



# COMMERCIAL TRUCK GUIDELINES

## INDUSTRY REVIEW

July 2019

J.D. Power Valuation Services

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## SUMMARY

### Have we Reached the Tipping Point?

Sentiment about used truck volumes has become negative, and pricing data supports these observations. Medium duty trucks had a mixed month, with cabovers and lighter-GVW conventionals stable but heavier-GVW conventionals weak.

## CLASS 8 AUCTION UPDATE

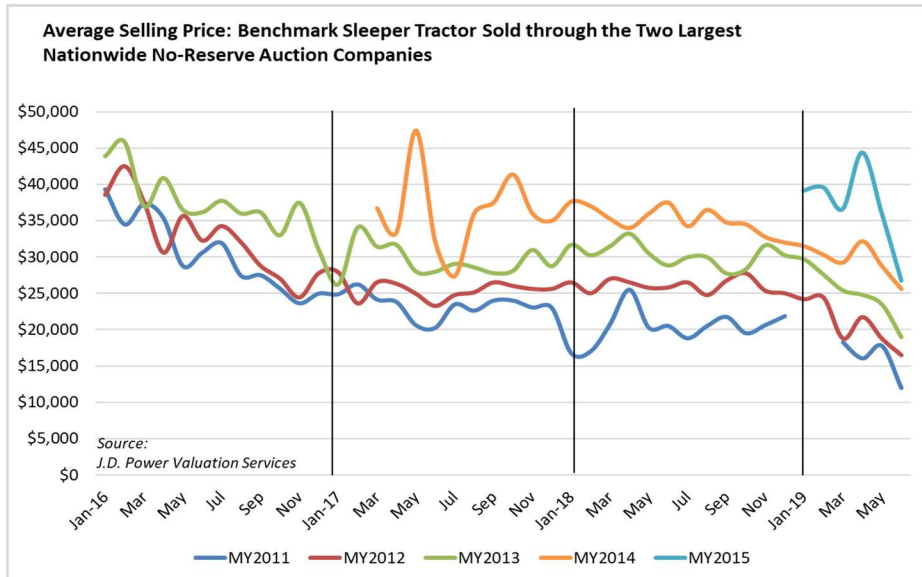
Auction volume pulled back in June, and pricing was notably lower. After more than two years of expansion, it appears the nation may have finally reached and then exceeded the total number of trucks needed to move freight. As is typical in this type of environment, only the lowest-mileage trucks are currently bringing strong money. See below for detail.

- Model year 2016: \$35,750 average; \$750 (2.1%) lower than May
- Model year 2015: \$26,750 average; \$9,250 (25.7%) lower than May
- Model year 2014: \$25,600 average; \$3,150 (11.0%) lower than May
- Model year 2013: \$19,000 average; \$4,500 (19.1%) lower than May
- Model year 2012: \$16,475 average; \$2,275 (12.1 %) lower than May
- Model year 2011: \$11,975 average; \$5,790 (32.6%) lower than May

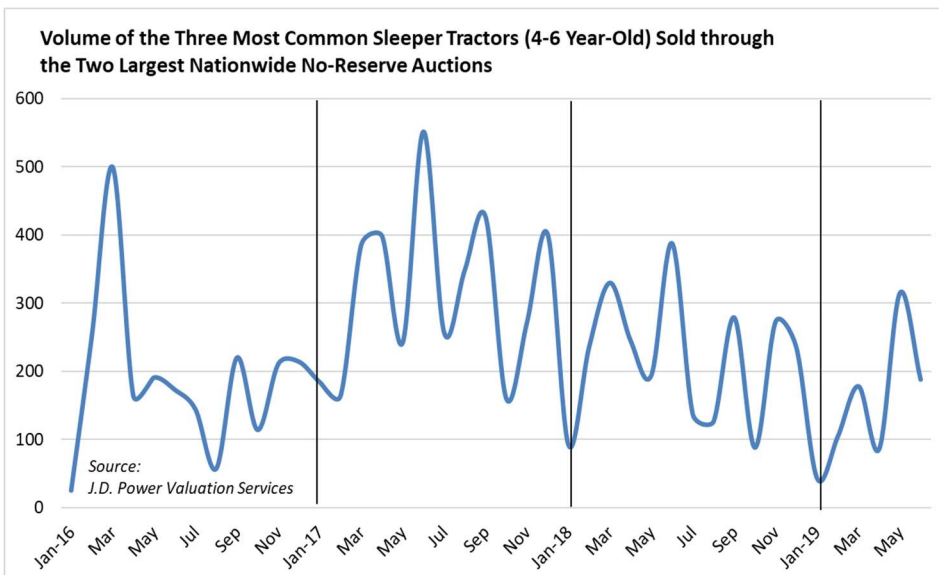
In the first 6 months of 2019, 4-6 year-old examples of our benchmark model brought 1.4% less money than in the same period of 2018. This is the first negative year-over-year comparison since the Fall of 2017. The number of 4-6 year-old trucks sold was more in line with recent trends after an unusually high May. Monthly depreciation for this cohort is now averaging 3.3%, which is moderately higher than what we were expecting at this point. See the Forecast section below for additional comments.

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

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## CLASS 8 RETAIL UPDATE

For another month, market weakness in the auction channel did not carry over to the retail channel. Trends in the retail channel typically lag the auction channel by a couple of months, so expect to see an acceleration of depreciation in upcoming months.

The average sleeper tractor retailed in June was 69 months old, had 460,840 miles, and brought \$57,211. Compared to May, the average sleeper was identical in age, had 4,713 (1.0%) more miles, and brought \$356 (0.6%) less money. Compared to June 2018, this average sleeper was 1 month newer, had 9,733 (2.2%) more miles, and brought \$5,295 (10.2%) more money.

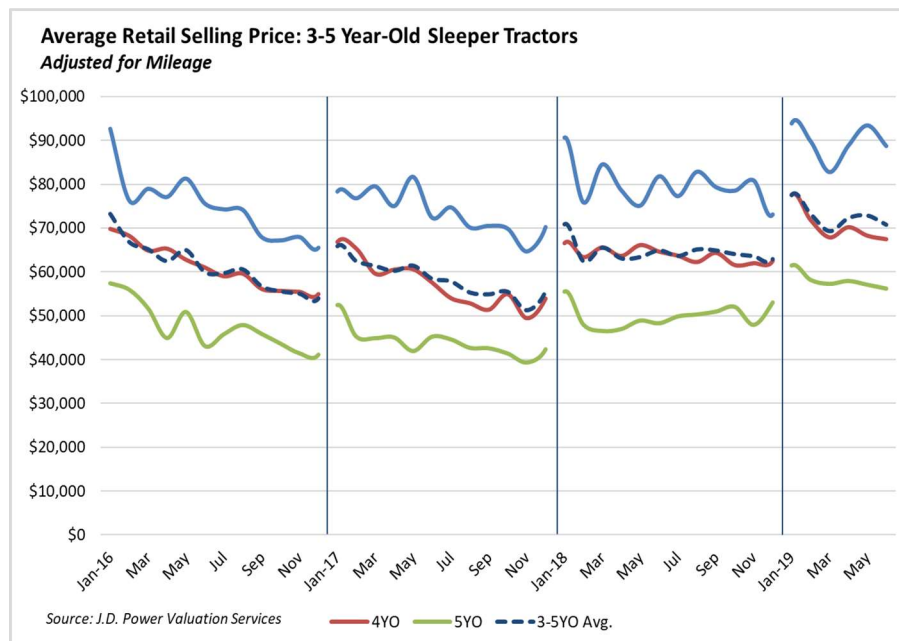
Looking at trucks three to five years of age, June's average pricing was as follows:

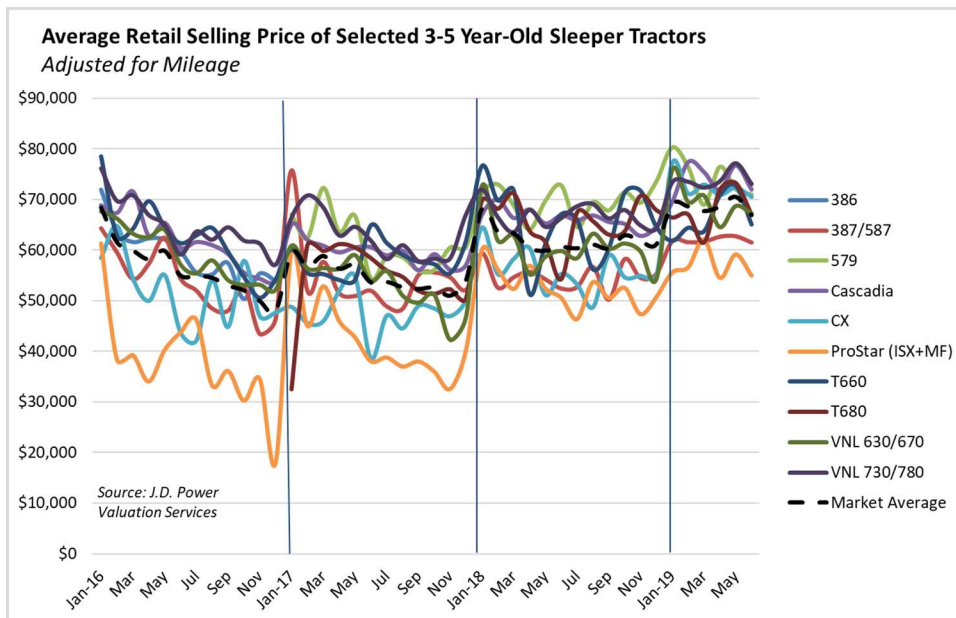
- Model year 2017: \$84,849; \$8,941 (9.6%) lower than May
- Model year 2016: \$69,377; \$1,080 (1.6%) higher than May
- Model year 2015: \$54,750; \$2,387 (4.2%) lower than May

Year-over-year, late-model trucks sold in the first six months of 2019 brought 11.5% more money than in the same period of 2018. Depreciation in the first six months of 2019 averaged 1.1% per month, compared to 1.0% 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 6 months of 2019 brought 11.5% more money than in the same period of 2018.

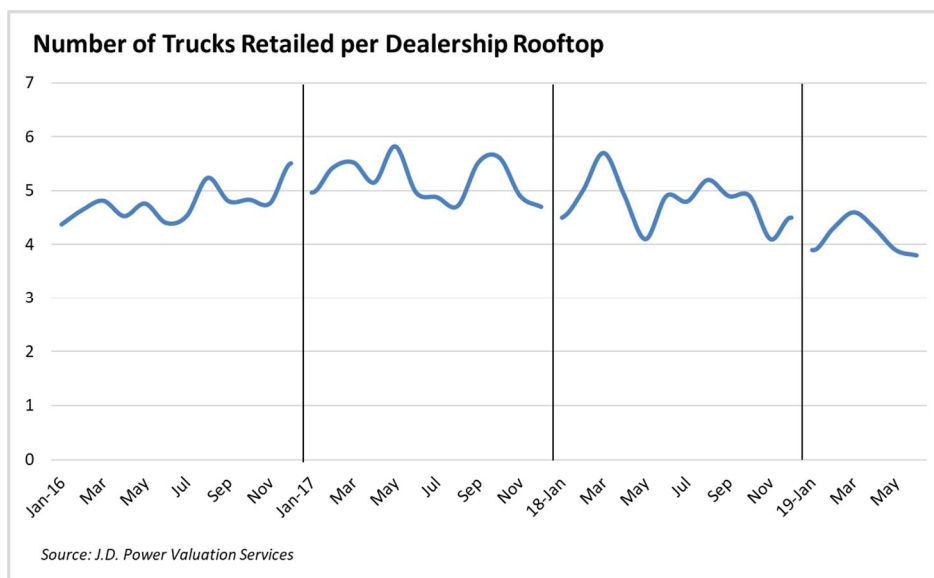




Depreciation in the first 6 months of 2019 averaged 1.1% per month...

Class 8 sales per dealership dropped by a tenth to 3.8 in June, another lackluster result. Dealers are selling an average of 12.5% fewer trucks in 2019 compared to the same period of 2018.

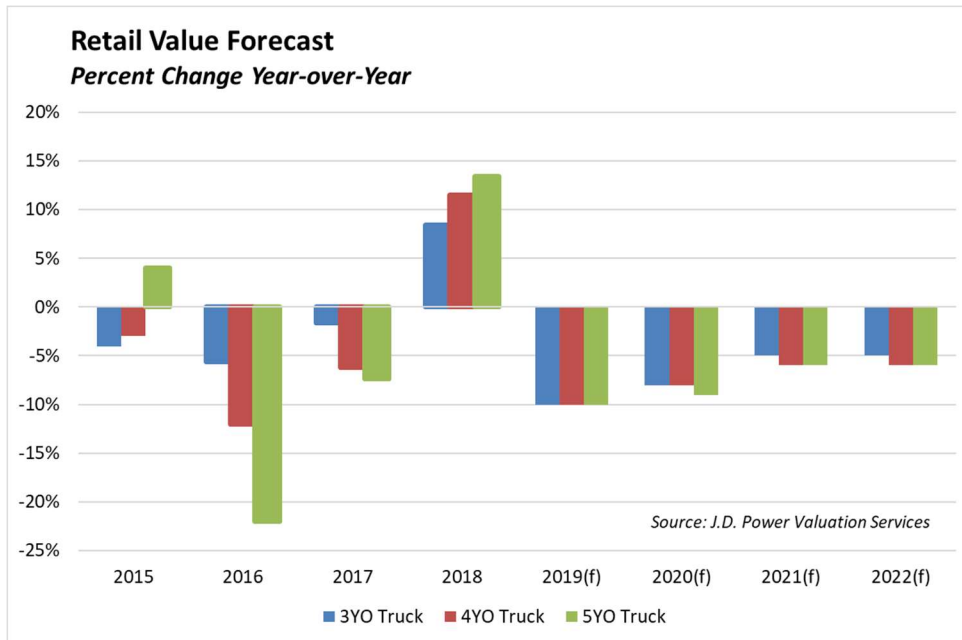
See "Number of Trucks Retailed per Dealership Rooftop" graph for detail.



Looking forward, the tariff war with China may have cooled somewhat, but trade and economic policy remain unpredictable. The domestic economy is pulling back from its expansionary phase, and it is not yet clear whether this movement

is just a correction or a more fundamental shift. Our forecast for the remainder of the year and 2020 shows pricing notably lower than the 2018 peak.

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



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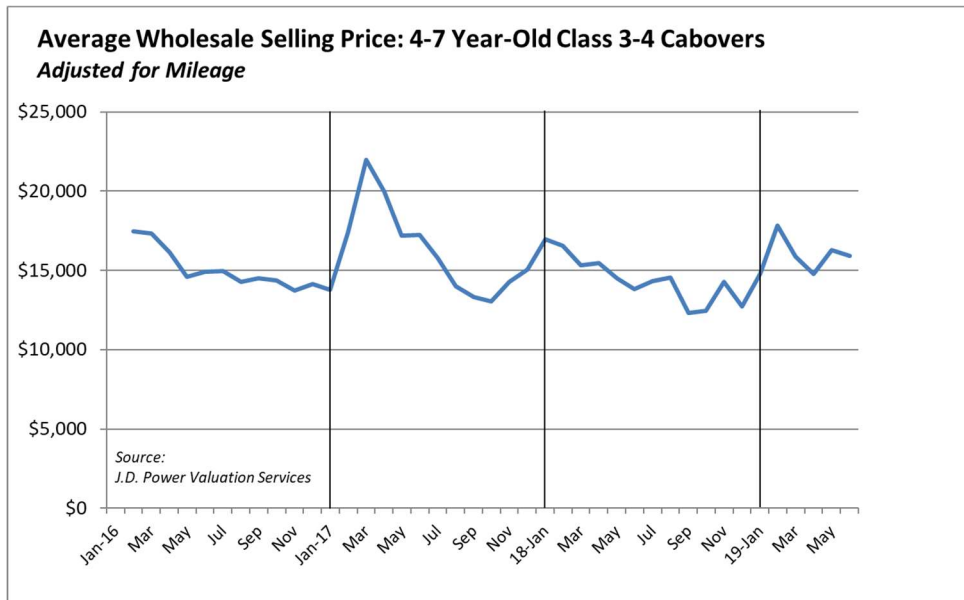
## Medium Duty Trucks

Medium duty sales volume and pricing were generally stable to lower in June. Cabovers returned lower pricing on higher volume, Class 4 conventionals were stable, and Class 6 conventionals pulled back for another month.

Starting with Class 3 – 4 cabovers, June’s average pricing came in at \$13,898. This figure is \$3,280 (22.5%) lower than May, and \$839 (6.4%) higher than June 2018. Compared to May, June’s average age and mileage was closer to trend, which largely explains the drop in average selling price. In the first 6 months of 2019, pricing is running an average of 5.9% higher than the same period of 2018. June’s result increased average monthly depreciation to 3.2% per month this year – still better than 2018’s 4.3% per month figure.



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

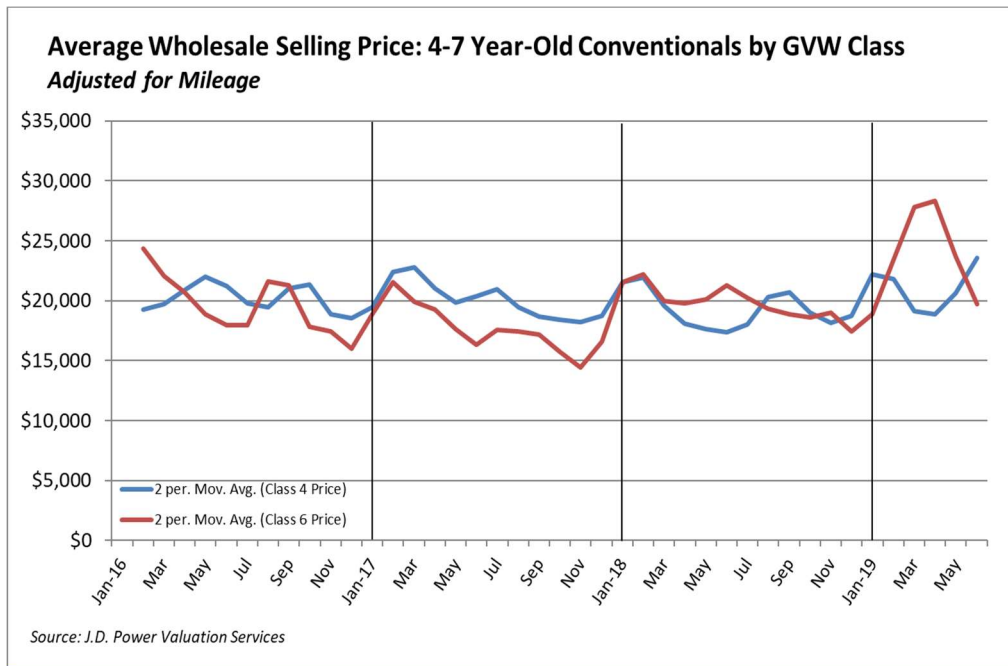


Medium-duty sales volume and pricing were generally stable to lower in June.

Looking at conventionals, Class 4's averaged \$23,496 in June. This figure is \$183 (0.8%) higher than May, and \$6,998 (42.0%) higher than June 2018. In 2019 to date, pricing is running an average of 12.1% higher than the same period of 2018. The past two months' relatively strong results brought average monthly depreciation for the year down to essentially zero, compared to 2.3% in the same period of last year.

Class 6's averaged \$18,575 in June. This figure is \$2,327 (11.1%) lower than May, and \$3,208 (14.7%) higher than June 2018. Average mileage this month was lower than the trend, and volume was lower as well. In the first 6 months of 2019, average pricing for our 4-7 year-old cohort is running an average of 13.2% higher than the same period of 2018. Depreciation in 2019 to date is up to 2.3% per month.

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



## Forecast

May and June's pricing data point to saturation in the used sleeper market. Dealer sentiment generally supports this assessment. With the macroeconomy no longer in full-on expansion mode, fleets appear to have the trucks they need to move available freight. As such, these companies are most likely no longer looking to expand, and each new truck delivered can be assumed to have a corresponding trade (if not more than one). This shift was predicted, although some of us were surprised at how dramatically the economy accelerated in 2017 and 2018, and were therefore early in our prediction of higher used truck supply. But it appears we've reached that point.

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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.

### **Commercial Truck Market Analysis**

Chris Visser  
703.610.7067  
Chris.Visser@jdpa.com

### **Financial Industry, Accounting, Legal, OEM Captive**

Steve Stafford  
703.821.7275  
Steve.Stafford@jdpa.com

### **Automotive Dealers, Auctions, Insurance, Credit Unions, Fleet, Lease, Rental Industry, Government**

Doug Ott  
703.749.4710  
Doug.Ott@jdpa.com

### **Director Sales and Customer Service**

Dan Ruddy  
703.749.4707  
Dan.Ruddy@jdpa.com