J.D. POWER

COMMERCIAL TRUCK GUIDELINES

INDUSTRY REVIEW

November 2019

J.D. Power Valuation Services

J.D. POWER

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SUMMARY

Auction Market Firms Up while Retail Market Plays Catch-Up

Depreciation in the auction channel took a breather in October, while trucks continued to lose value in the retail channel. The medium duty market had another mixed month, with an older, higher-mileage mix of trucks sold impacting average pricing.

CLASS 8 AUCTION UPDATE

The volume of 4-7 year-old trucks sold at auction in October pulled back to typical levels after the massive surge in September. Trades and bankruptcy liquidations may have relaxed this month, although there may have been more trucks unsold. In any case, the market decided pricing is low enough for the time being. See below for detail.
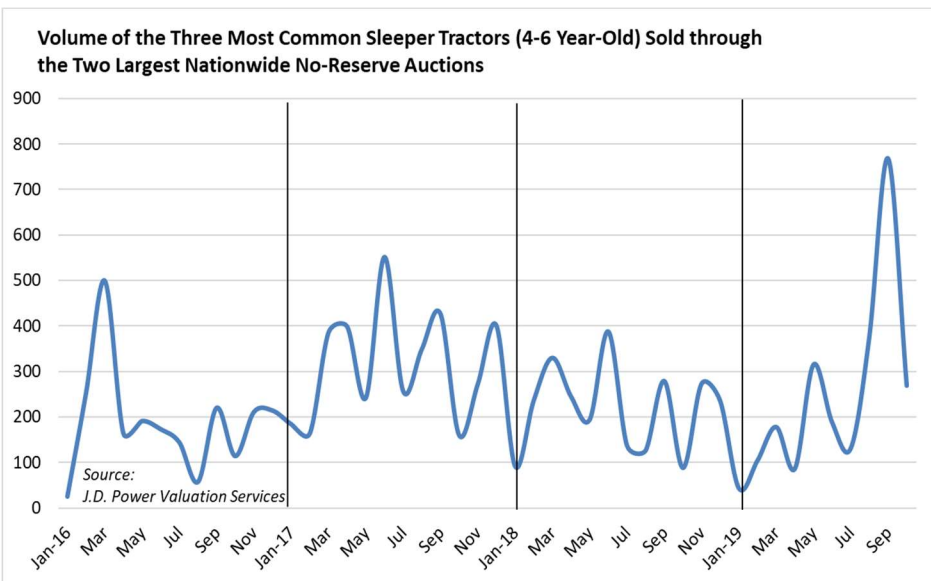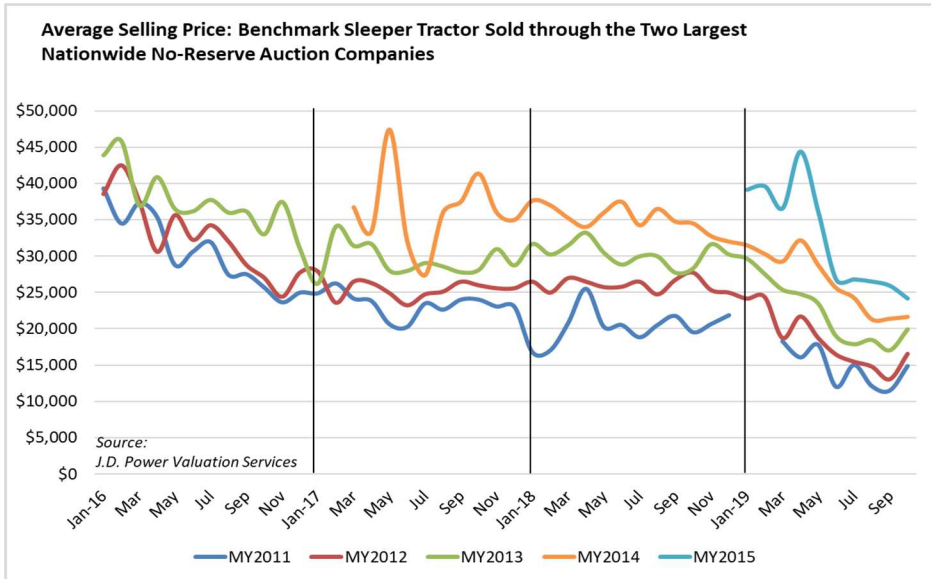
- Model year 2016: $33,931 average; $1,046 (3.2%) higher than September

- Model year 2015: $24,171 average; $1,764 (6.8%) lower than September

- Model year 2014: $21,622 average; $259 (1.2%) higher than September

- Model year 2013: $19,941 average; $2,888 (16.9%) higher than September

- Model year 2012: $16,580 average; $3,495 (26.7%) higher than September

- Model year 2011: $14,843 average; $3,379 (29.5%) higher than September

...the market decided pricing was low enough for the time being.

In the first ten months of 2019, our benchmark group of 4-6 year-old trucks brought 10.7% less money than in the same period of 2018. This year's average is heavily skewed by market strength early in the year. If we narrow our comparison to September-October 2019 vs. September-October 2018, the variance increases to 26.8%.

Average monthly depreciation for 4-6 year-old trucks has stabilized at 3.8%. In the same period of last year, there had been essentially no depreciation.

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

Legend: 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 ten months of 2019, our benchmark group of 4-6 year-old trucks brought 10.7% less money than in the same period of 2018.

CLASS 8 RETAIL UPDATE

Retail selling prices continue to decline, which should come as a surprise to no one. Low-mileage trucks are still bringing fairly strong money, but the definition of "low-mileage" continues to revise downwards. The freight environment remains fairly strong, albeit cooler than last year's superheated environment. The upcoming holiday shipping season should help limit the acceleration of devaluation.

The average sleeper tractor retailed in October was 72 months old, had 462,703 miles, and brought $50,581. Compared to September, the average sleeper was 3 months older, had 5,592 (1.2%) more miles, and brought $1,668 (3.2%) less money. Compared to October 2018, this average sleeper was 5 months older, had 3,600 (0.8%) fewer miles, and brought $6,101 (10.8%) less money.

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

- Model year 2018: $100,469; $11,338 (10.1%) lower than September

- Model year 2017: $74,376; $5,646 (7.1%) lower than September

- Model year 2016: $58,782; $3,441 (5.5%) lower than September

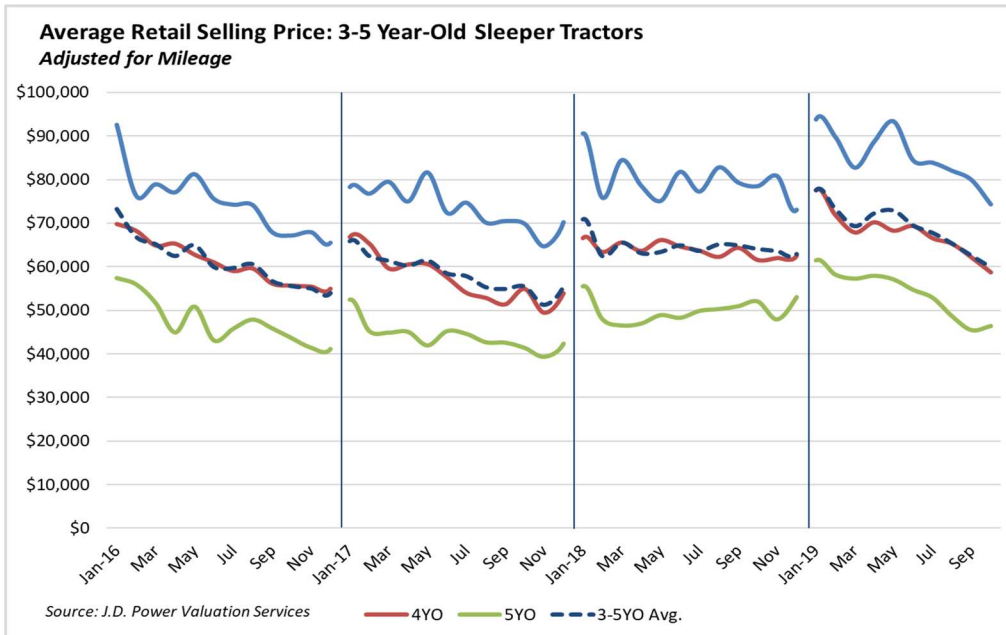- Model year 2015: $46,415; $928 (6.6%) higher than September

Year-over-year, late-model trucks sold in the first ten months of 2019 brought an average of 6.6% more money than in the same period of 2018. However, this positive result is due entirely to market strength in the first half of the year. Narrowing our focus to September-October 2019 vs. September-October 2018, 2019 is actually running 5.1% behind.

Depreciation in the first ten months of 2019 averaged 1.8% per month, compared to well under 1% in the same period of 2018. Again, this monthly average is heavily skewed by first-half market strength. Looking only at the most recent three months, depreciation averages 2.6%.
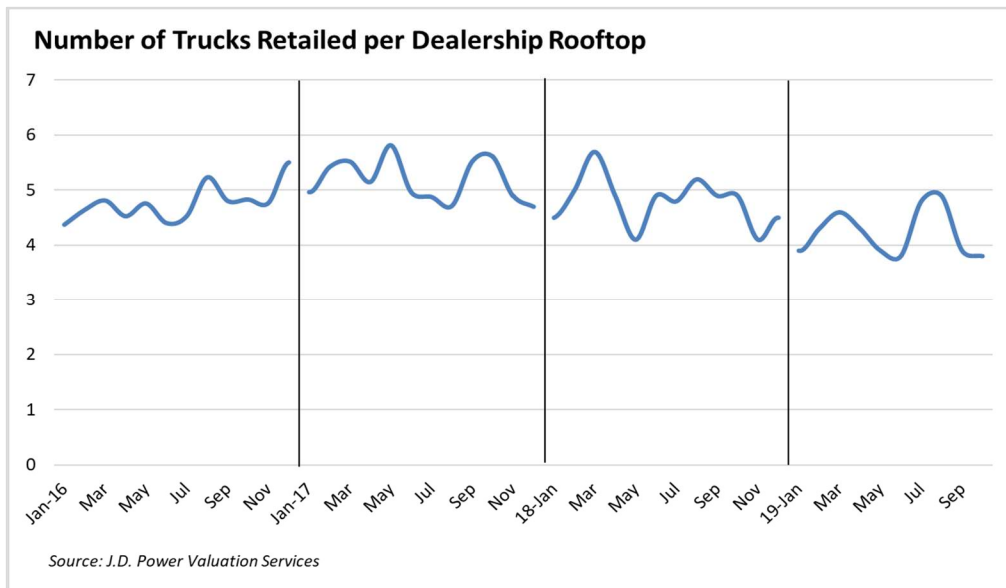
Sales per dealership were similar to last month, at 3.8 trucks per rooftop. Dealers are selling an average of 10.2% fewer trucks in 2019 compared to the same period of 2018.

See the "Average Retail Selling Price: 3-5 Year-Old Sleeper Tractors" and "Number of Trucks Retailed per Dealership Rooftop" graphs for detail (next page). Note that we ae no longer including the "Average Retail Selling Price of Selected 3-5 Year-Old Sleeper Tractors" graph in this report, as we feel this type of comparison is most valid when drivetrain specs are included. We offer this analysis through our consulting products.

> Narrowing our focus to September-October 2018 vs. September-October 2019, 2019 is actually running 5.1% behind.

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

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

Number of Trucks Retailed per Dealership Rooftop

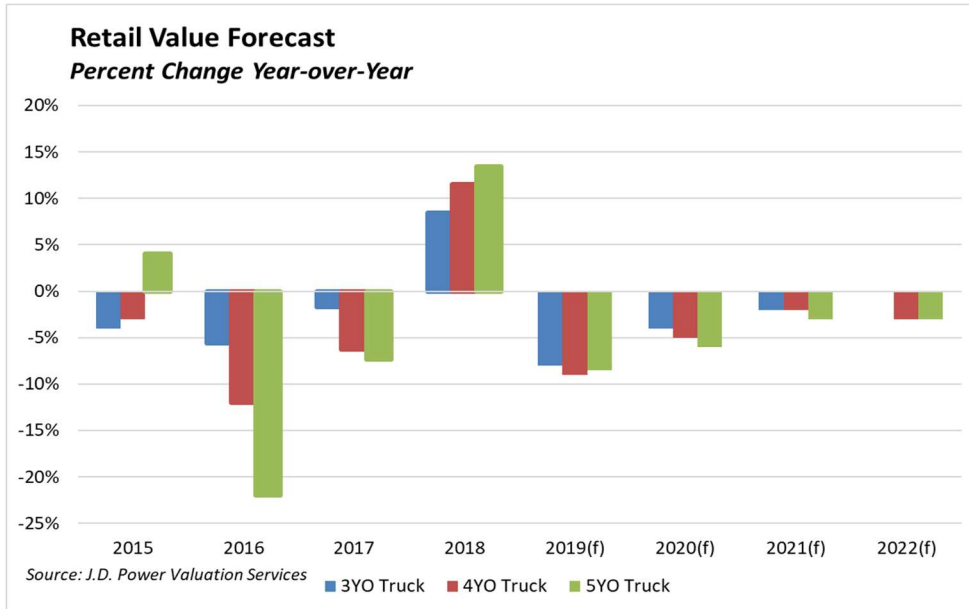Source: J.D. Power Valuation Services

Depreciation in the first ten months of 2019 averaged 1.8% per month, compared to well under 1% in the same period of 2018.

Looking forward, headwinds are starting to become stronger. The consumer side of the economy is still doing amazingly well, but consumer sentiment and behavior can change on a dime. When economists make predictions, they look at the manufacturing and industrial sectors as leading indicators. Those sectors have pulled back notably from a few quarters ago. The tariff war is still the main "unforced" risk to continued growth, and next year we can add the Presidential election to the mix.

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

An older, higher-mileage mix of trucks in the auction lanes negatively impacted cabovers and lighter-GVW conventionals, while healthy demand for Class 6 conventionals bolstered pricing for that segment.

Starting with Class 3 – 4 cabovers, October's average pricing came in at a weak $11,741. This figure is $6,270 (34.8%) lower than September, and $2,104 (15.2%) lower than October 2018. As usual, we will note one month doesn't make a trend. Despite this month's low result, in the first ten months of 2019, pricing is still running an average of 9.4% higher than the same period of 2018. Average monthly depreciation has increased to a still-relatively-mild 1.6%. This figure compares favorably to 2018's 2.8% per month figure.

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

An older, higher-mileage mix of trucks in the auction lanes negatively impacted cabovers and lighter-GVW conventionals...

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

Source:
J.D. Power Valuation Services
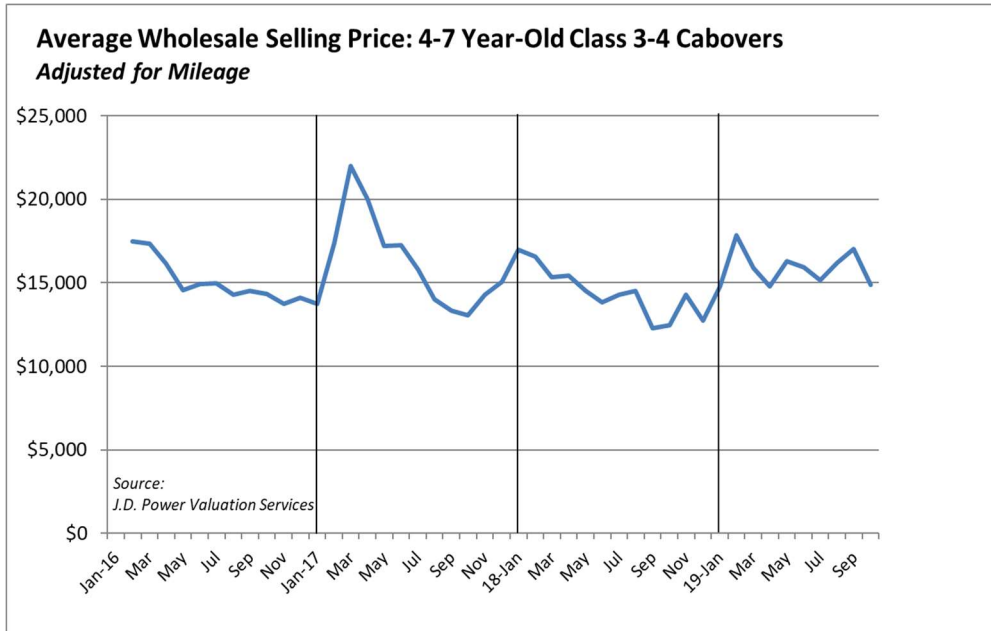
Looking at Class 4 conventionals, as was the case with cabovers, a higher-mileage mix of trucks sold resulted in an average price of $18,680 in October. This figure is $3,332 (15.1%) lower than September, but $785 (4.4%) higher than October 2018. In the first ten months of 2019, pricing for our benchmark group is running an average of 10.3% higher than the same period of 2018. Depreciation in 2019 remains essentially nonexistent, compared to 1.0% in 2018.

Class 6 conventionals had a strong month, with average pricing increasing despite a much greater number of trucks sold. In October, our benchmark group averaged $21,534, which is $2,528 (13.3%) higher than September, and $2,115 (10.9%) higher than October 2018. In the first ten months of 2019, average pricing for our 4-7 year-old cohort is running an average of 15.6% higher than the same period of 2018. Average monthly depreciation in 2019 to date is down to 1.5% 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.

> Class 6 conventionals had a strong month, with average pricing increasing despite a much greater number of trucks sold.

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

Source: J.D. Power Valuation Services
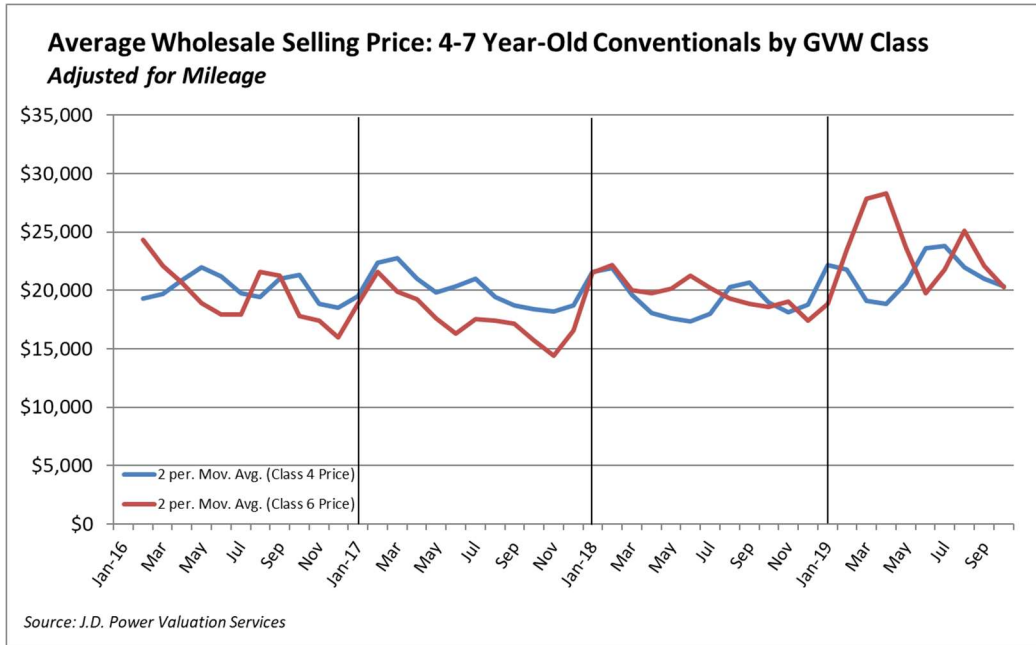
Forecast

Economists agree the economy is negatively impacted to some degree by the uncertainty and inefficiency attributable to the tariff war. U.S. trade officials continue to comment optimistically about the progress of trade talks, but concrete action after a year and a half has been moderate at best. The domestic manufacturing sector – a leading indicator - has pointed to a macro slowdown for at least a full quarter, and sooner or later one of two things will happen - manufacturing will start to tick back upwards, or the economy will contract. Resolving the tariff war would bolster this sector as well as encourage business investment in general. Add the Presidential election of 2020 to the mix, which will further increase uncertainty and trepidation on the part of investors, and the demand outlook for used trucks continues to face headwinds.

… sooner or later, one of two things will happen – manufacturing will start to tick back upwards, or the economy will contract.

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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