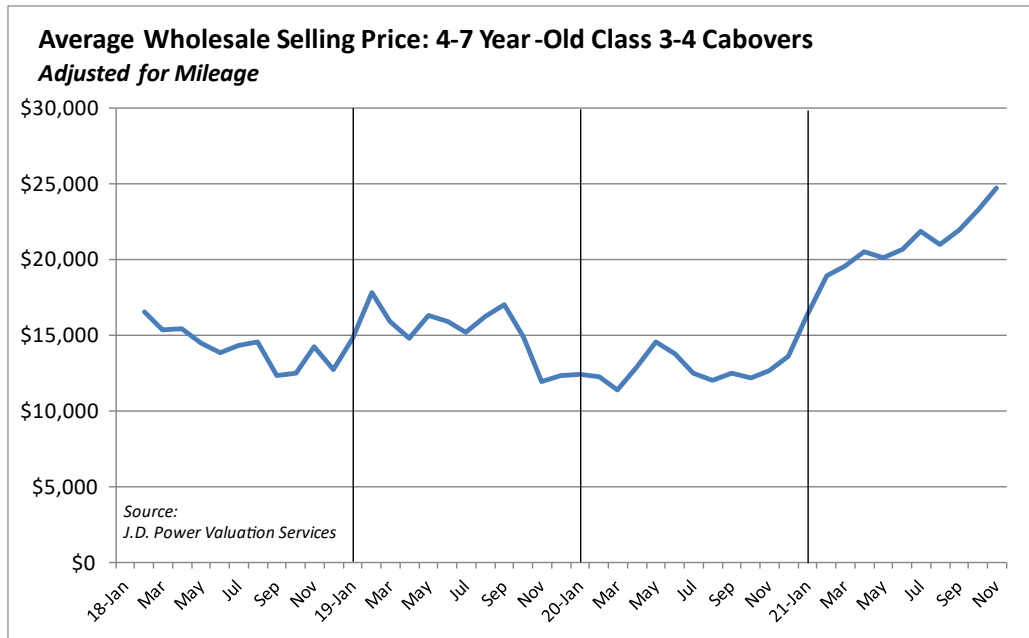
Note our residual value forecasts (available by subscription, not included here) provide a much more detailed analysis of future pricing.

MEDIUM DUTY TRUCKS

The medium duty market was strong across-the-board in November, with buyers paying a premium for any available trucks in advance of the holiday shipping season.

Starting with Class 3-4 cabovers, our benchmark group averaged \$26,356 in November. This figure is \$3,334 (14.5%) higher than October, and \$13,106 (98.9%) higher than November 2020. The first 11 months of 2021 are running 69.0% higher than the same period of 2020, and 37.3% higher than the same period of 2019. Trucks in this segment have gained an average of 3.2% per month in value so far in 2021.

See the “Average Wholesale Selling Price: 4-7 Year-Old Class 3-4 Cabovers” graph for detail.



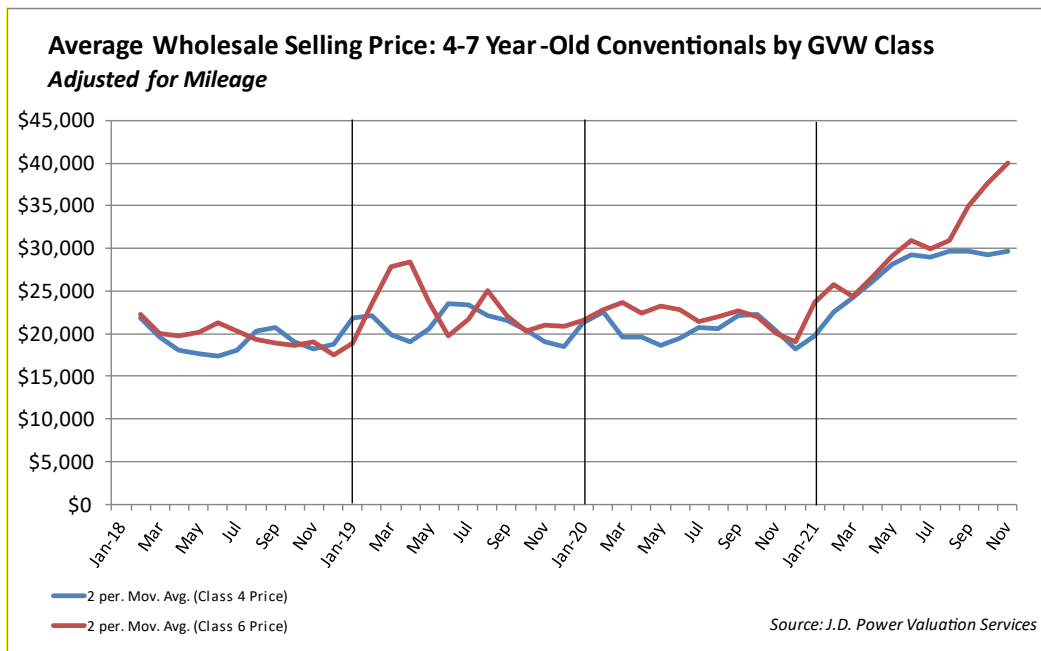
... buyers (are) paying a premium for any available trucks in advance of the holiday shipping season.

Looking at Class 4 conventionals, average pricing for our benchmark group was \$29,758, \$732 (0.5%) higher than October, and \$10,719 (56.3%) higher than November 2020. The first 11 months of 2021 are now running 32.0% ahead of the same period of 2020, and 29.9% higher than the same period of 2019. Trucks in this segment have appreciated an average of 2.2% per month so far in 2021.

Class 6 conventional pricing averaged \$41,424 in November, \$2,717 (7.0%) higher than October, and \$22,008 (113.3%) higher than November 2020. The first

11 months of 2021 are running 43.4% ahead of the same period of 2020, and 35.7% higher than the same period of 2019. Trucks in this group have gained an average of 5.6% per month so far in 2021.

See the “Average Wholesale Selling Price: 4-7 Year-Old Conventionals by GVW Class” graphs for detail.



FORECAST

We'll provide a 2021 wrap-up next month when we have a full 12 months of data, but looking forward, the most important factors in used truck pricing in 2022 will be freight rates, availability of new trucks, and returning supply of trades.

Firms that forecast rates show cents per mile staying positive year-over-year through the first half of 2022 - and volume positive into 2023 - despite all the current and impending changes to Fed activity, interest rates, COVID stimulus payments, and other variables. Our forecasting models incorporate these rosy freight rate outlooks, with a cautious eye on what will happen to consumer purchasing once these economic changes become reality. Basically, we're focused on the impact to demand once interest rates rise and stimulus payments stop.

... we still have a long way to go before OEM's are able to build enough trucks to meet demand.

Looking at new truck availability, as of mid-December, we might just now be seeing the earliest hints of improved parts and semiconductor availability, but we still have a long way to go before OEM's are able to build enough trucks to meet demand.

In terms of returning used truck trades, model-year 2019 trucks will be 4 years old as of January 1, and there were about 30% more of these trucks delivered than 2018's. The market will continue to quickly absorb every 2019 that becomes available through at least the first quarter. The higher potential volume may become more meaningful later in the year.

Otherwise, casual conversations with decisionmakers and observers across the industry show nearly everyone with a "long & strong" outlook on used truck pricing. It's certain that new truck availability will be tight well into 2022. It's also certain that used truck availability will be tight as long as buyers have confidence that freight rates will remain elevated. The trick is predicting when that confidence starts to erode. My personal opinion is we might see some movement there when the economic changes mentioned above come into play later in 2022. If you have a different viewpoint – or just want to tell me you agree – please give me a call.

... used truck availability will be tight as long as buyers have confidence that freight rates will remain elevated.

For further information about J.D. Power's residual forecasting, make and model benchmarking, raw data products, and other services, contact Chris Visser at chris.visser@jdpa.com.

J.D. POWER®

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 Troy, Michigan, 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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