

J.D. POWER



COMMERCIAL TRUCK GUIDELINES

INDUSTRY REVIEW

March 2020

J.D. Power Valuation Services

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SUMMARY

Class 8 Market Woke up in February

Class 8 auction volume and pricing were better than expected in February, and retail depreciation was milder than recent months. Medium duty trucks were mixed, with cabovers and heavier-GVW conventionals performing similarly to recent months, and light-GVW conventionals looking more solid.

CLASS 8 AUCTION UPDATE

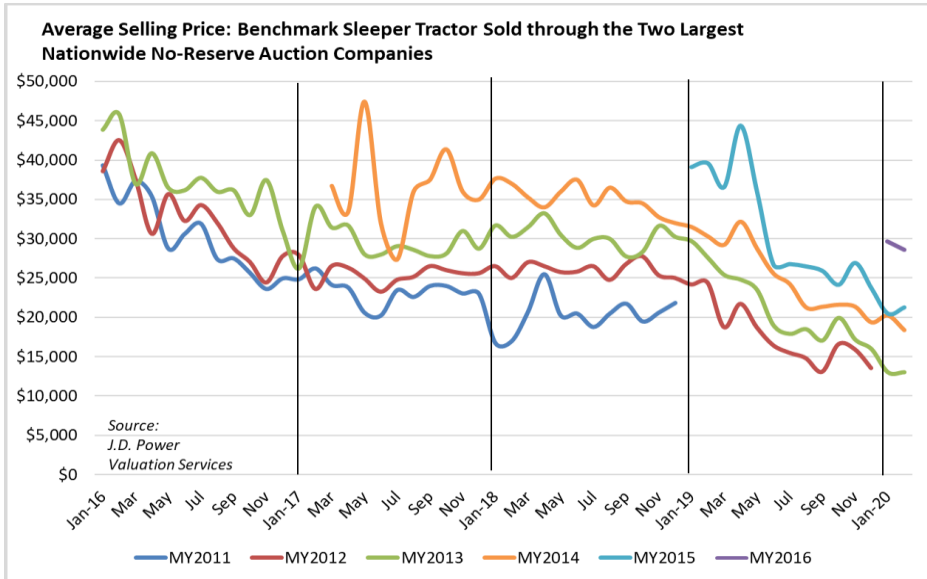
The volume of 4-7 year-old trucks sold at auction was healthy in February, rebounding nicely from a typically low January. In fact, February's volume was the highest in more than two years. Pricing was generally slightly lower than January, but given the much higher volume, we view February's results as a positive. See below for detail on the model years most typically seen at auctions.

- Model year 2017: \$35,036 average; \$1,234 (3.4%) lower than January
- Model year 2016: \$28,553 average; \$1,113 (3.8%) lower than January
- Model year 2015: \$21,292 average; \$792 (3.9%) higher than January
- Model year 2014: \$18,398 average; \$1,852 (9.1%) lower than January
- Model year 2013: \$13,012 average; \$12 (0.1%) higher than January

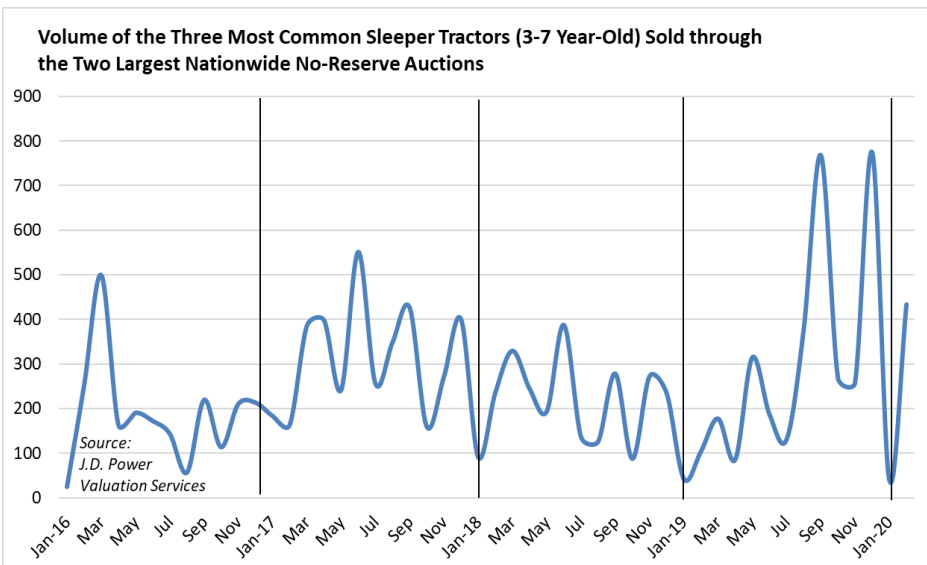
...February's volume was the highest in more than two years.

Month-over-month, our benchmark group of 4-6 year-old trucks brought 1.8% less money. In the first two months of 2020, pricing averaged 28.2% lower than the same period of 2019. Depreciation is averaging 1.8% per month so far this year, a welcome change from the 3%+ we're used to. Of course, our outlook is in flux due to the economic turmoil caused by the Covid-19 pandemic. Stay tuned for more commentary as more data is received.

See the “Average Selling Price: Benchmark Sleeper Tractor...” and “Volume of the Three Most Common Sleeper Tractors...” graphs for detail.



Depreciation is averaging 1.8% per month so far this year...



CLASS 8 RETAIL UPDATE

Pricing came in better than expected in February. Any negative month-over-month averages were driven more by a mix of trucks with higher mileage than a real decline in value of individual trucks. As with the auction channel, we feel the market woke up in February. A mild winter combined with a temporary surge in freight demand were probable boosts.

The average sleeper tractor retailed in February was 70 months old, had 464,568 miles, and brought \$45,393. Compared to January, the average sleeper was 1 month newer, had 8,289 (1.8%) fewer miles, and brought \$220 (0.5%) less money. Compared to February 2019, this average sleeper was 1 month older, had 5,960 (1.3%) more miles, and brought \$10,424 (18.7%) less money.

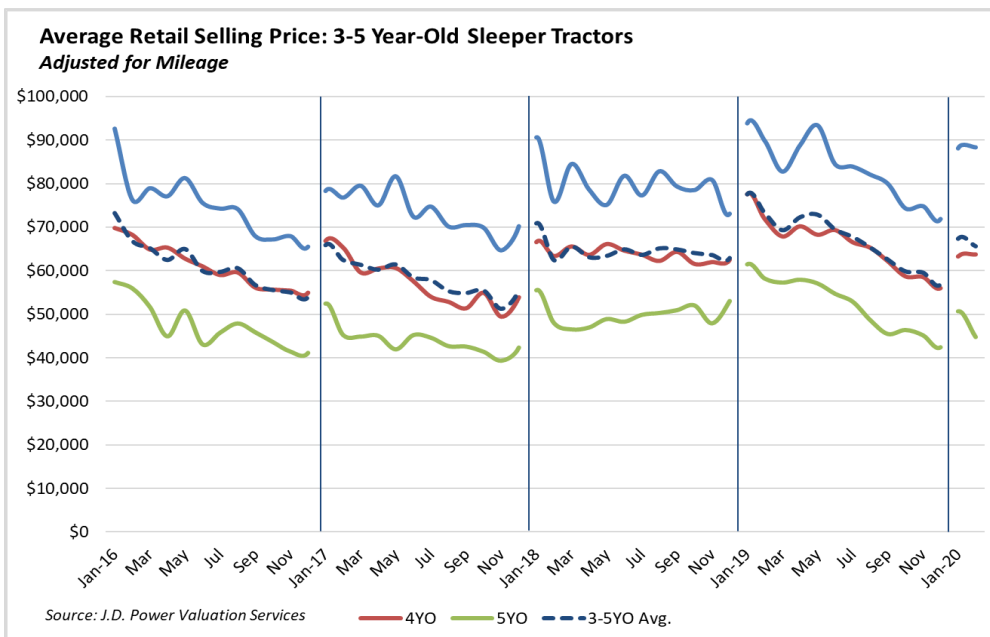
Looking at late-model trucks, February’s average pricing was as follows:

- Model year 2019: \$104,453; \$4,892 (4.5%) lower than January
- Model year 2018: \$88,561; \$427 (0.5%) higher than January
- Model year 2017: \$63,382; \$60 (0.1%) higher than January
- Model year 2016: \$44,792; \$5,921 (11.3%) lower than January
- Model year 2015: \$40,160; \$1,838 (4.4%) lower than January

Month-over-month, late-model trucks brought 2.6% less money. In the first two months of 2020, pricing averaged 11.9% lower than the same period of 2019. Depreciation is averaging 2.6% per month so far this year, notably better than the second half of 2019, and not far from what we consider historically typical.

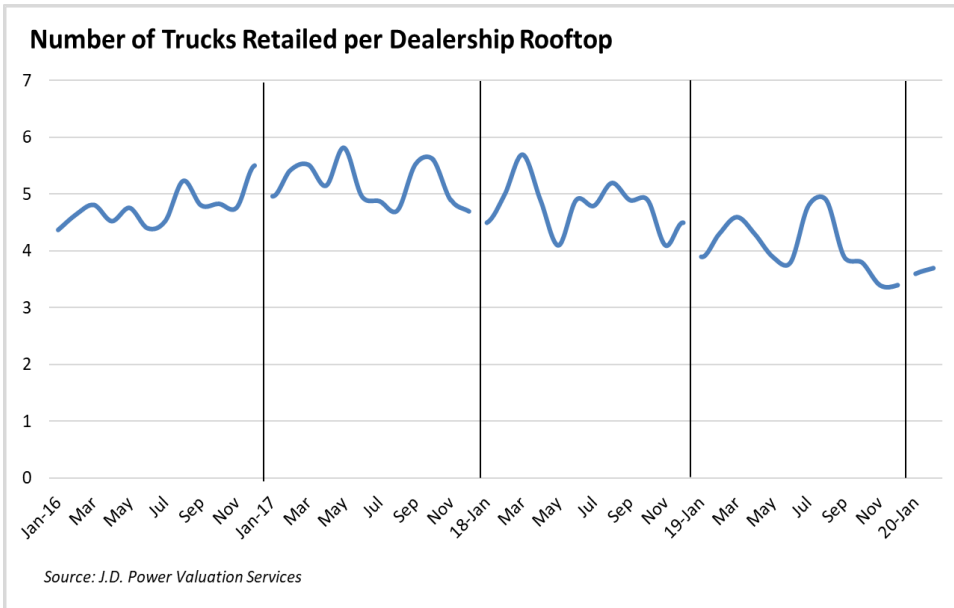
See the “Average Retail Selling Price: 3-5 Year-Old Sleeper Tractors” graph for detail.

A mild winter combined with a temporary surge in freight demand were probable boosts.



Dealers retailed an average of 3.7 trucks per rooftop in February, 0.1 truck higher than January, but 0.7 truck lower than last February. Any short-term bump in demand for freight (and therefore trucks) caused by consumers stocking up on supplies probably won't last too far into the 2nd quarter.

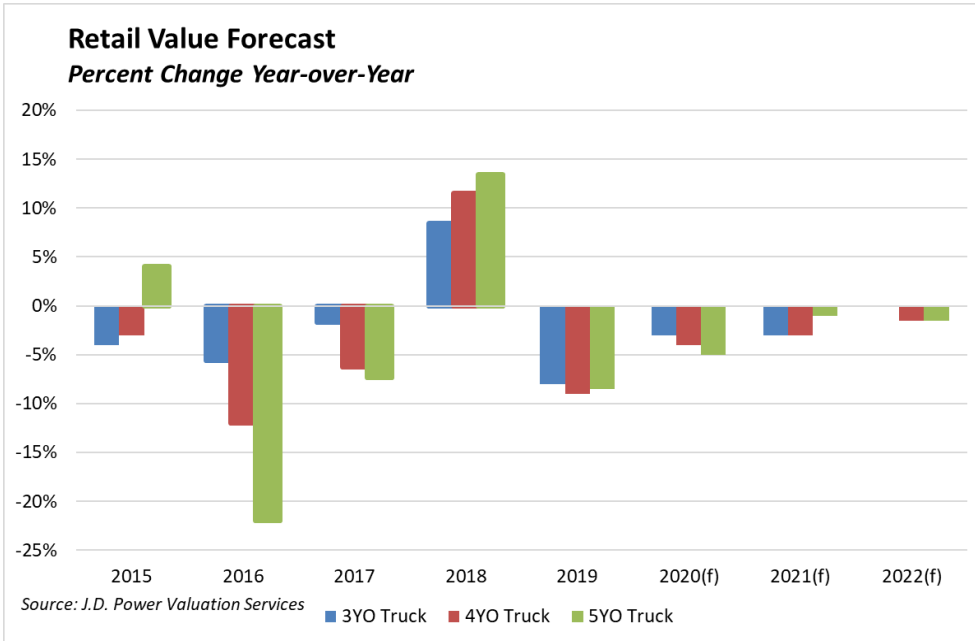
See the "Number of Trucks Retailed per Dealership Rooftop" graph for detail.



Dealers retailed an average of 3.7 trucks per rooftop in February, 0.1 truck higher than January...

Looking forward, obviously the Covid-19 outbreak has thrown a monkey wrench into every economic forecast. Until we get a better feel for the severity of the infection rate, the best we can do is speculate on the most likely scenario. With that in mind, widespread shutdowns and quarantines mean the broad economic pullback that has already started will continue through the next couple of months. When the pandemic starts to recede, probably in the 3rd quarter, we should see some catch-up activity. Many measures will probably not return entirely to pre-Coronavirus levels. We'll leave it there for now.

See the "Retail Value Forecast" graph for a look at how we see used truck pricing unfolding over the next four years. Note that our residual value forecasts (available by subscription, not included here) provide a much more detailed analysis of future pricing.



Medium Duty Trucks

Cabover pricing remains similar to late 2019, while conventionals were mixed.

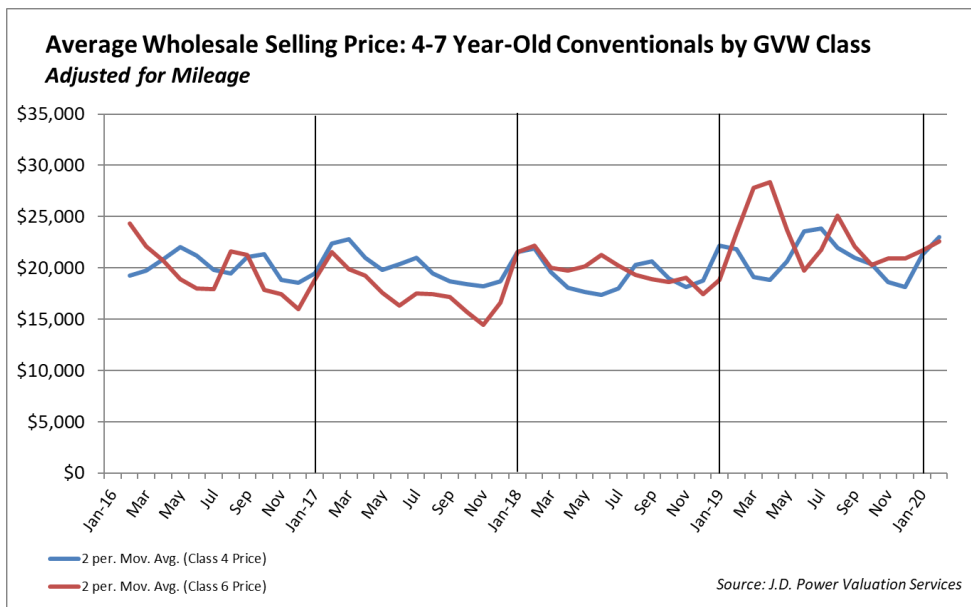
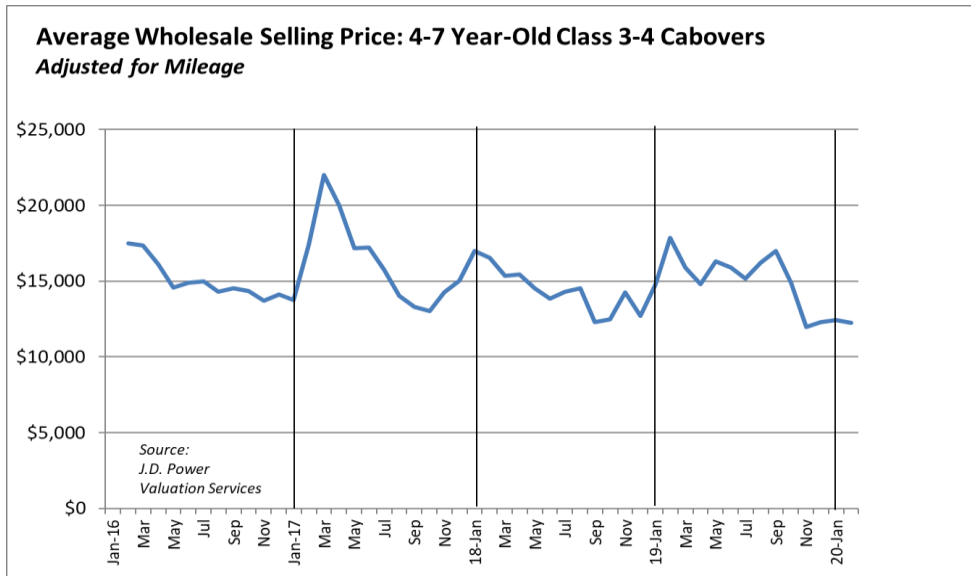
Starting with Class 3 – 4 cabovers, February’s average was \$12,049, \$384 (3.1%) lower than January, and \$4,770 (28.4%) lower than February 2019. The first 2 months of 2020 are averaging 31.4% lower than the same period of 2019. Depreciation is averaging 3.1% so far this year.

Looking at Class 4 conventionals, average pricing for our benchmark group was \$21,206, \$3,649 (14.7%) lower than January, and \$2,841 (15.5%) higher than February 2019. The first 2 months of 2020 are averaging 5.6% higher than the same period of 2019. Monthly depreciation is averaging 14.7% so far this year, but this is not representative of actual market movement. We’ll hold off until next month to make any judgments about market conditions.

Class 6 conventional pricing averaged \$23,363 in February, \$1,510 (6.9%) higher than January, and \$2,094 (8.2%) lower than February 2019. The first 2 months of 2020 are averaging 3.6% lower than the same period of 2019. Looking only at January and February, this benchmark group appreciated 6.9%, but we’ll need another month of data before we can get a clear picture of market movement.

Cabover pricing remains similar to late 2019, while conventionals were mixed.

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.



We'll hold off until next month to make any judgments about market conditions.

Forecast

All bets are now off thanks to Covid-19. We'll have a clearer picture of the economic fallout after a few more weeks have passed and the infection rate is better known. However, many economic measures will look pretty bleak in the 3rd quarter, and likely not fully return to pre-Coronavirus levels after catch-up activity shakes out towards the 4th quarter.

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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