

J.D. POWER



COMMERCIAL TRUCK GUIDELINES

INDUSTRY REVIEW

August 2019

J.D. Power Valuation Services

CONTENTS:

CLASS 8 AUCTION UPDATE.....	1
CLASS 8 RETAIL UPDATE.....	2
MEDIUM DUTY UPDATE.....	5
FORECAST.....	7
ABOUT J.D. POWER.....	8

SUMMARY

Devaluation Took a Breather in July

Pricing was mixed at auction. The retail channel saw mild depreciation. Medium duty trucks had a positive month, with Class 6 conventionals rebounding substantially, Class 4 conventionals stable, and cabovers up.

CLASS 8 AUCTION UPDATE

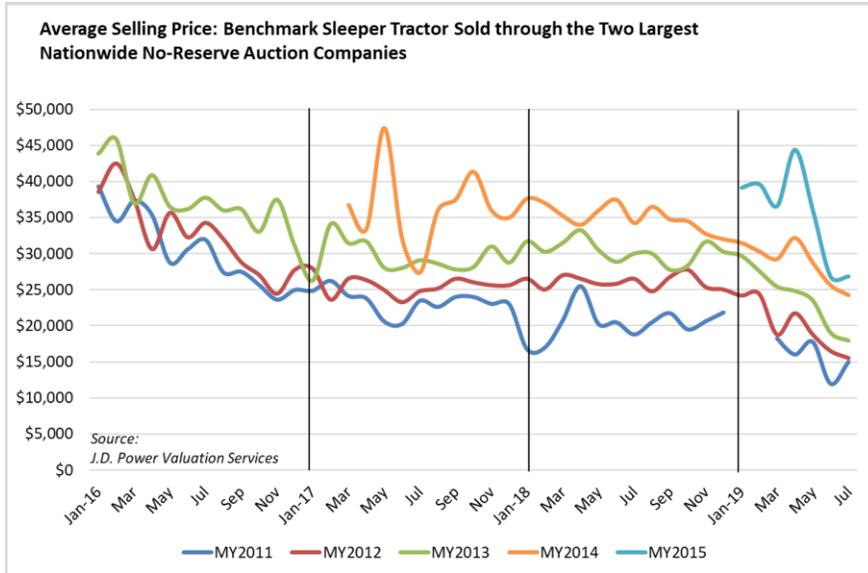
Auction volume pulled back in July, and pricing was mixed. There was a resurgence of interest in newer trucks, perhaps as a result of lower values. For the most part, dollars continue to flow only to the newest, lowest-mileage trucks. See below for detail.

- Model year 2016: \$46,950 average; \$11,200 (31.3%) higher than June
- Model year 2015: \$26,800 average; \$50 (0.2%) higher than June
- Model year 2014: \$24,250 average; \$1,350 (5.3%) lower than June
- Model year 2013: \$17,900 average; \$1,100 (5.8%) lower than June
- Model year 2012: \$15,500 average; \$975 (5.9%) lower than June
- Model year 2011: \$15,000 average; \$3,025 (25.3%) higher than June

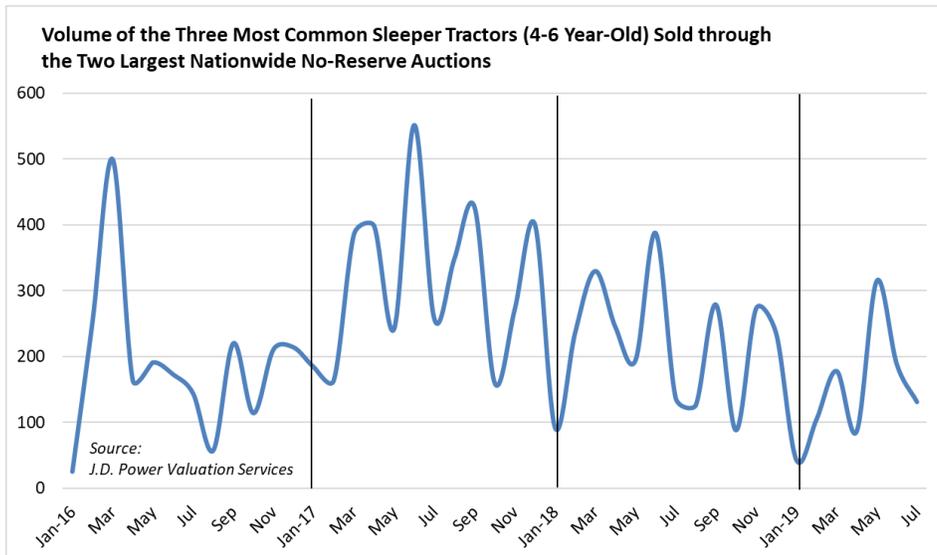
In the first 7 months of 2019, 4-6 year-old examples of our benchmark model brought 2.5% less money than in the same period of 2018. The number of 4-6 year-old trucks sold fell again in July, and 2019 is running substantially behind 2018 in that regard. Monthly depreciation for this cohort is now averaging 2.9%, slightly better than last month and in line with expectations.

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

There was a resurgence of interest in newer trucks, perhaps as a result of lower values.



In the first 7 months of 2019, 4-6 year-old examples of our benchmark model brought 2.5% less money than in the same period of 2018.



CLASS 8 RETAIL UPDATE

Mild depreciation was evident in the retail channel, still lower than expected given the devaluation in the auction lanes in previous months. End users of used trucks are still confident enough about the freight environment to shop for a newer rig.

The average sleeper tractor retailed in July was 71 months old, had 465,080 miles, and brought \$54,644. Compared to June, the average sleeper was 2 months older, had 4,138 (0.9%) more miles, and brought \$2,580 (4.5%) less money. Compared to July 2018, this average sleeper was 3 months older, had 5,106 (0.8%) fewer miles, and brought \$1,185 (2.2%) more money.

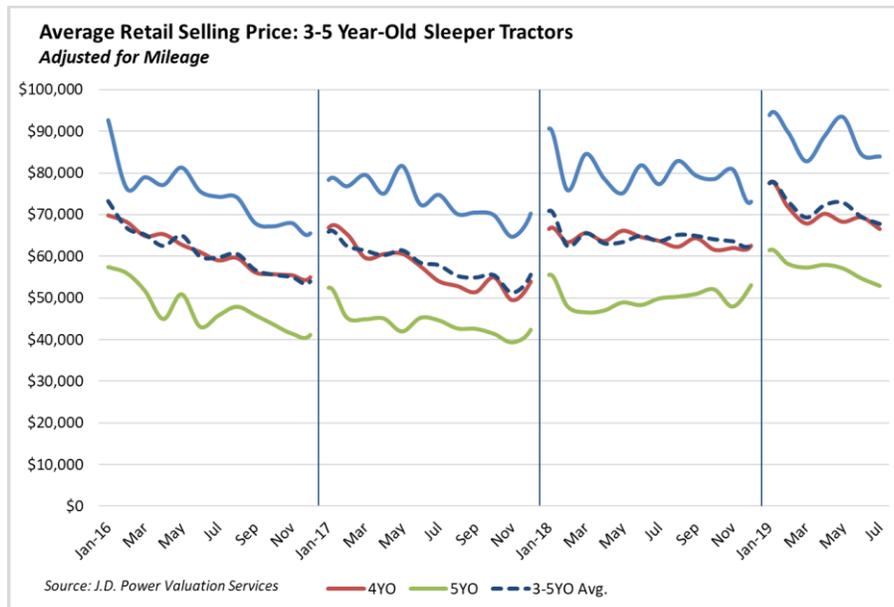
Looking at trucks two to five years of age, July’s average pricing was as follows:

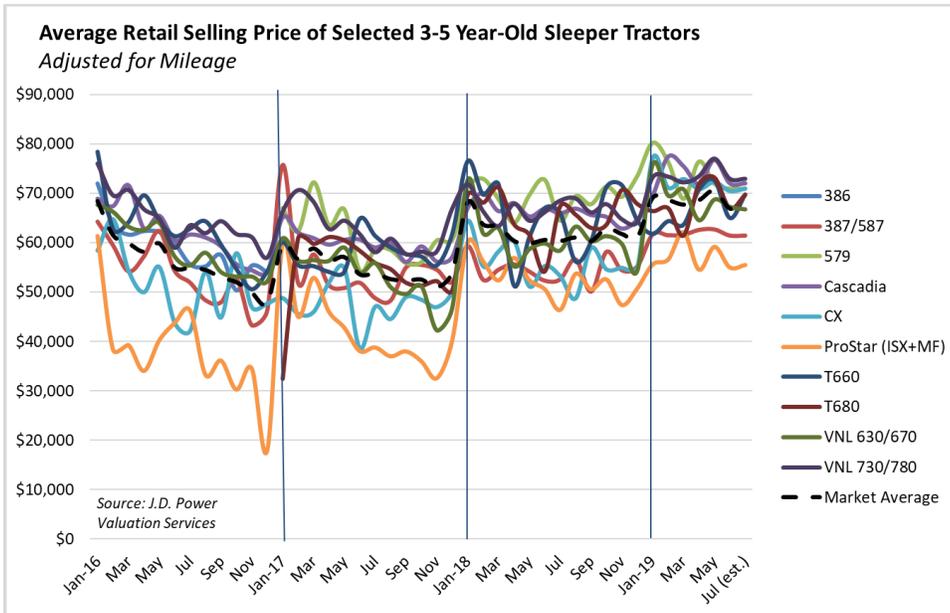
- Model year 2018: \$107,603; \$2,302 (2.2%) higher than June
- Model year 2017: \$83,960; \$529 (0.6%) lower than June
- Model year 2016: \$66,583; \$2,794 (4.0%) lower than June
- Model year 2015: \$52,937; \$1,813 (3.3%) lower than June

Year-over-year, late-model trucks sold in the first seven months of 2019 brought 10.8% more money than in the same period of 2018. Depreciation in the first seven months of 2019 averaged 1.3% per month, compared to 0.7% 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.

Depreciation in the first seven months of 2019 averaged 1.3% per month, compared to 0.7% in the same period of 2018.

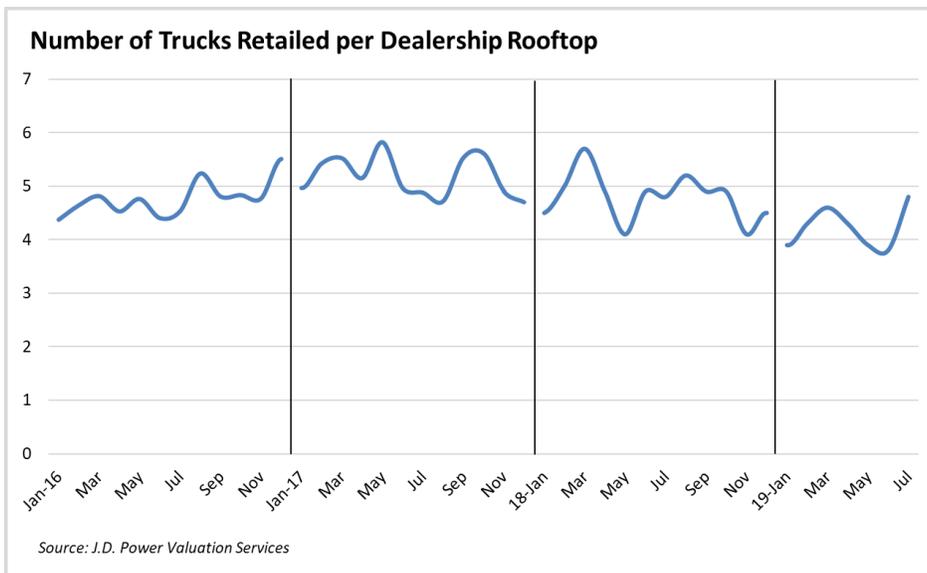




Dealers are selling an average of 10.6% fewer trucks in 2019 compared to the same period of 2018.

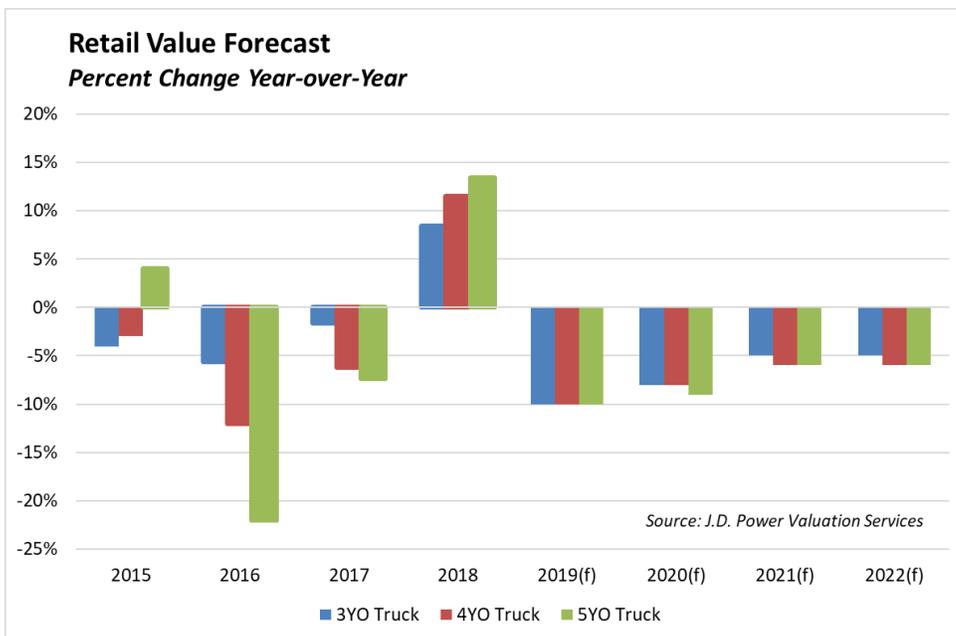
Sales per dealership rose unexpectedly in July to 4.8 trucks per rooftop. Some of this increase was due to a new dealer group with heavy medium duty volume contributing sales for the first time, but the overall environment felt more positive in general. Dealers are selling an average of 10.6% fewer trucks in 2019 compared to the same period of 2018.

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



Looking at factors impacting future values, the tariff war with China is heating back up to an extent. Optimistic comments from the US have tended not to be reflected in actual action on the part of the Chinese. Most recently, productive talks have failed to materialize and there has been little change in purchases of US products. China has allowed its currency to fall to a level not seen since 2008, making that country’s exports more attractive. Global investors are starting to view the tariff war as a race to the bottom, and are looking at alternatives to the dollar – mainly the Euro – for balance. So the impacts of a protracted trade war are becoming more tangible. As long as businesses maintain employment levels, consumers will continue to spend, keeping the economy humming along. But negative signs are becoming hard to dismiss.

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



Our forecast for the remainder of the year and 2020 shows pricing notably lower than the 2018 peak.

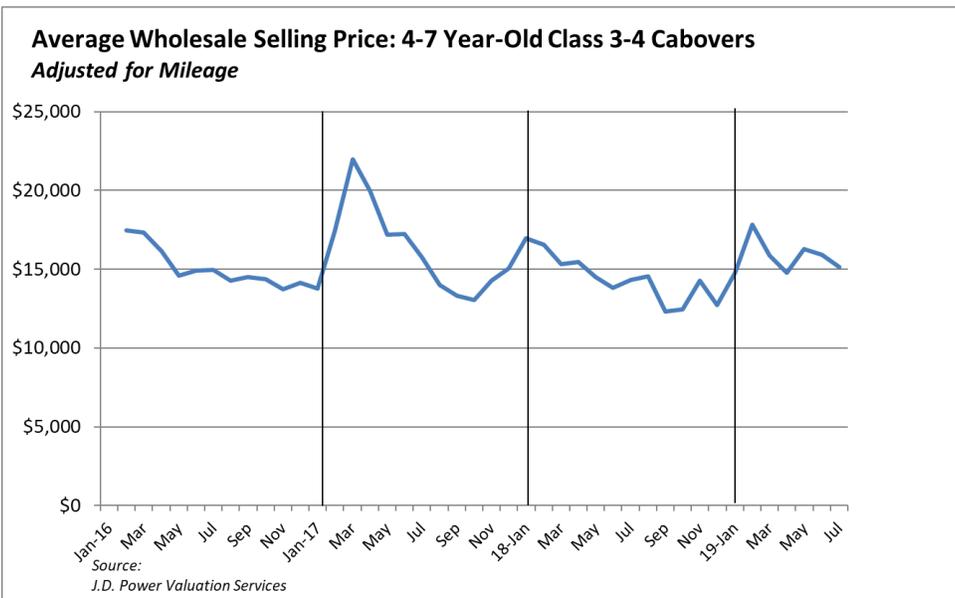
Medium Duty Trucks

Class 6 conventionals had a resurgence in July, bouncing back from the slump of the previous two months. Class 4 conventionals were stable. Cabovers also rebounded a bit from last month.

Starting with Class 3 – 4 cabovers, July’s average pricing came in at \$16,434. This figure is \$2,536 (18.2%) higher than June, and \$883 (5.7%) higher than July 2018. Compared to June, July’s average mileage was moderately lower, which

mildly impacted average pricing. In the first 7 months of 2019, pricing is running an average of 5.9% higher than the same period of 2018. July's result brought average monthly depreciation back down to 1.8% per month this year – better than 2018's 2.4% per month figure.

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

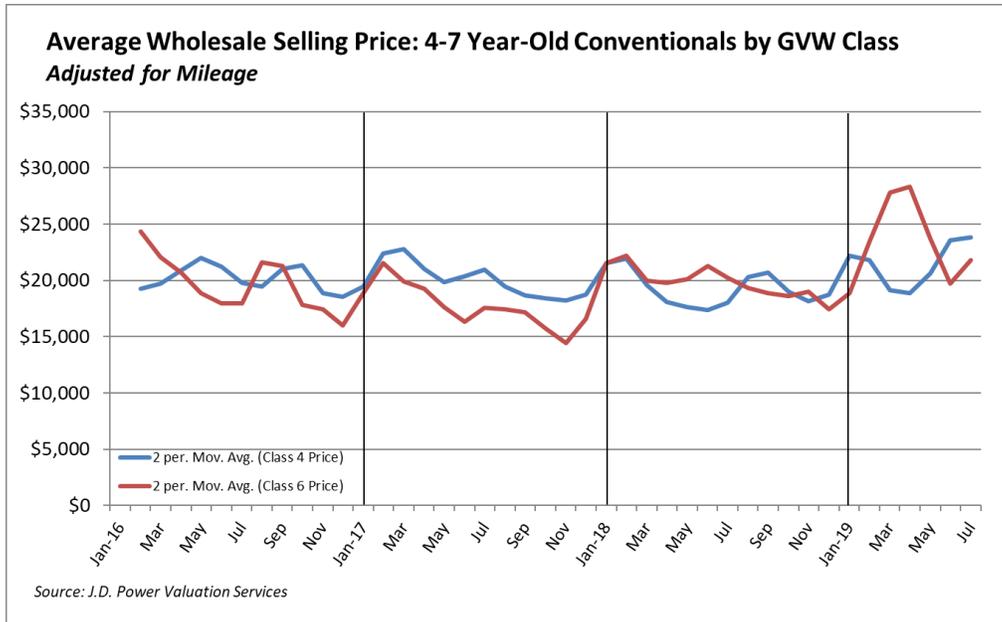


In the first 7 months of 2019, pricing is running 5.9% higher than in the same period of 2018.

Looking at conventionals, Class 4's averaged \$23,967 in June. This figure is \$288 (1.2%) higher than June, and \$4,631 (24.0%) higher than July 2018. In 2019 to date, pricing is running an average of 13.8% higher than the same period of 2018. Depreciation in 2019 is averaging 1.4% per month, compared to 1.3% in the same period of last year.

Class 6's averaged \$24,971 in July. This figure is \$6,396 (34.4%) higher than June, and \$5,635 (29.1%) higher than July 2018. Average mileage this month was actually higher than June, and sales volume was up notably. In the first 7 months of 2019, average pricing for our 4-7 year-old cohort is running an average of 15.8% higher than the same period of 2018. This month's strong result brought average monthly depreciation down to essentially zero, compared to 1.4% in the same period of 2018.

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



Forecast

The devaluation in the auction lanes took a breather – at least for newer trucks – in July. The retail channel showed mild depreciation, starting to catch up with market trends established in the auction lanes in previous months. July’s results are promising because they suggest lower pricing may be keeping buyers in the market. There is certainly a higher level of inventory on dealers’ lots than this time last year, and the freight environment is cooler. But consumers continue to buy goods, which is mitigating the more negative dynamics in the trucking economy.

...consumers continue to buy goods, which is mitigating the more negative dynamics in the trucking economy.

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