

J.D. POWER

COMMERCIAL TRUCK GUIDELINES

Industry Update

JANUARY 2019

- **Class 8 Auction market little changed**

Market has less tolerance for higher mileage

- **Class 8 retail conditions stable**

Sales volume down notably in November and December

- **Duty market generally weak in December**

Cabovers and heavier conventionals down notably

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COMMERCIAL TRUCK MARKET TRENDS

Market Conditions Maturing as 2018 Closes Out

The Class 8 auction and retail channels closed out 2018 with no real surprises. Conditions are pointing to a maturing boom cycle. Medium duty trucks were mixed to downward.

Sleeper Tractors – Auction

December auction volume was mildly lower than November. Pricing for our benchmark model was also somewhat lower, particularly for newer trucks with higher mileage. The market appears to have less tolerance for slightly high mileage. See below for detail.

*Model year 2015: \$43,550 average; \$1,950 [4.3%]
lower than November*

*Model year 2014: \$32,000 average; \$750 [2.3%]
lower than November*

*Model year 2013: \$30,250 average; \$1,400 [4.4%]
lower than November*

*Model year 2012: \$25,000 average; \$345 [1.4 %]
lower than November*

*Model year 2011: \$21,850 average; \$1,225 [5.9%]
higher than November*

The Class 8 auction and retail channels closed out 2018 with no real surprises. Conditions are pointing to a maturing boom cycle. Medium duty trucks were mixed to downward.

Strong pricing through the third quarter of 2018 left the year with essentially no monthly depreciation [0.2% per month is our estimate]. On average, trucks four to six years of age brought 21.5% more money in 2018 compared to 2017. Market dynamics are pointing to somewhat less-hot conditions as 2019 unfolds.

See the “Volume of all Aerodynamic Sleeper Tractors Sold...” and “Average Selling Price: Benchmark Sleeper Tractor...” graphs for detail.

Sleeper Tractors – Retail

There were no real surprises to close out the year, with trucks with average and lower mileage bringing very strong money. The drop in the model-year 2016 average noted below is due primarily to a large group of identically-equipped trucks selling at bulk pricing. Otherwise, depreciation was minimal to nonexistent, with late-model trucks only showing minor weakness if mileage was higher than average.

The average sleeper tractor retailed in December was 69 months old, had 459,967 miles, and brought \$57,235. Compared to November, the average sleeper was identical in age, had 4,417 [1.0%] fewer miles, and brought \$409 [0.7%] less money. Compared to December 2017, this average sleeper was 4 months newer, had 28,042 [6.5%] more miles, and brought \$9,905 [20.9%] more money.

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

Model year 2016: \$73,147; \$2,317 [9.6%] lower than November

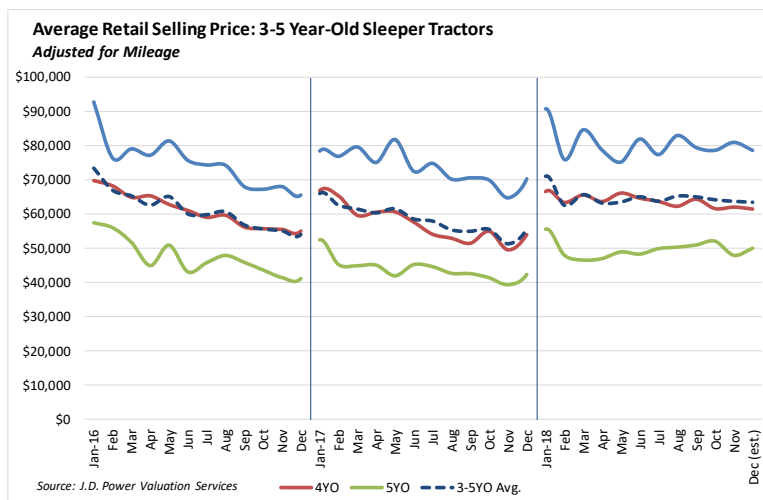
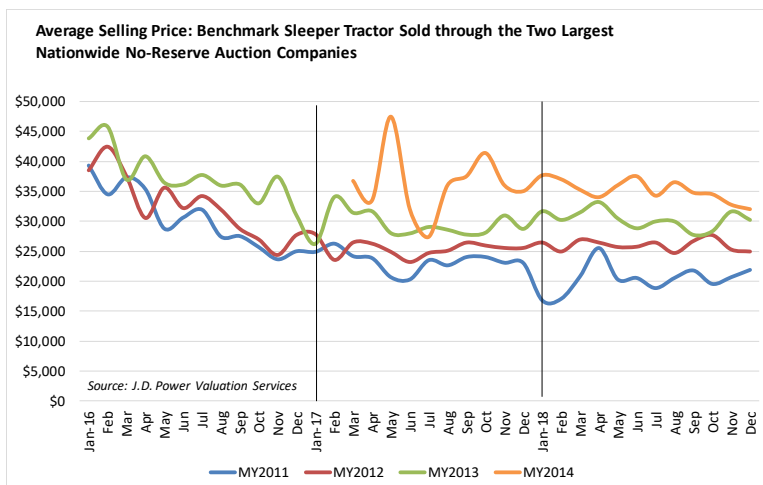
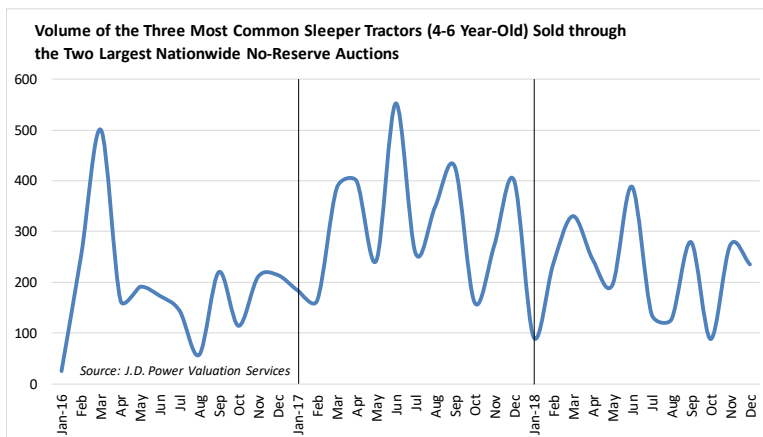
Model year 2015: \$62,591; \$450 [0.9%] higher than November

Model year 2014: \$53,087; \$4,125 [10.7%] higher than November

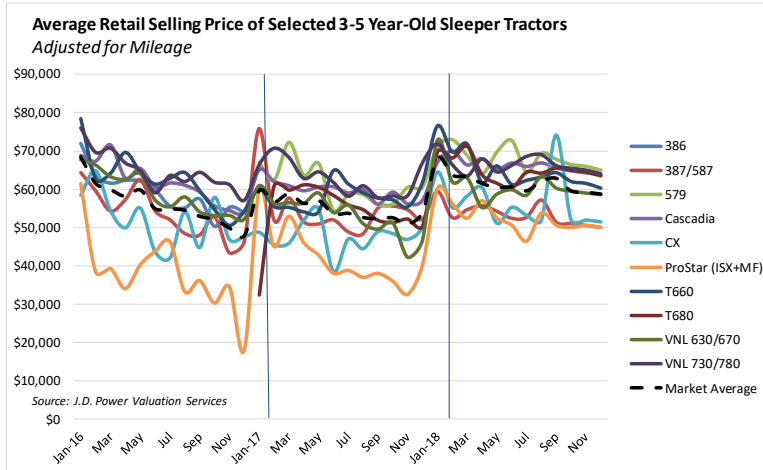
On a year-over-year basis, late-model trucks sold in calendar-year 2018 brought 10.7% more money than in the same period of 2017. Depreciation in 2018 averaged 0.3% per month, compared to 1.6% last year.

See the "Average Retail Selling Price: 3-5 Year-Old Sleeper Tractors" and "Average Retail Selling Price of Selected 3-5 Year-Old Sleeper Tractors" graphs for detail.

Class 8 sales per dealership came in substantially lower than expected in the last two months of 2018, dropping nearly a full truck month-over-month to 4.1 in November and up only slightly to 4.5 in December.



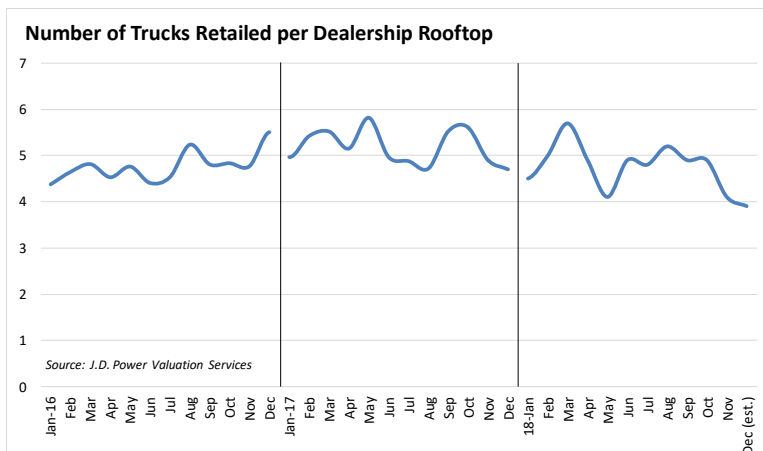
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See “Number of Trucks Retailed per Dealership Rooftop” graph for detail.

Looking forward over the long term, Class 8 orders dropped dramatically in the last two months of the year, into the 20,000 range in both months. Orders dropped below deliveries in December, which is not particularly critical, but is an inflection point that should be noted. The industry appears to be coming down the far side of the plateau, as the “beat-the-tariffs” business inventory buildup is behind us and 2018 tax breaks become simply the new cost of doing business. Deliveries of new trucks will remain strong into the second half of 2019, but it looks like demand is on the downward slope as supply heads in the other direction.

See the “Retail Value Forecast” graph for a look at how we see used truck pricing unfolding over the next four years.

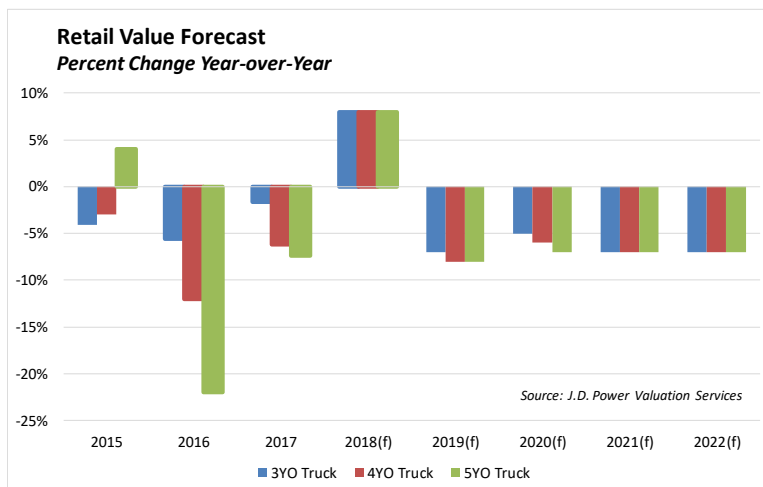


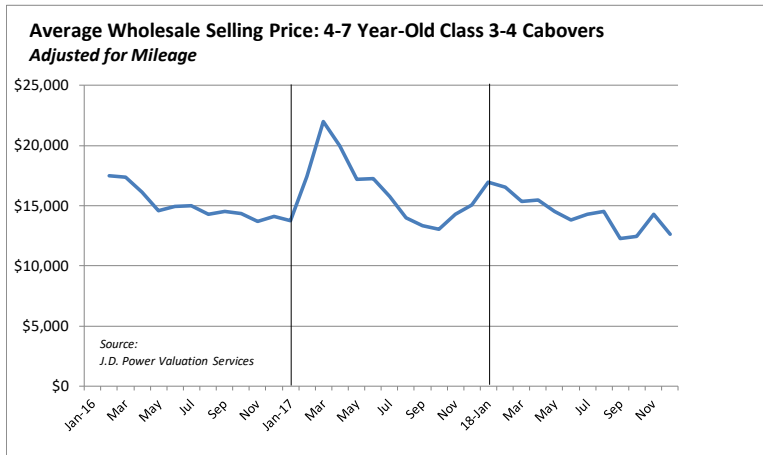
Medium Duty Trucks

December’s medium duty market was generally weak, with only Class 4’s performing well month-over-month.

Starting with Class 3 – 4 cabovers, December’s average pricing came in at \$10,598. This figure is a whopping \$4,108 [28.4%] lower than November, and \$4,461 [29.6%] lower than November 2017. The main driver of the decrease appears to simply be a lack of lower-mileage trucks in the marketplace. Unlike last month, trucks with under 75,000 miles were scarce at the auctions in December. This month’s decline pushed average monthly depreciation for 2018 down to 2.3%, just edging out 2017’s 2.4% per month average.

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





Looking at conventionals, Class 4's averaged \$19,131 in December. This figure is \$734 [4.0%] higher than November, and \$475 [2.4%] lower than December 2017. Average mileage was 8% lower than November, contributing to the increase. Monthly depreciation in 2018 averaged a very mild 0.8%, compared to 1.5% in 2017. Despite relative strength in recent months, Class 4's sold in 2018 brought 4.1% less money than in 2017.

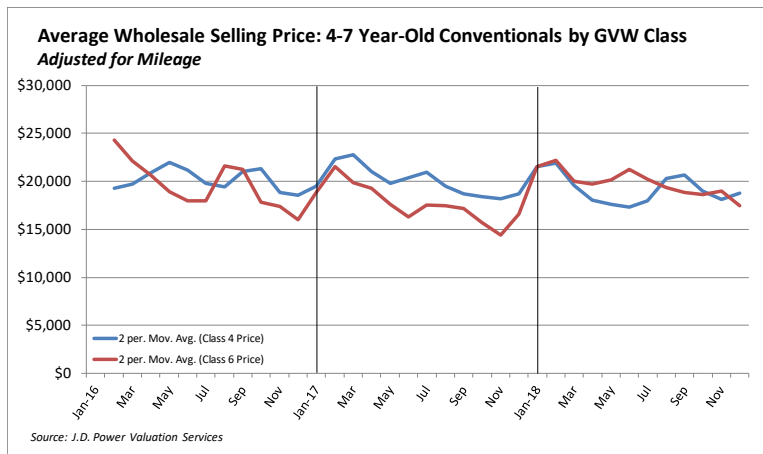
Class 6's finished the year on a weak note, with our cohort averaging \$16,271 in December. This figure is \$2,354 [12.6%] lower than November, and \$2,419 [12.9%] lower than December 2017. Volume was notably lower in December, and a group of low-priced units impacted the average. Depreciation for this group averaged a historically-typical 1.9% per month in 2018, compared to 2.1% per month in 2017. Despite a mixed performance in recent months, Class 6's sold in 2018 brought 11.0% more money than in 2017.

See the "Average Wholesale Selling Price: 4-7 Year-Old Conventionals by GVW Class" graph for detail.

Forecast

Two months of notably lower new truck orders is pretty close to a trend. Buyers are satisfied with the

trucks they have in the pipeline, and deliveries will be strong into the second half of 2019. Economic growth will moderate as businesses stop pulling ahead inventories and the 2018 tax breaks become the new normal. Section 179 tax incentives and bonus depreciation remain in place for 2019, which will cushion maturing demand. Expect conditions in the first half to look similar to recent months, with an increasing supply of used trucks causing mildly higher depreciation.



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What's New

NADA Values Online Now Features the VIN Based Option

You already use NADA Values Online to see all sides of every vehicle's story. Now you can gain even greater insight with our new VIN Based Option feature, which provides a precise, uniquely adjusted valuation for specific used cars and light-duty trucks. The VIN Based Option utilizes packaging, content and descriptive features specific to each 17-character VIN, rather than just the 11-character VIN, to enhance and customize a vehicle's valuation. This way, you can understand the valuable differences between two identical-seeming vehicles of the same year, make and model. Rely on the new VIN Based Option to:

- Reveal valuable vehicle equipment, trim and options
- Increase valuation accuracy and reduce risk
- Make more-informed business decisions



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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. Residual Values is the

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J.D. Power Valuation Services' market intelligence team leverages a database of nearly 200 million transactions and more than 100 economic and market-related series to describe the factors driving current trends to help industry stakeholders make more informed decisions. Analyzing data at both wholesale and retail levels, the team continuously provides content that is both useful and usable to dealers, financial institutions, businesses and consumers.

Complemented by J.D. Power Valuation Services' analytics team, which maintains and advances its internal forecasting models and develops customized forecasting solutions for clients, the market intelligence team is responsible for publishing white papers, special reports and the Commercial Vehicle Blog. Throughout every piece of content, the team strives to go beyond what is happening in the industry to confidently answer why it is happening and how it will impact the market in the future.

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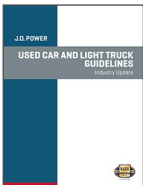
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ADDITIONAL RESOURCES



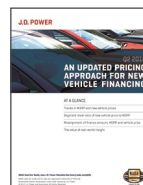
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Updated monthly with a robust data set from various industry sources and J.D. Power Valuation Services' proprietary analysis, *Guidelines* provides the insight needed to make decisions in today's market.



Perspective

Leveraging data from various industry sources and J.D. Power Valuation Services' analysts, *Perspective* takes a deep dive into a range of industry trends to determine why they are happening and what to expect in the future.



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J.D. Power Valuation Services' white papers and special reports aim to inform industry stakeholders on current and expected used vehicle price movement to better maximize today's opportunities and manage tomorrow's risk.



Commercial Vehicle Blog

Written and managed by Senior Analyst Chris Visser, the Commercial Vehicle Blog analyzes market data, lends insight into industry trends and highlights relevant events.

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