J.D. POWER

COMMERCIAL TRUCK GUIDELINES

INDUSTRY REVIEW

October 2019

J.D. Power Valuation Services

J.D. POWER

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SUMMARY

Supply Continues to Dictate Pricing

The used sleeper tractor market is oversaturated, with buyers mainly interested in the lowest-mileage equipment. The medium duty market remains somewhat unpredictable, with cabovers and lighter conventionals performing well and heavier conventionals pulling back this month.
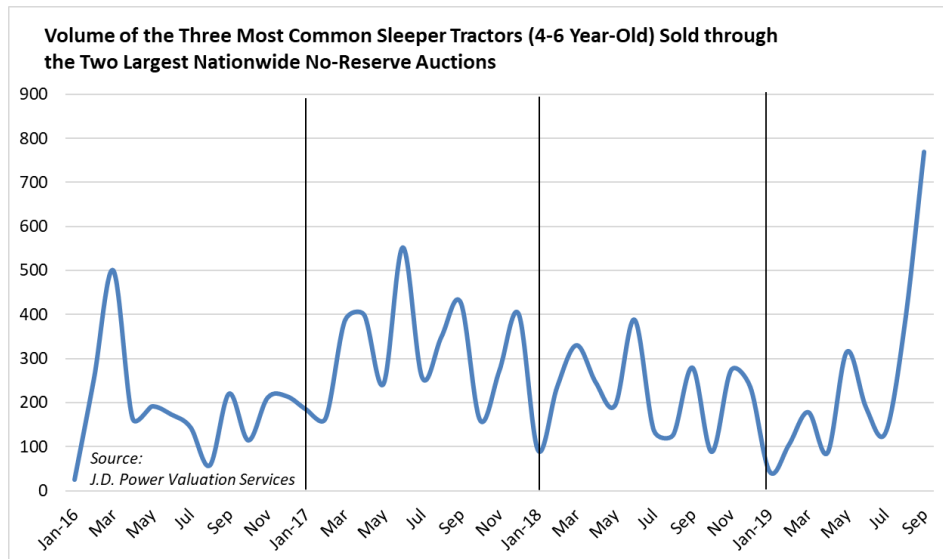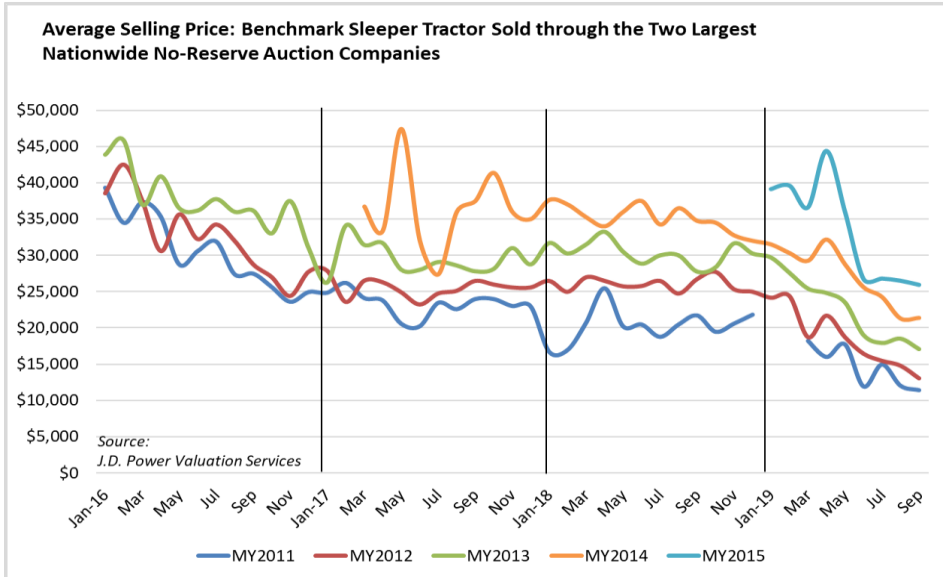
CLASS 8 AUCTION UPDATE

A massive increase in the number of 4-7 year-old trucks sold in September means the floodgates were fully open this month. The industry continues to grapple with the combined effects of elevated trade-ins, an uptick in fleet bankruptcies and liquidations, and a manufacturing sector impacted by the tariff war. Surprisingly, selling price of trucks in this age range did not change as much as one would expect given the huge jump in trucks sold. See below for detail.

- Model year 2016: $32,885 average; $660 (2.0%) higher than August

- Model year 2015: $25,935 average; $565 (2.1%) lower than August

- Model year 2014: $21,363 average; $88 (0.4%) lower than August

- Model year 2013: $17,053 average; $1,447 (7.8%) lower than August

- Model year 2012: $13,085 average; $1,740 (11.7%) lower than August

- Model year 2011: $11,464 average; $611 (5.1%) lower than August

In the first nine months of 2019, our benchmark group of 4-6 year-old trucks brought 8.2% less money than in the same period of 2018. Average monthly depreciation for 4-6 year-old trucks has increased to 3.9%. This figure is in line with a market defined by excess supply. We all knew volume would continue to increase throughout 2019, but the massive change in one month was surprising. It is possible September's volume was a one-month surge, but pressure on volume is entirely upward.

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

A massive increase in the number of 4-7 year-old trucks sold in September means the floodgates were fully open this month.

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 9 months of 2019, 4-6 year-old examples of our benchmark model brought 8.2% less money than in the same period of 2018.

CLASS 8 RETAIL UPDATE

Low-mileage trucks are still bringing respectable money, while average to higher-mileage units are depreciating more heavily. Fleets simply don't need as many trucks as they did last year. The freight environment is actually still fairly strong, albeit cooler than last year's superheated environment. We are simply on the back side of an order and delivery cycle that was more volatile than usual.

The average sleeper tractor retailed in September was 69 months old, had 457,111 miles, and brought $52,249. Compared to August, the average sleeper was 1 month newer, had 14,616 (3.3%) more miles, and brought $2,441 (4.5%) less money. Compared to September 2018, this average sleeper was 1 month older, had 1,974 (0.4%) more miles, and brought $4,203 (7.4%) less money.
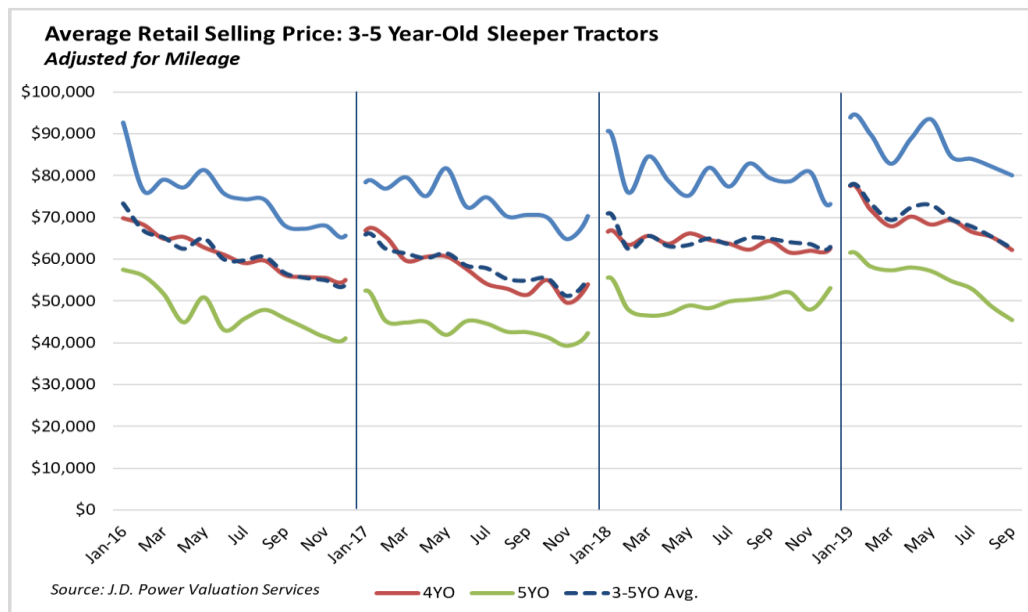
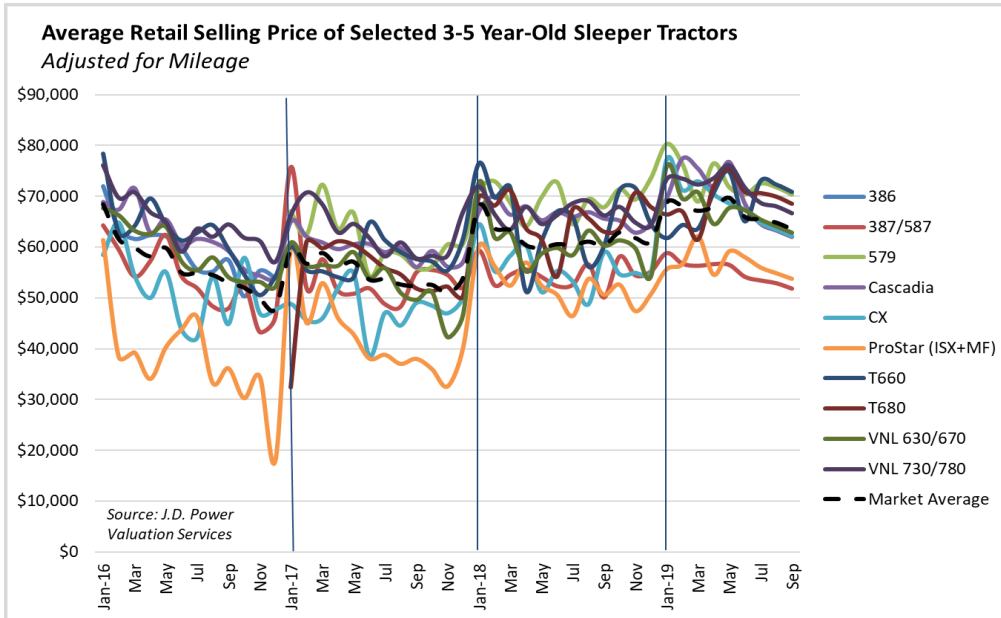Looking at trucks two to five years of age, September's average pricing was as follows:

- Model year 2018: $111,807; $3,492 (3.2%) higher than August

- Model year 2017: $80,022; $2,085 (2.5%) lower than August

- Model year 2016: $62,223; $3,105 (4.8%) lower than August

- Model year 2015: $45,487; $3,204 (6.6%) lower than August

Year-over-year, late-model trucks sold in the first nine months of 2019 brought 7.9% more money than in the same period of 2018. Depreciation in the first nine months of 2019 averaged 1.6% per month, compared to well under 1% in the same period of 2018. Keep in mind these positive results are due entirely to market strength in the first half of the year. Conditions have changed to the point where a narrower year-over-year comparison - for example September 2019 vs. September 2018 –shows a negative result.

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 nine months of 2019 averaged 1.6% per month, compared to well under 1% 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

Dealers are selling an average of 10.7% fewer trucks in 2019 compared to the same period of 2018.

Sales per dealership pulled back notably in September to 3.9 trucks per rooftop. This figure meshes with reports of weaker demand this month. Dealers are selling an average of 10.7% 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
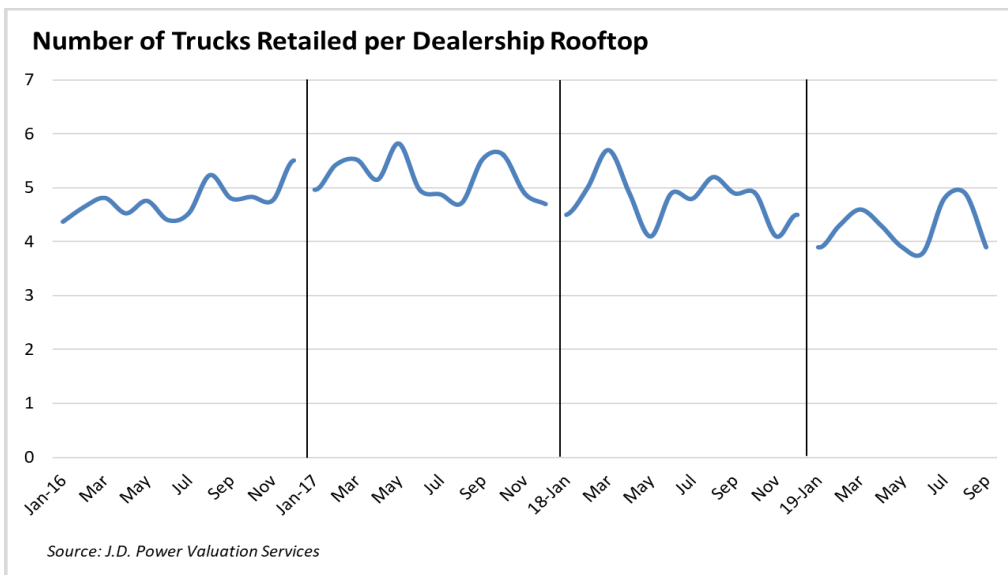
Looking forward, it looks like there may be incremental progress in the trade war with China, at least judging by comments from both countries after the early October conference. With any luck, these comments will translate to actual action. The economy is most likely being artificially held back by this uncertainty and inefficiency, and any concrete progress would improve stability and support strength.

In terms of value forecasts, expect depreciation to increase through the end of the year. Trade-ins continue to flood the marketplace.

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

Source: J.D. Power Valuation Services
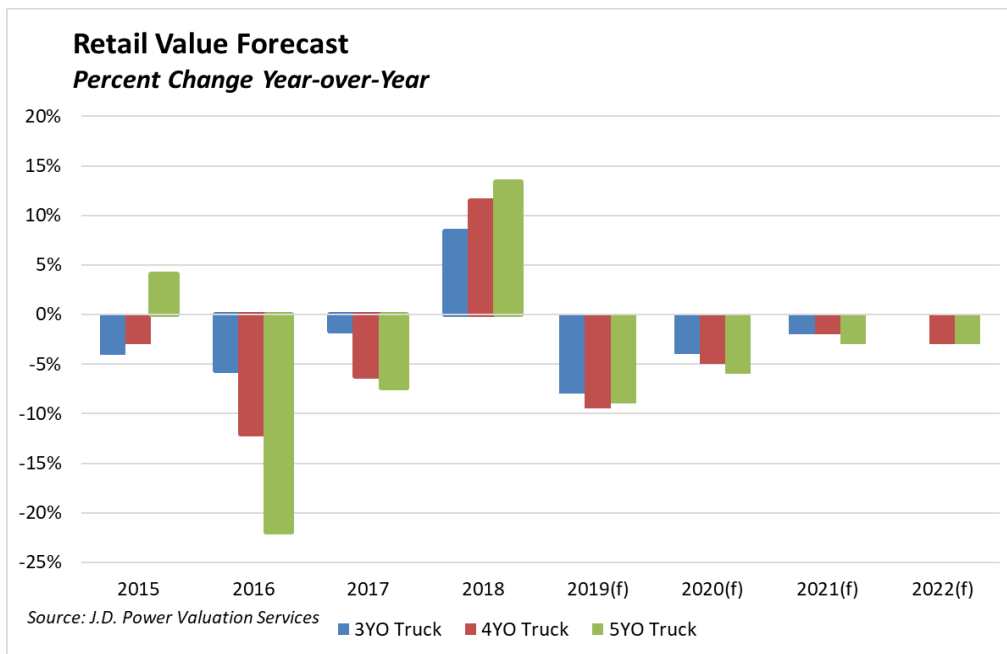
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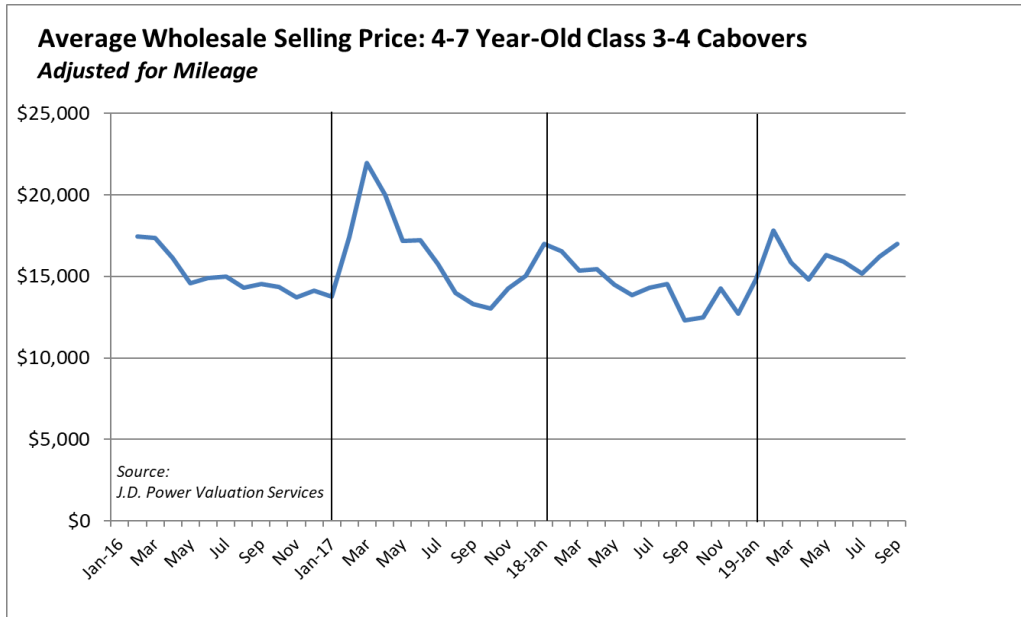
Medium Duty Trucks

September's results were essentially the opposite of August's, with cabovers and lighter conventionals performing well, and heavier conventionals pulling back.

Starting with Class 3 – 4 cabovers, September's average pricing came in at a very strong $18,011. This figure is $2,021 (12.6%) higher than August, and a whopping $6,922 (62.4%) higher than September 2018. In the first nine months of 2019, pricing is running an average of 11.9% higher than the same period of 2018. September's positive result notably impacted our monthly depreciation average, pushing that

figure down to 0.3%. This figure compares very favorably to 2018's 3.3% 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
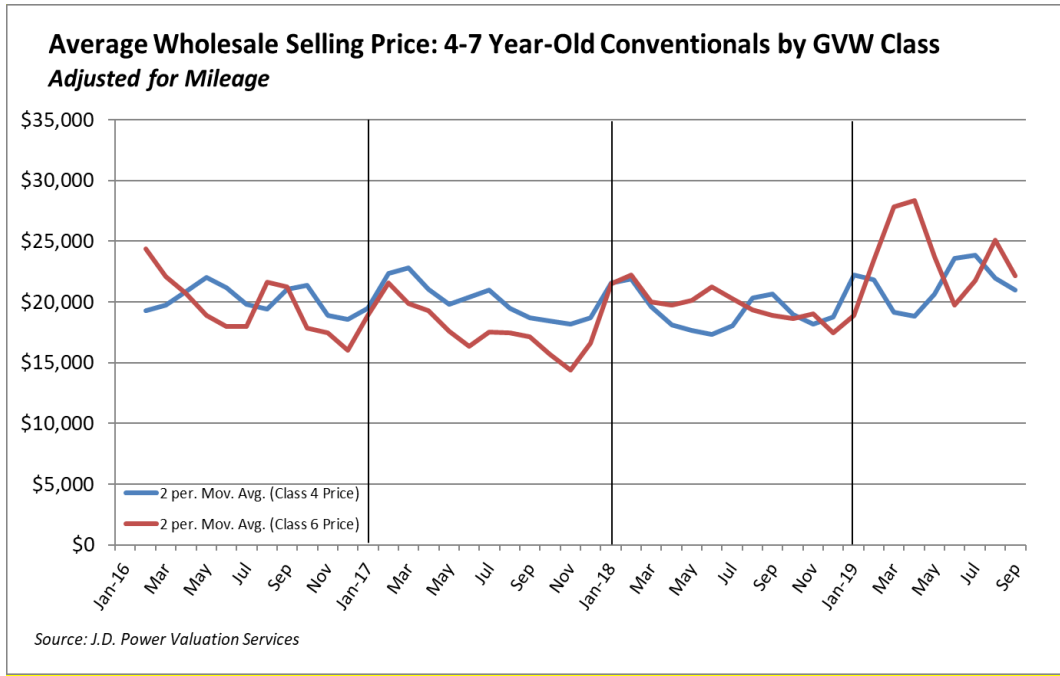*Adjusted for Mileage*

Source:
J.D. Power Valuation Services

September's results were essentially the opposite of August's, with cabovers and lighter conventionals performing well, and heavier conventionals pulling back.

Looking at conventionals, Class 4's largely reversed August's negative result, coming in at $22,012 in September. This figure is $2,056 (10.3%) higher than August, and $1,943 (9.7%) higher than September 2018. In the first nine months of 2019, pricing is running an average of 10.9% higher than the same period of 2018. Depreciation in 2019 remains essentially nonexistent, compared to 1.0% in 2018.

In Class 6, there were no large blocs of higher-priced units propping up our averages this month, so this segment pulled back, erasing the gains of July and August. In September, our benchmark group averaged $19,006, which is $6,229 (24.7%) lower than August, and $1,178 (6.6%) higher than September 2018. In the first nine months of 2019, average pricing for our 4-7 year-old cohort is running an average of 16.1% higher than the same period of 2018. Depreciation in 2019 to date is now up to 2.2% per month, compared to 2.3% in the same period of 2018.

 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

Supply will remain a problem into 2020.

Forecast

Demand for used trucks is mixed, dipping in September but potentially improving a bit if incremental progress is made in the tariff war. Supply will remain a problem into 2020. We've all seen the boom-bust cycle before, and this one is more volatile than usual due to the economic stimuli of 2018 (which juiced the economy in the short term) and the ongoing trade war (which is impairing the manufacturing sector).

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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