J.D. POWER

COMMERCIAL TRUCK GUIDELINES

INDUSTRY REVIEW

June 2019

J.D. Power Valuation Services

J.D. POWER

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SUMMARY

Market Conditions Performing on Par with Expectations

May's Class 8 market was basically the opposite of April, with pricing down and volume up in both the auction and retail channels. Medium duty trucks had a mixed month, with cabovers and lighter-GVW conventionals strong but heavier-GVW conventionals weak.
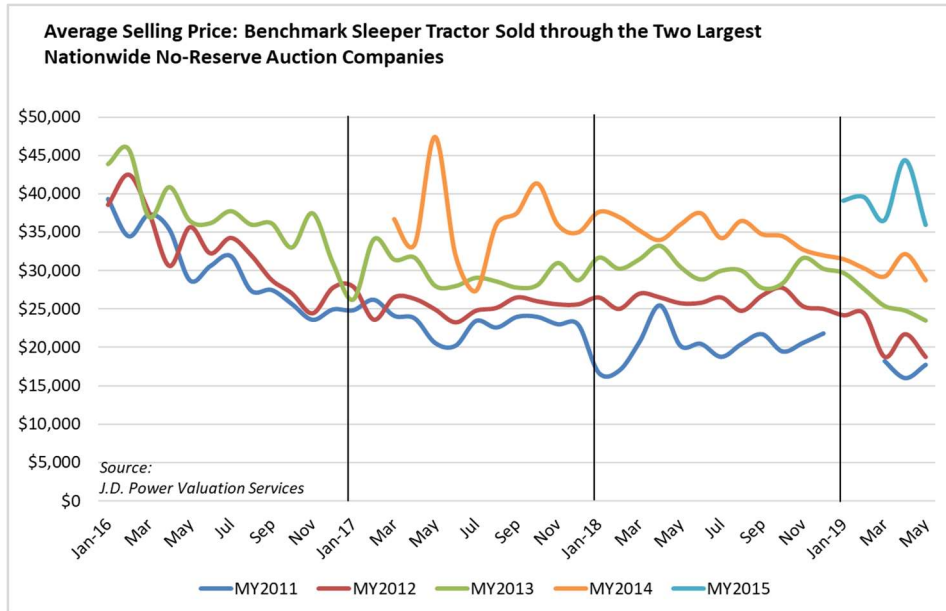
CLASS 8 AUCTION UPDATE

What April bringeth, May taketh away. Pricing of our benchmark model was back down after an unusual April, with volume way up compared to recent months. May's activity looked more logical than April's given the market dynamics currently in effect. See below for detail.

- Model year 2016: $36,500 average; $7,420 (17.0) lower than April

- Model year 2015: $36,000 average; $8,380 (18.9%) lower than April

- Model year 2014: $28,750 average; $3,428 (10.7%) lower than April

- Model year 2013: $23,500 average; $1,300 (5.2%) lower than April

- Model year 2012: $18,750 average; $2,964 (13.7 %) lower than April

- Model year 2011: $17,765 average; $1,730 (10.8%) higher than April

In the first 5 months of 2019, 4-6 year-old examples of our benchmark model brought 2.5% more money than in the same period of 2018. The number of 4-6 year-old trucks sold was notably higher than any month since June 2018. Monthly depreciation for this cohort is now averaging 2.5%, which is in line what we were expecting at this point. Low-mileage trucks are still bringing strong money, but the market is redefining "low mileage" downwards.

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

Average Selling Price: Benchmark Sleeper Tractor Sold through the Two Largest Nationwide No-Reserve Auction Companies

Source:
J.D. Power Valuation Services

— MY2011 — MY2012 — MY2013 — MY2014 — MY2015

Volume of the Three Most Common Sleeper Tractors (4-6 Year-Old) Sold through the Two Largest Nationwide No-Reserve Auctions

Source:
J.D. Power Valuation Services

In the first 5 months of 2019, 4-6 year-old examples of our benchmark model brought 2.5% more money than in the same period of 2018.
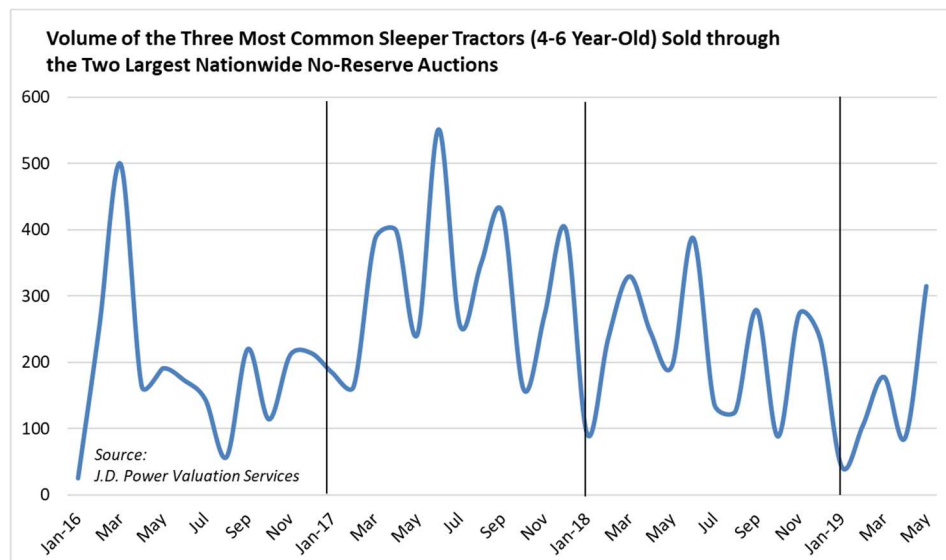
CLASS 8 RETAIL UPDATE

May's retail pricing was similar to April's, with spec and model mix accounting for month-over-month variation. Market weakness in the auction channel did not carry over to the retail channel.

The average sleeper tractor retailed in May was 69 months old, had 456,127 miles, and brought $57,613. Compared to April, the average sleeper was 2 months younger, had 12,103 (2.6%) fewer miles, and brought $815 (1.4%) more money. Compared to May 2018, this average sleeper was 1 month older, had 7,950 (1.8%) more miles, and brought $4,551 (8.6%) more money.
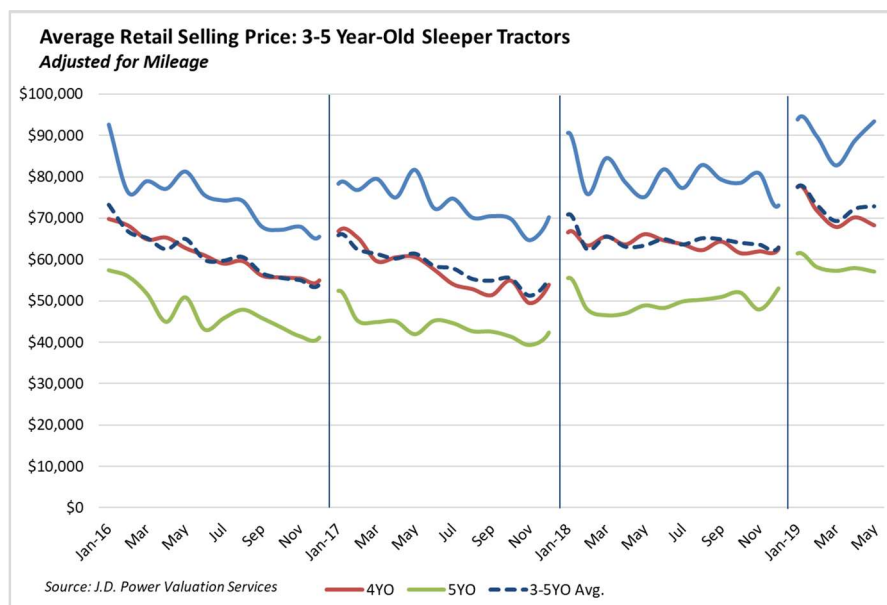
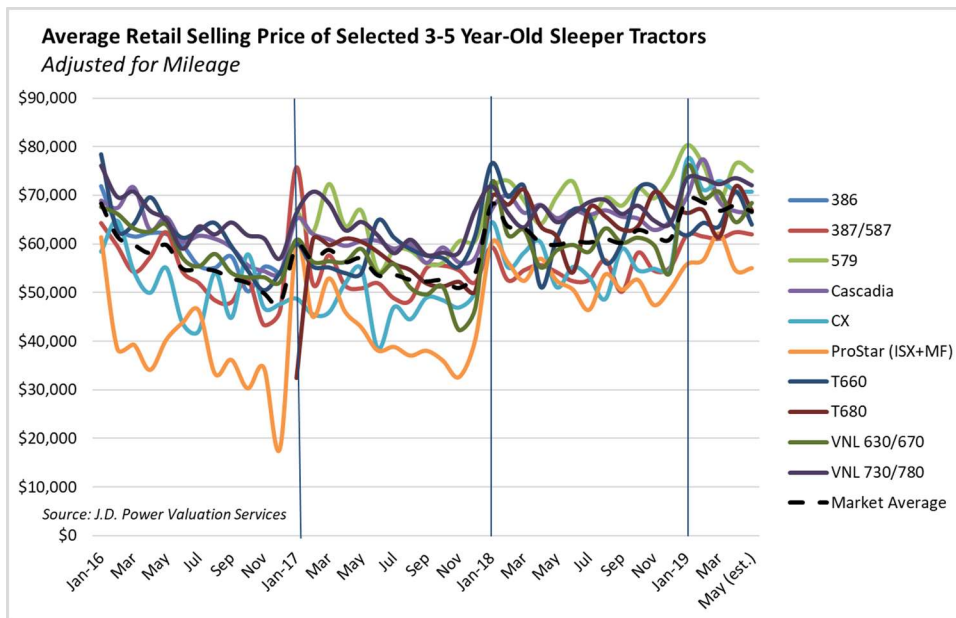Looking at trucks three to five years of age, May's average pricing was as follows:

- Model year 2017: $93,430; $4,604 (5.2%) higher than April

- Model year 2016: $68,297; $1,939 (2.8%) lower than April

- Model year 2015: $57,137; $532 (1.5%) lower than April

The high average for model year 2017 is due to a group of owner-operator spec trucks in the data. On an apples-to-apples basis, there was little change in value month-over-month. Year-over-year, late-model trucks sold in the first five months of 2019 brought 12.3% more money than in the same period of 2018. Depreciation in the first five months of 2019 averaged 1.3% per month, compared to 1.6% in the same period of 2018.

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.

Late-model trucks sold in the first 5 months of 2019 brought 12.3% more money than in the same period of 2018.

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

Source: J.D. Power Valuation Services   4YO   5YO   3-5YO Avg.

Average Retail Selling Price of Selected 3-5 Year-Old Sleeper Tractors
Adjusted for Mileage

Source: J.D. Power Valuation Services

Legend: 386, 387/587, 579, Cascadia, CX, ProStar (ISX+MF), T660, T680, VNL 630/670, VNL 730/780, Market Average

Depreciation in the first 5 months of 2019 averaged 1.3% per month...

Class 8 sales per dealership dropped to 3.9 in May, a 0.4 truck decrease compared to April, and the first time the average has dropped below 4.0 since January. Dealers are selling an average of 10.6% fewer trucks in 2019 compared to the same period of 2018.

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

Number of Trucks Retailed per Dealership Rooftop
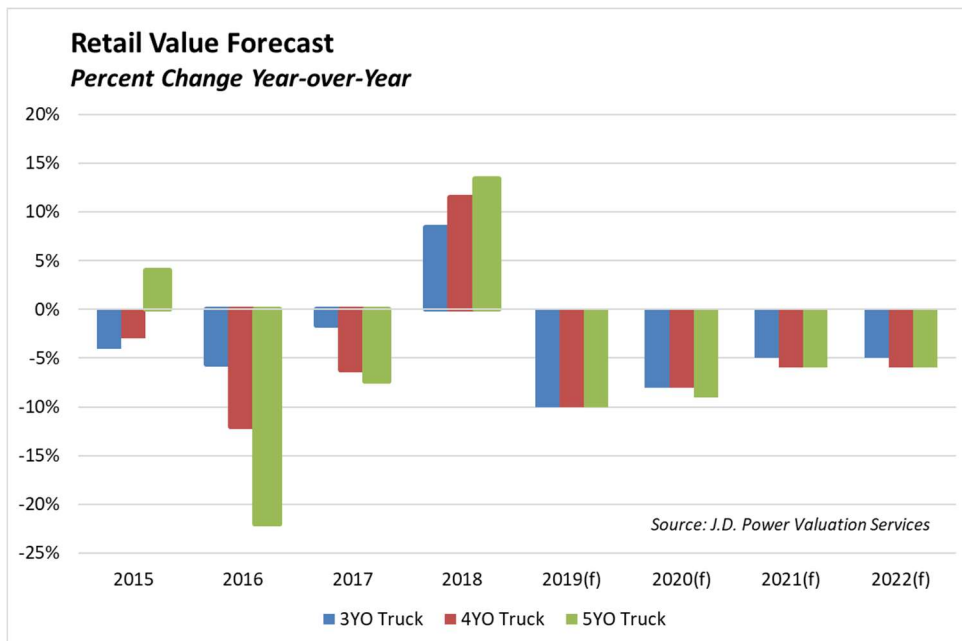

Source: J.D. Power Valuation Services
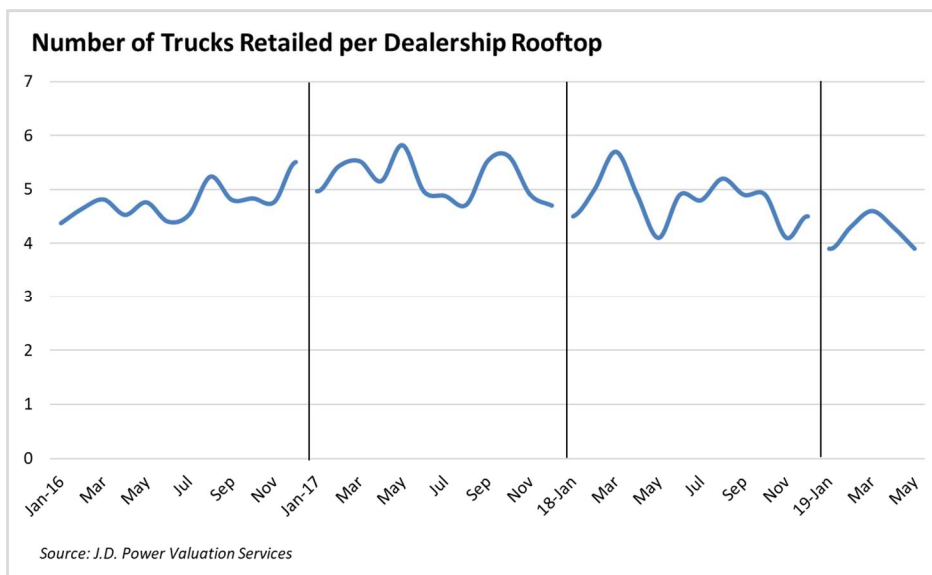
May economic data pointed to maturing growth exacerbated by the tariff war with China.

Looking forward, deliveries of new trucks remain strong, with lead times starting to shrink as the new truck cycle tapers off. May economic data pointed to

maturing growth exacerbated by the tariff war with China. We have lowered our year-over-year outlook for pricing based on these factors. See the Forecast section below for more analysis.

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

Retail Value Forecast
Percent Change Year-over-Year

Source: J.D. Power Valuation Services

■ 3YO Truck ■ 4YO Truck ■ 5YO Truck

Medium Duty Trucks

Medium duty sales volume contracted in May, while pricing was mixed. Cabovers had a relatively strong month, Class 4 conventionals were very strong, and Class 6 conventionals pulled back.

Starting with Class 3 – 4 cabovers, May's average pricing came in at $17,938. This figure is $3,280 (22.4%) higher than April, and $3,325 (22.8%) higher than May 2018. Compared to April, a newer, lower-mileage mix of trucks comprised our data set. In the first 5 months of 2019, pricing is running an average of 5.9% higher than the same period of 2018. May's strong result dialed average monthly depreciation down to 1.8% per month this year – notably better than 2018's 4.0% per month figure.

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

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

Source:
J.D. Power Valuation Services
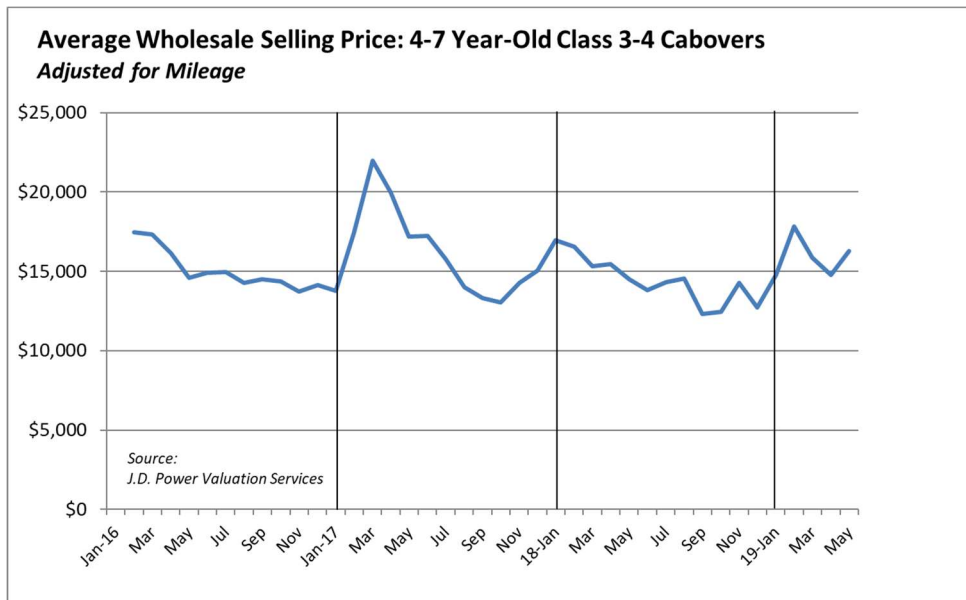
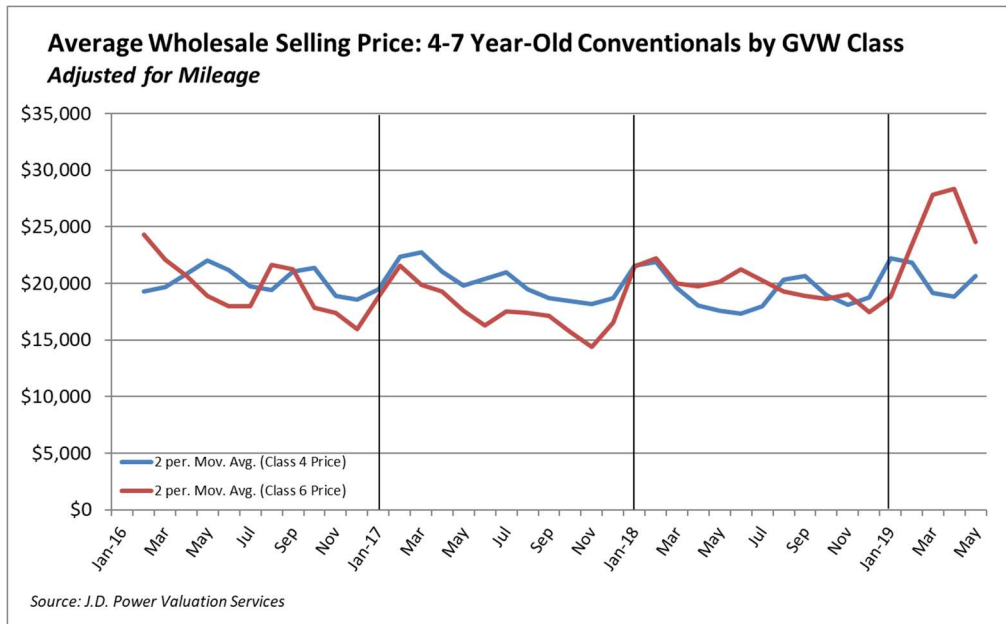Medium-duty sales volume contracted in May, while pricing was mixed.

Looking at conventionals, Class 4's averaged $25,266 in May. This figure is $5,717 (32.2%) higher than April, and $5,484 (30.4%) higher than May 2018. As with cabovers, auctions sold a newer, lower-mileage mix of trucks this month. In 2019 to date, pricing is running an average of 7.0% higher than the same period of 2018. May's strong result brought average monthly depreciation down to 1.2%, compared to 5.3% in the same period of last year.

Class 6's averaged $20,902 in May. This figure is $5,579 (21.1%) lower than April, and $190 (0.9%) higher than May 2018. Unlike the other two cohorts we track, Class 6's sold this month trended older than in the past three months. In the first 5 months of 2019, average pricing for our 4-7 year-old cohort is running an average of 19.0% higher than the same period of 2018. Depreciation in 2019 to date is now essentially flat.

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

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

Legend:
- 2 per. Mov. Avg. (Class 4 Price)
- 2 per. Mov. Avg. (Class 6 Price)

Source: J.D. Power Valuation Services

Forecast

The second quarter is drawing to a close, and, as predicted, used truck pricing remained strong in the first half of the year. This month's lower pricing should be indicative of what to expect in upcoming months, but in an economy heavily impacted by policy uncertainty, forecasting is more difficult than in more stable times. The freight, financial, and manufacturing sectors are pointing to slowing growth, while the consumer sector remains strong. Unfortunately, the consumer sector is a trailing indicator while the others are leading. The bottom line is any notable decline in economic conditions will cause an equally notable influx of used trucks to enter the market

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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.

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