

## **JUNE 2022 COMMERCIAL VEHICLE MARKET UPDATE**

### **CLASS 8 AUCTION UPDATE**

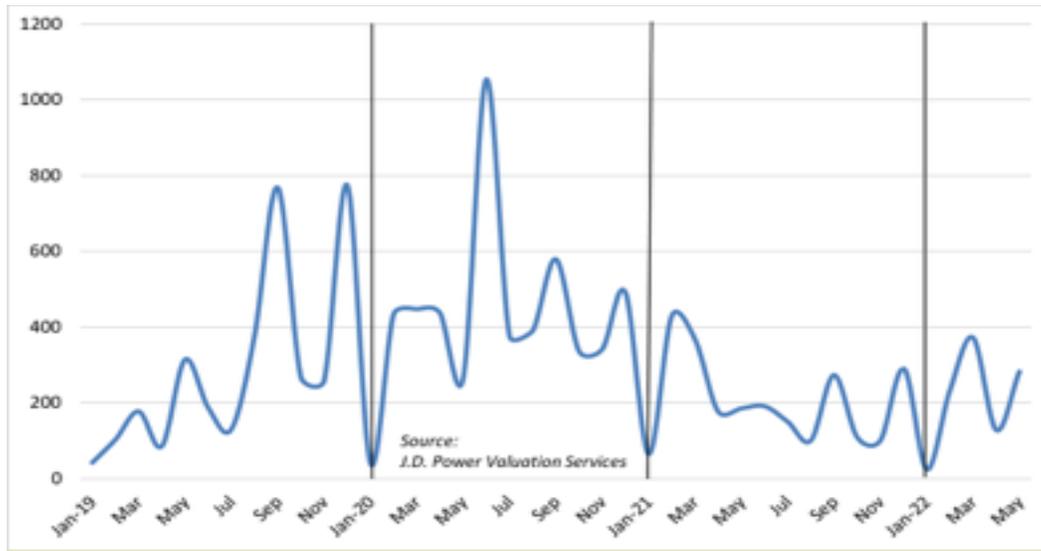
A substantial volume of trucks with higher-than-average mileage sold in May. The market is primarily absorbing trucks from fleets no longer retaining all of their older iron as new trucks trickle in and, to an extent, from owner-operators leaving the industry or going to work for a fleet. The month-over-month differences below are pretty severe, and we think the results are reflective of actual market movement. On the positive side, the newest trucks—as well as those with lower mileage—are still bringing strong money.

Looking at two- to six-year-old trucks, May's average pricing for our benchmark was as follows:

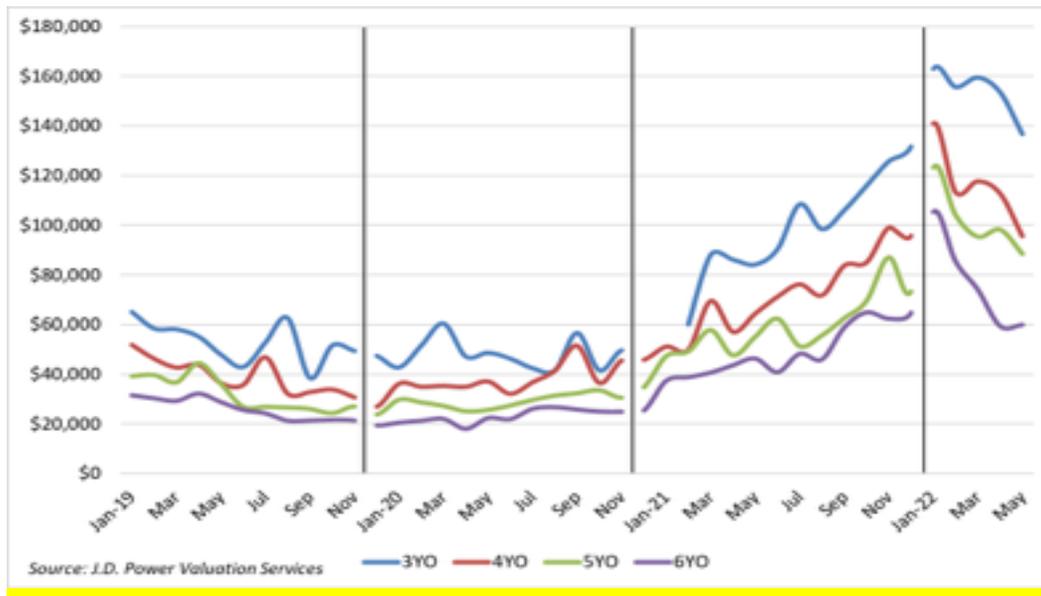
- Model year 2021: No trucks sold in May
- Model year 2020: \$136,732; \$16,848 (11.0%) lower than April
- Model year 2019: \$95,653; \$17,132 (15.2%) lower than April
- Model year 2018: \$88,452; \$9,736 (9.9%) lower than April
- Model year 2017: \$59,854; \$552 (0.9%) higher than April

In May, three- to five-year-old trucks averaged 12.0% less money than April, but 57.5% more money than May 2021. Year over year, late-model trucks sold in the first five months of 2022 averaged 82.6% more money than the same period of 2021. Year-to-date, four- to six-year-old sleepers have depreciated 6.6% per month on average. See 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

As we stated a month ago, retail selling prices usually take 2-3 months to adjust to market shifts. May's results were still generally at record levels. We did note increased differentiation between individual makes and models, which is typically an early sign of a maturing market. (If a rising tide lifts all ships, high tide exposes their differences.) That dynamic was the main factor behind the lower average pricing for model years 2021 and 2020 in the following chart.

The average sleeper tractor retailed in May was 71 months old, had 443,909 miles and brought \$119,230. This figure was a healthy increase over April and marked a return to record-breaking

territory. Compared with April 2022, this average sleeper was two months newer, had 4,773 (1.1%) fewer miles, and brought \$5,927 (5.2%) more money. Compared with May 2021, this average sleeper was identical in age, had 10,760 (2.4%) fewer miles, and brought \$55,632 (87.5%) more money.

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

- Model year 2021: \$187,438; \$10,125 (5.1%) lower than April
- Model year 2020: \$151,777; \$13,883 (8.4%) lower than April
- Model year 2019: \$142,106; \$5,013 (3.7%) higher than April
- Model year 2018: \$112,902; \$1,845 (1.7%) higher than April
- Model year 2017: \$88,963; \$2,332 (2.7%) higher than April

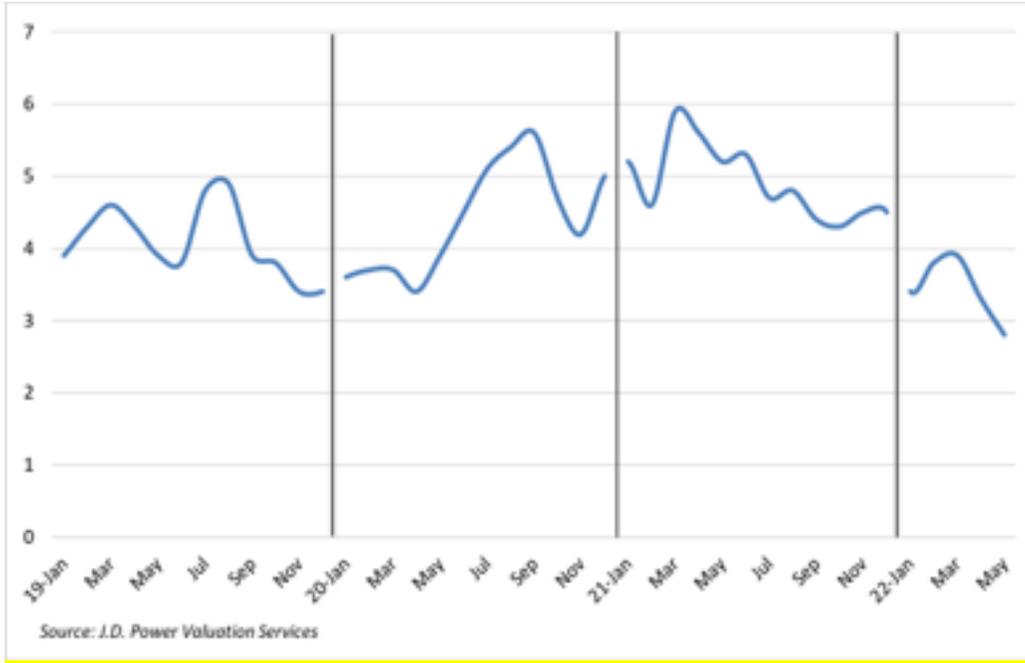
Three- to five-year-old trucks brought an average of 1.7% less money in May than April. Trucks in this age group brought 82.6% more money in the first five months of 2022 than the same period of 2021. Year to date, late-model sleepers have increased an average of 1.7% per month in value. This figure has decreased since March and will eventually flip to depreciation.

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



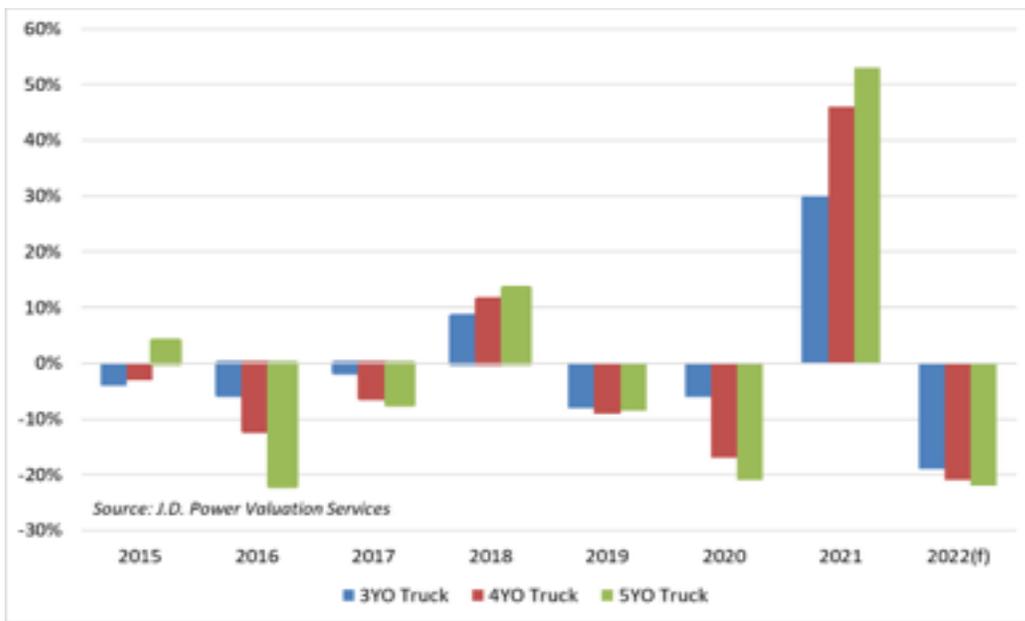
Dealers retailed an average of 2.8 trucks per rooftop in May, 0.5 less than April. This was the second month in a row showing a pullback in sales volume. Foot traffic in May was probably more selective, with fewer customers actually writing checks.

Number of Trucks Retailed per Dealership Rooftop

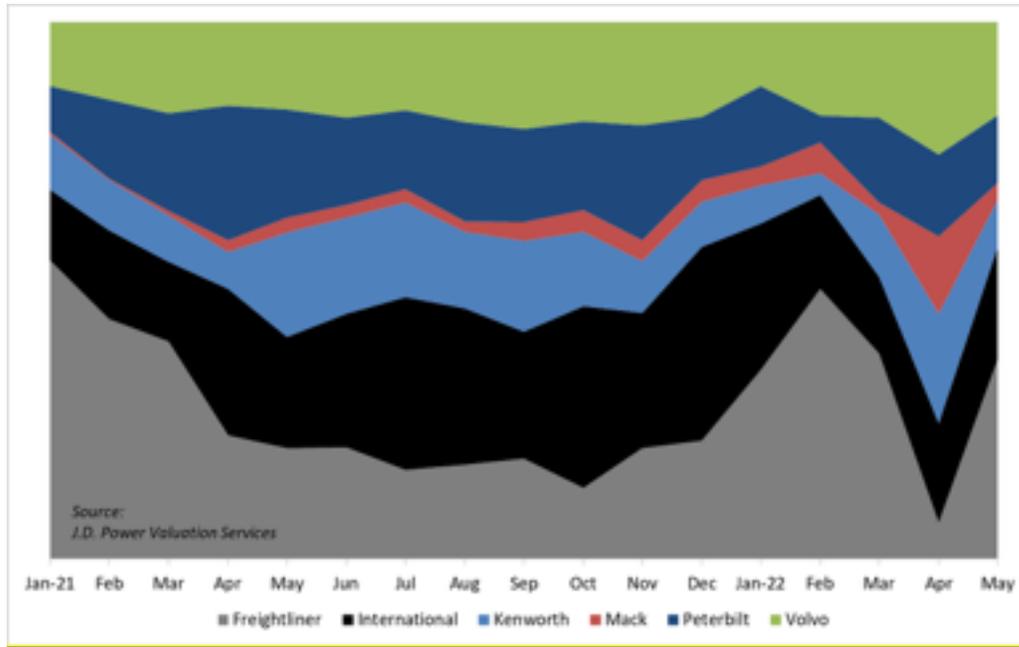


As we suspected, the relationship between the freight environment and truck supply is looking different in the second half of the year. The chart below references retail pricing, which was still strong through May, and will decrease less drastically than auction pricing in upcoming months. See the Forecast at the end of this document for additional commentary.

Retail Price History/Forecast: Percent Change Year Over Year



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

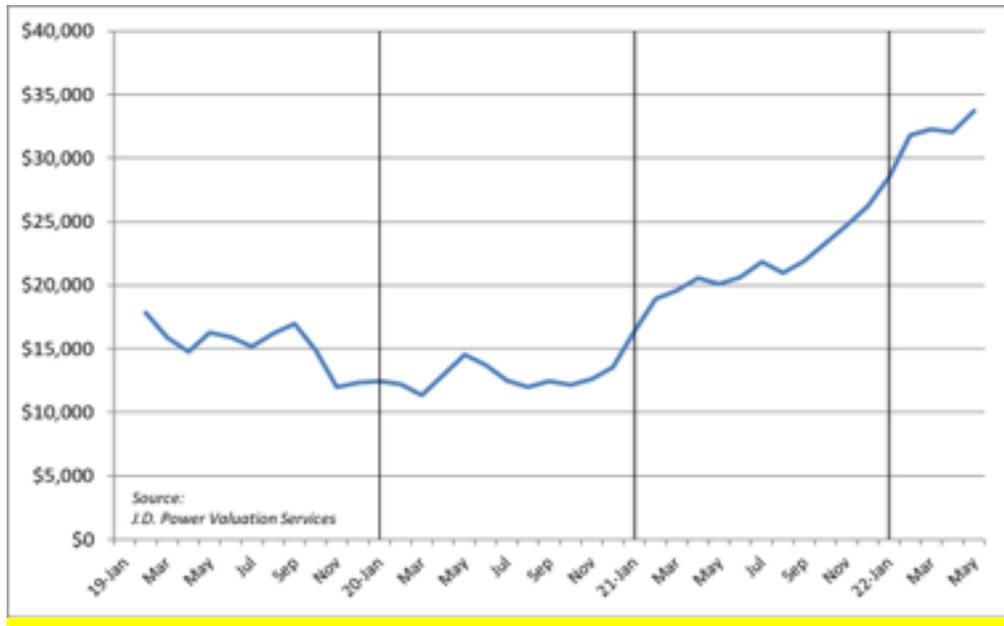


## MEDIUM DUTY UPDATE

The medium duty market averages returned to more typical levels in May, suggesting April's feeding frenzy on the large group of newer, lower-mileage trucks was a one-month anomaly. The distribution of age and mileage of trucks sold this month was more balanced.

Starting with Class 3-4 cabovers, our benchmark group averaged \$35,219 in May. This figure is \$2,983 (9.3%) higher than April, and \$16,085 (84.1%) higher than an unusually-low May 2021. The first five months of 2022 are running 66.1% ahead of the same period of 2021. Thanks partly to this month's strong result, trucks in this segment have gained an average of 2.0% per month in value so far in 2022.

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

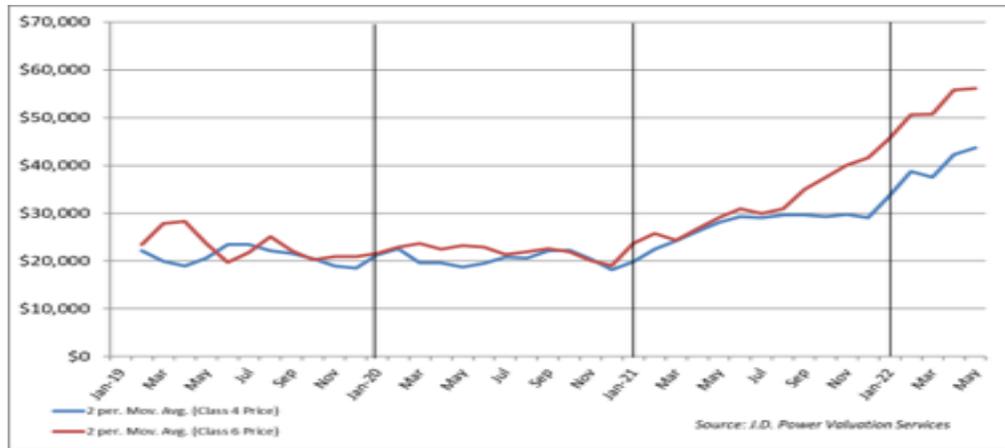


Looking at Class 4 conventionals, average pricing for our benchmark group was \$39,652 in May, \$8,045 (16.9%) lower than April and \$10,208 (34.7%) higher than May 2021. The first five months of 2022 are running 58.9% ahead of the same period of 2021. Looking at pricing to date in 2022, our Class 4 cohort has appreciated an average of 0.4% per month in 2022.

Class 6 conventionals averaged \$50,468 in May, \$11,232 (18.2%) lower than April and \$10,208 (64.5%) higher than May 2021. The first five months of 2022 are running 94.1% ahead of the same period of 2021. Looking at pricing to date in 2022, our Class 6 cohort has appreciated an average of 2.0% per month in 2022.

Buyers are still paying strong money for the newest iron they can find, and any packages of these trucks that become available could skew our averages in upcoming months. We will continue to clearly explain any unusual movement in our data.

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



## FORECAST

Class 8 auctions are starting to feel more like pre-pandemic times. Volume is up somewhat, with a substantial number of higher-mileage trucks selling for unimpressive money. That said, pricing for the typical sleeper tractor is still more than 50% ahead of 2021, and the newest units—as well as those with lower-than-average mileage—are still commanding very strong money. We've said the biggest hits to pricing will come early in a correction, and we are currently in that phase.

Trucking economy data shows rising terminations of owner-operator authorities and a steady and notable decline in spot rates from February through May. Taken alone, those two items could suggest the new owner-operators who entered the industry in 2020-2021 are now exiting the industry, with ominous implications for excess equipment. However, overall truck transportation employment continued increasing through the spring, and May was actually the highest month in recorded history for that sector. As such, it seems many of these new owner-operators could be going to work for fleets or fleets are hiring drivers at a rate roughly equal to owner-operators leaving the industry.

If truckers aren't leaving the industry in droves, why are truck prices dropping? As we've said before, market shifts don't require a major change in used truck supply. For example, in the pricing downturn of 2019, the volume of trucks in our auction benchmark group increased by only about 1,000 units during the entire peak-to-trough period. Remember, it's not just the number of trucks available, it's the number of trucks available for the freight economy we're in.

At this point, that freight economy is a tale of two sectors. If your customers are mainly small fleets and owner-operators who operate in the spot market, you're hearing the sky is falling. If your customers are mainly larger fleets who operate in the contract market, you're hearing conditions are still strong. Used truck supply and pricing will continue to reflect the reduced demand for spot freight as well as more typical expectations for capacity needs in upcoming quarters.

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

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