

J.D. POWER



COMMERCIAL TRUCK GUIDELINES

INDUSTRY REVIEW

April 2020

J.D. Power Valuation Services

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SUMMARY

Class 8 Pricing Changing Rapidly

Class 8 pricing pulled back in the second half of March, but volume was solid. Medium duty trucks were lower across the board in volume and pricing.

CLASS 8 AUCTION UPDATE

The volume of 4-7 year-old trucks sold at auction was healthier than expected in March, given the fact that most auctions moved to online-only. Pricing was flat to slightly lower than February in the first half of the month, dropping more notably in the second half. The pricing gap between lower mileage and higher mileage trucks is as wide as it's ever been. See below for detail, keeping in mind the full-month averages don't fully reflect the devaluation seen in the most recent weeks.

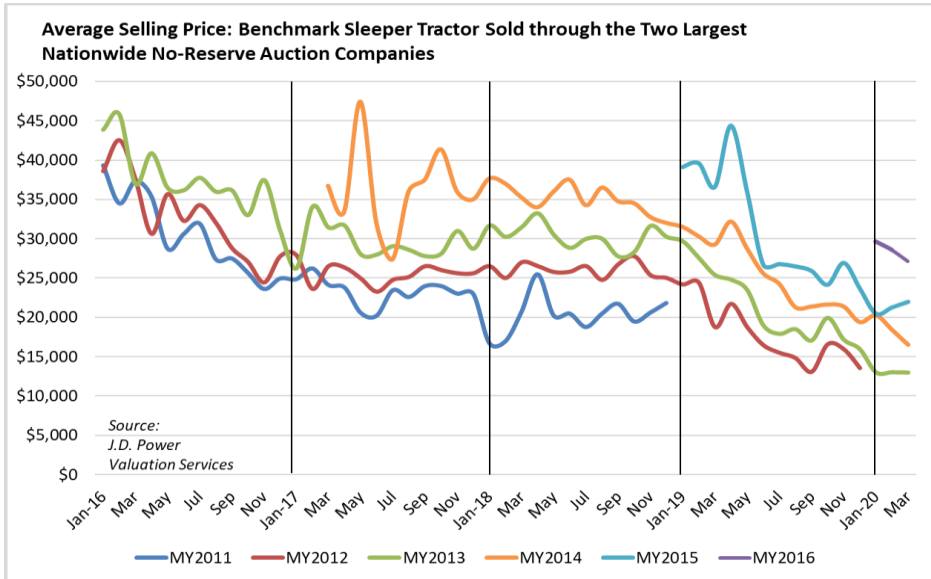
- Model year 2017: \$35,400 average; \$364 (1.0%) higher than February
- Model year 2016: \$27,150 average; \$1,403 (4.9%) lower than February
- Model year 2015: \$21,292 average; \$708 (3.3%) higher than February
- Model year 2014: \$16,500 average; \$1,898 (10.3%) lower than February
- Model year 2013: \$12,975 average; \$37 (0.3%) lower than February

Month-over-month, our benchmark group of 4-6 year-old trucks brought 0.4% less money. In the first three months of 2020, pricing averaged 26.3% lower than the same period of 2019. Depreciation averaged 0.8% in the first quarter, but this figure doesn't reflect the devaluation seen in the second half of March.

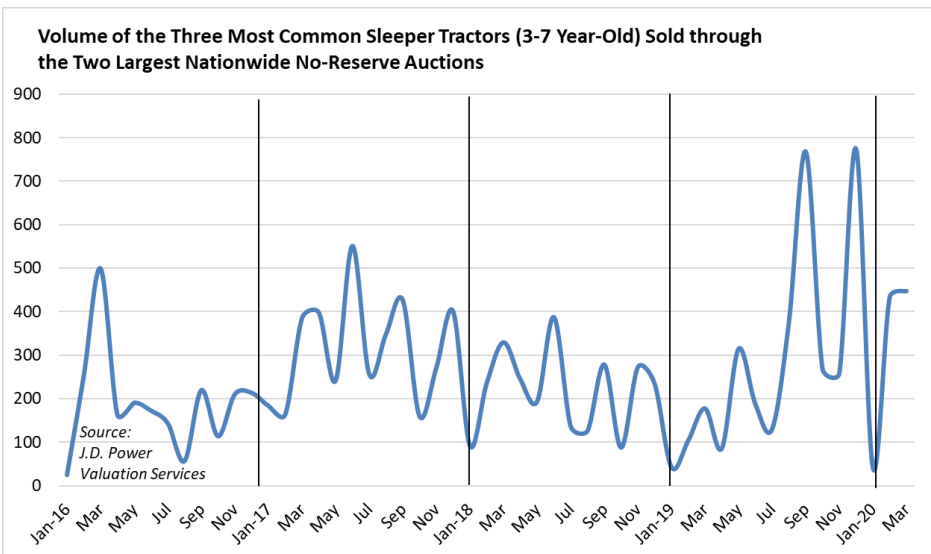
With consumers stockpiling certain items in March, the environment for dry van and reefer haulers was healthy. This activity kept used truck replacement demand stable. In April, the freight environment has pulled back from the surge, making our short-term outlook bearish.

The volume of 4-7 year-old trucks sold at auction was healthier than expected in March, given the fact that most auctions moved to online-only.

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



In the first three months of 2020, pricing averaged 26.3% lower than the same period of 2019.



CLASS 8 RETAIL UPDATE

In normal times, pricing trends in the retail market usually lag the auction market by roughly 3-5 months. In our current environment, trucks in both channels are losing value fairly rapidly, although retail pricing might not be falling quite as sharply as auction pricing.

The average sleeper tractor retailed in March was 69 months old, had 454,887 miles, and brought \$44,342. Compared to February, the average sleeper was 1 month newer, had 4,676 (1.0%) fewer miles, and brought \$1,051 (2.3%) less money. Compared to March 2019, this average sleeper was identical in age, had 12,434 (2.7%) fewer miles, and brought \$11,462 (20.5%) less money.

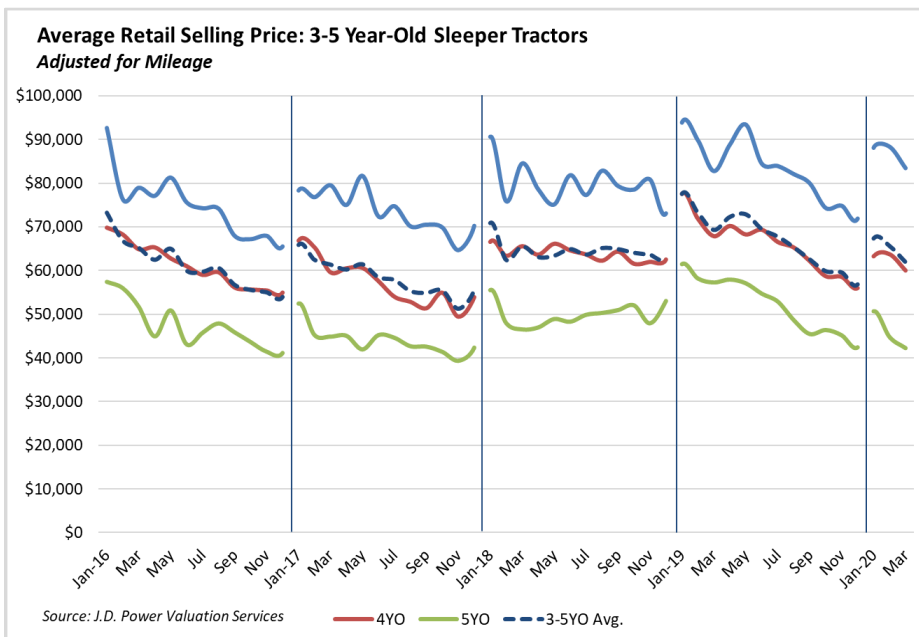
March's average pricing was as follows:

- Model year 2019: \$105,441; \$988 (0.9%) higher than February
- Model year 2018: \$83,484; \$4,889 (5.5%) lower than February
- Model year 2017: \$60,076; \$3,719 (5.8%) lower than February
- Model year 2016: \$42,255; \$2,537 (5.7%) lower than February
- Model year 2015: \$40,160; \$1,838 (4.4%) lower than February

Month-over-month, late-model trucks brought 5.7% less money. In the first three months of 2020, pricing averaged 11.5% lower than the same period of 2019. Depreciation in the first quarter averaged 2.7% per month, but this figure will have undoubtedly increased by the time you read this.

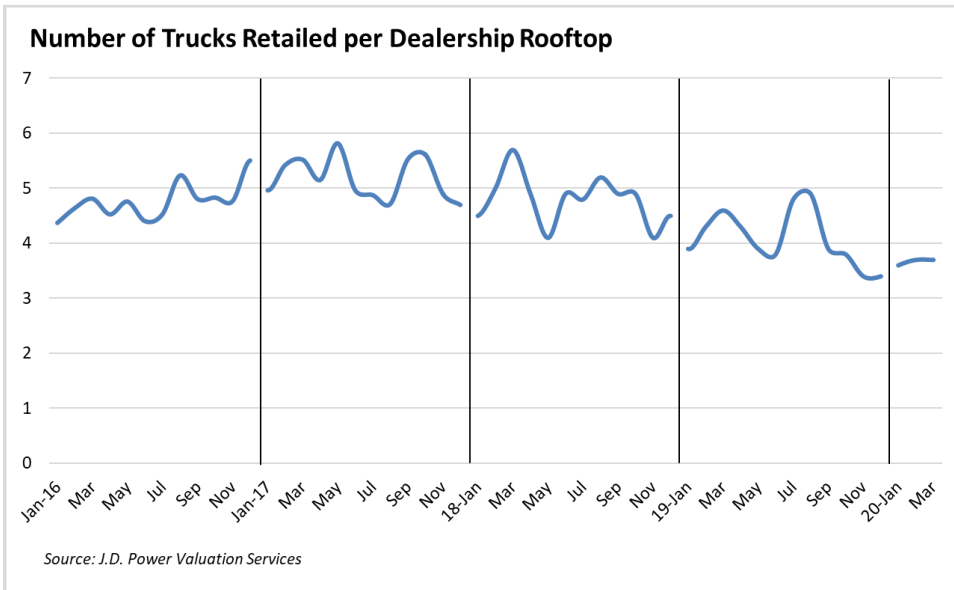
See the "Average Retail Selling Price: 3-5 Year-Old Sleeper Tractors" graph for detail.

In the first three months of 2020, pricing averaged 11.5% lower than the same period of 2019.



Dealers retailed an average of 3.7 trucks per rooftop in March, identical to February, and 0.9 truck lower than last March. Retail purchasing is limited primarily to replacement demand at this point. The current pullback in freight volumes puts downward pressure on demand.

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



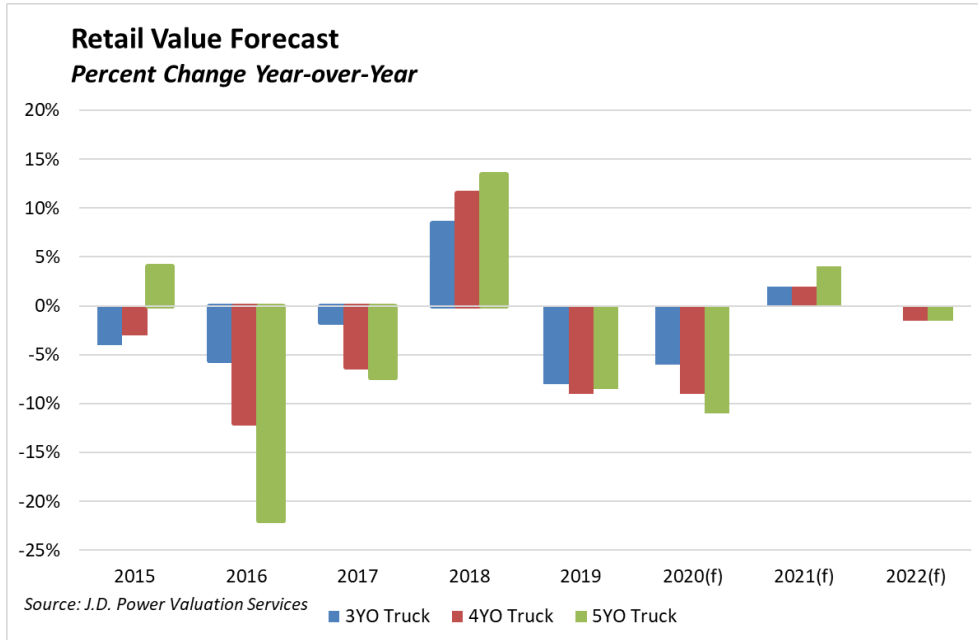
Dealers retailed an average of 3.7 trucks per rooftop in March, identical to February.

Looking forward, auction pricing in the second half of March and especially the first week of April declined sharply from earlier periods. This should surprise no one. We took a relatively conservative approach to devaluation in our published values, but even still some trucks saw declines of up to 20% from March to April. Even this appears to have been light in some cases, so our April wholesale values may be higher than current auction results for selected trucks. We are of course watching pricing very closely and making updates as frequently as our systems allow.

Used truck pricing should recover roughly in step with the gradual re-opening of the economy. This means the auction market should see some firming in the summer, followed by mild to moderate increases in the fall and into 2021 (with some pauses here and there, particularly in October and November). Due to this entirely new market dynamic, we have substantially decreased our Retail Value Forecast for 2020, and revised it upward for 2021.

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

Pricing was down in all segments. Volume was as well, most notably in Class 6.

Starting with Class 3 – 4 cabovers, March’s average for our benchmark group was \$10,638, \$1,411 (11.7%) lower than February, and \$4,306 (28.8%) lower than March 2019. The first 3 months of 2020 are averaging 30.6% lower than the same period of 2019. Depreciation is averaging 5.2% so far this year.

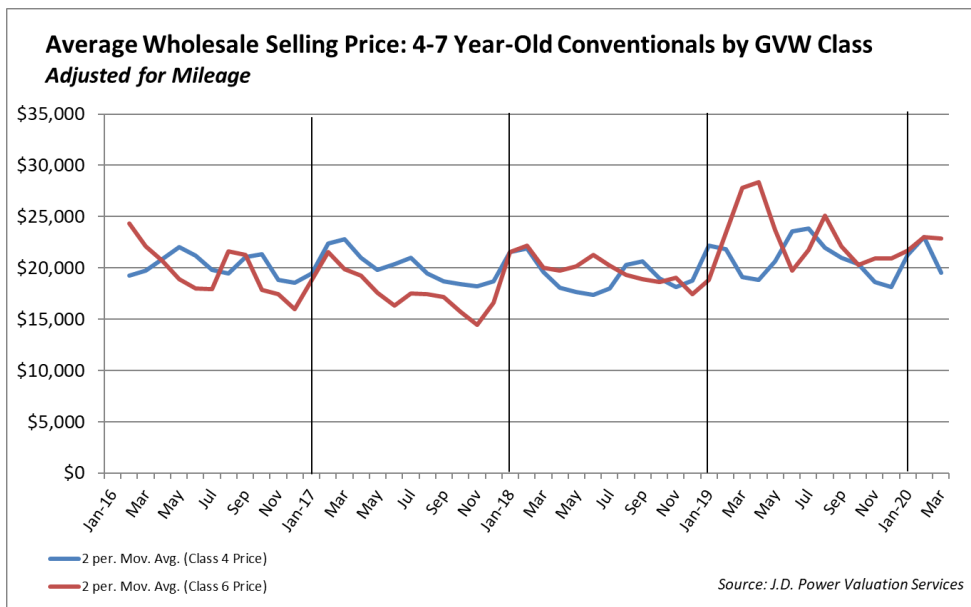
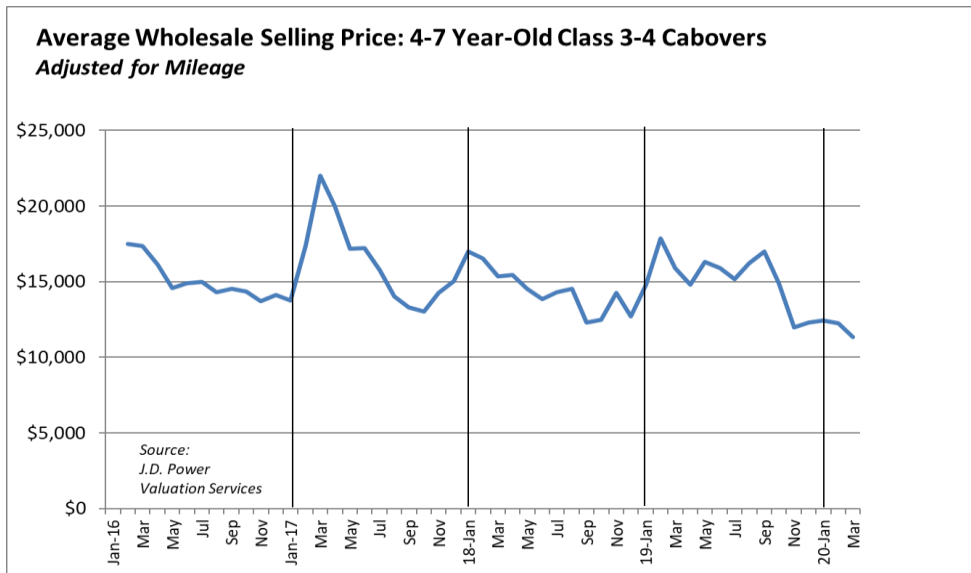
Looking at Class 4 conventionals, average pricing for our benchmark group was \$17,803, \$3,403 (16.0%) lower than February, and \$2,121 (10.6%) lower than March 2019. The first 3 months of 2020 are averaging 0.5% higher than the same period of 2019. Depreciation is averaging 9.9% so far this year.

Class 6 conventional pricing averaged \$21,572 in March, \$2,580 (10.7%) lower than February, and \$8,633 (28.6%) lower than March 2019. The first 3 months of 2020 are averaging 12.4% lower than the same period of 2019. Monthly depreciation was flat in the first quarter, but this average is due primarily to February’s strong pricing and is not representative of current market conditions.

Pricing was down in all segments.

April's results will give us a better idea of how much the economic shutdown has impacted pricing. We expect a further moderate decline month-over-month.

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.



April's results will give us a better idea of how much the economic shutdown has impacted pricing.

Forecast

March made it clear to every American how critical the trucking industry is to keeping the country supplied. Volume and pricing at auctions earlier in March were in line with relatively strong freight data. At the time of this writing, most freight measures had contracted back to pre-surge levels and then some. We expect this factor to apply additional downward pressure to used truck demand.

Right now, we see at least another month of depressed pricing, followed by an uptick in step with the graduated re-opening of the economy. There will still be a substantial supply of trucks available, so the pricing recovery will be limited to getting back to trend. This movement should start in the third quarter.

As we exit the shutdown period, watch unemployment figures. Most analysts predict a peak in the teens to the low-20% range in the short term. This historic spike will of course be short-lived, and come down relatively quickly as the economy re-opens. But we're not going to return to the record-low 3.5% figure anytime soon.

Not all business segments will recover at the same rate. Some small and medium businesses will simply not reopen, and businesses of all sizes will most likely move forward with a somewhat smaller workforce for a period of time. In general, there will be a degree of contraction to the macroeconomy that will not recover this year. When unemployment gets back down into single digits and continues to trend downward, that's when we can say the economy is back on its feet.

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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