APRIL 2018

- March Class 8 auction results better than expected
  Pricing more stable than predicted, with somewhat fewer trucks sold

- February Class 8 retail depreciation on the high side of expectations
  Aggressive pricing on multiple-unit packages is increasingly common

- Medium Duty segments drop unexpectedly
  Higher volume is likely factor
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COMMERCIAL TRUCK MARKET TRENDS

Market Mixed as First Quarter Closes Out

March auction performance was somewhat better than expected, while February retail pricing showed expected depreciation. Medium duty trucks were down notably.

Sleeper Tractors – Auction

The auction markets ramped up fully in March, and volume was at the lower end of expectations. Smaller auction houses moved notably more iron than in previous months, suggesting sellers are looking for additional outlets for equipment.

March auction performance of our benchmark model was as follows:

Model year 2014: $35,250 average; $1,750 (4.7%) lower than February
Model year 2013: $31,250 average; $57 (0.2%) higher than February
Model year 2012: $27,000 average; $478 (1.8%) higher than February
Model year 2011: $20,750 average; $3,383 (14.0%) lower than February

Year-over-year, trucks four to six years of age sold in the first quarter of this year brought 19% more money than the same period a year ago. Year-over-year gains are encouraging, but the returning supply of late-model trucks expected throughout the year should keep depreciation near our 2% per month estimate.

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

February’s pricing was down substantially from January. As predicted, a greater volume of late-model trucks is impacting pricing, with some dealers selling multiple-unit packages at aggressive retail prices.

The average sleeper tractor retailed in February was 74 months old, had 458,975 miles, and brought $48,579. Compared to January, the average sleeper was identical in age, had 278 [0.1%] more miles, and brought $2,675 [5.2%] less money. Compared to February 2017, this average sleeper was 2 months older, had 8,989 [2%] more miles, and brought $1,230 [2.5%] more money.

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

- **Model year 2016**: $75,893; $14,752 [16.3%] lower than January
- **Model year 2015**: $63,419; $3,184 [4.8%] lower than January
- **Model year 2014**: $47,992; $7,573 [13.6%] lower than January

On a year-over-year basis, late-model trucks sold in the first two months of 2018 brought 3.9% more money than in the same period of 2017. February’s data showed some dealers are willing to accept aggressively low prices to move multiple similar units. This activity will drive depreciation going forward.

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

Looking at specific models, the International ProStar has edged much closer to the average, thanks to a greater number of newer trucks sold, as well as better relative performance of N13-powered units. See the “Average Retail Selling Price of Selected 3- to 5-Year-Old Sleeper Tractors” graph for detail.

Class 8 sales per dealership edged back up closer to our expected level coming in at 5 trucks per rooftop.
This year started out slower than expected, probably due to severe weather in many parts of the country combined with uncertainty about tax policy early in the year. Last year’s monthly average was 5.2 trucks per rooftop, compared to 4.7 in the first two months of 2018. We expect average volume to increase toward 5.5 trucks per rooftop in the coming months as the weather factor goes away and buyers invest in an improving economy.

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

Looking forward over the long term, new truck orders in the first three months of 2018 were at a historic high, which means 2018 should see an elevated volume of deliveries. Fleets are taking advantage of tax breaks—and incentives—and appear optimistic about economic conditions in 2018. Also, it is possible buyers want to lock in guaranteed residuals before depreciation further devalues trade-ins later in the year. 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

January’s strength gave way to weakness in February as most segments of the medium duty market returned notably lower pricing.

Starting with Class 3-4 cabovers, February’s average pricing came in at $14,194. This figure is $4,878 (25.1%) lower than January, and $7,535 (34.1%) lower than February 2017. Volume was moderately higher than January, but there are no obvious factors explaining the decrease. We still see more strength than weakness in the cabover segment going forward.

See the “Average Wholesale Selling Price: 4- to 7-Year-Old Class 3-4 Cabovers” graph for detail.
Class 4 and Class 6 trucks both sold in much greater numbers in February compared to January. Both segments returned notably lower pricing. Class 6 trucks depreciated enough to lose ground to Class 4’s.

Specifically, Class 4’s averaged $20,290 in February. This figure is $3,234 (13.7%) lower than January, and $4,148 (17.1%) lower than February 2017. Class 6’s averaged $20,057 in February. This figure is $4,255 (17.5%) lower than January, and $1,143 (5.4%) lower than February 2017.

The primary factor behind the lower Class 6 pricing appears to be much higher volume. This segment can be impacted by rental fleets liquidating equipment, and it appears February was one of those months. This lower pricing potentially trickled down to lighter GVW’s.

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

Forecast

March auction volume was somewhat lower than expected, while pricing was mildly higher. Trends in the auction channel generally predict trends in the retail channel, so retail depreciation may be at the lower end of expectations once complete March retail data is collected. Our outlook remains unchanged, though, with 2% per month depreciation predicted.
### Monthly Change in ATD/NADA Commercial Truck Guide Value

**March 2018 vs. April 2018**

<table>
<thead>
<tr>
<th>Commercial Truck Segment</th>
<th>2011MY</th>
<th>2012MY</th>
<th>2013MY</th>
<th>2014MY</th>
<th>2015MY*</th>
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<tr>
<td>Commercial Van</td>
<td>-4.9%</td>
<td>-3.7%</td>
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<td>0.0%</td>
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<td>Highway Aerodynamic</td>
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<tr>
<td>Local/Delivery Daycab</td>
<td>-0.8%</td>
<td>-1.8%</td>
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<tr>
<td>Medium Duty Cabover</td>
<td>-5.9%</td>
<td>-6.3%</td>
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<td>-5.7%</td>
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<tr>
<td>Medium Duty Conventional</td>
<td>0.0%</td>
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<tr>
<td>Vocational/Construction</td>
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<td>-2.3%</td>
<td>-2.3%</td>
<td>-1.3%</td>
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*Calculations are based on vehicle age, i.e., values for 1-year-old vehicles in CY2017 are compared against values for 1-year-old vehicles in CY2016.

### Annual Change in ATD/NADA Commercial Truck Guide Value

**April 2017 vs. April 2018**

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<tr>
<th>Commercial Truck Segment</th>
<th>5YR</th>
<th>4YR</th>
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<tr>
<td>Extended Hood</td>
<td>6.8%</td>
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<tr>
<td>Local/Delivery Daycab</td>
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<td>Medium Duty Cabover</td>
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<tr>
<td>Medium Duty Conventional</td>
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<td>-0.6%</td>
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### YTD Change in ATD/NADA Commercial Truck Guide Value

**January 2018 — April 2018**

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<thead>
<tr>
<th>Commercial Truck Segment</th>
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<th>2016MY*</th>
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*Value movement can be influenced by newly valued vehicles.

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AT J.D. POWER VALUATION SERVICES [FORMERLY NADA USED CAR GUIDE]

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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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