DECEMBER 2018

• Auction volume back up to a typical level
  Pricing less stable

• Retail channel seeing mild depreciation
  Volume was lower than previous months

• Medium Duty conditions similar to last month
  Most segments saw stable pricing and volume
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COMMERCIAL TRUCK MARKET TRENDS

Market Conditions May be Changing Mildly

The volume of trucks sold at auction returned to a more typical level in November, with pricing less stable. The retail market continues to see mild depreciation. Medium duty trucks showed little change from last month.

Sleeper Tractors – Auction

November auction volume was back up to a typical level, after a quiet October. Pricing for our benchmark model was generally lower, with less consistency from auction to auction. See below for detail.

Model year 2015: $45,500 average; $9,500 [17.3%] lower than October
Model year 2014: $32,750 average; $1,750 [5.1%] lower than October
Model year 2013: $31,650 average; $3,300 [11.6%] higher than October
Model year 2012: $25,345 average; $2,405 [8.7%] lower than October
Model year 2011: $20,625 average; $1,125 [5.8%] higher than October

There was more fluctuation in pricing this month, particularly for trucks of model year 2015. The wider swings in hammer price appear to be natural market movement.

Despite the somewhat lower pricing in November, depreciation in 2018 has been nonexistent. On average, trucks four to six years of age are bringing 20.3% more money in 2018 compared to 2017. As we move into the winter months, there will be fewer auctions on the calendar, making market judgments less clear. We expect a typical slowdown in auction volume and mildly lower pricing in the first quarter of 2019. See the “Volume of all Aerodynamic Sleeper Tractors Sold...” and “Average Selling Price: Benchmark Sleeper Tractor...” graphs for detail.

The volume of trucks sold at auction returned to a more typical level in November, with pricing less stable. The retail market continues to see mild depreciation. Medium duty trucks showed little change from last month.
Sleeper Tractors – Retail

November retail data is still incoming at the time of this writing, so the numbers below reflect October results. See our Commercial Vehicle Blog for updated data. Average pricing for late-model trucks continues to mildly pull back, although low-mileage trucks are still bringing extremely strong pricing.

The average sleeper tractor retailed in October was 67 months old, had 462,534 miles, and brought $56,690. Compared to September, the average sleeper was 1 month newer, had 6,876 (1.5%) more miles, and brought $276 (0.5%) more money. Compared to October 2017, this average sleeper was 6 months newer, had 321 (0.1%) more miles, and brought $8,902 (18.6%) more money.

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

- **Model year 2016**: $78,571 $811 [1.0%] lower than September
- **Model year 2015**: $61,608; $2,790 [4.3%] lower than September
- **Model year 2014**: $52,077; $1,094 [2.1%] higher than September

On a year-over-year basis, late-model trucks sold in the first 10 months of 2018 brought 9.3% more money than in the same period of 2017. Depreciation is running 0.2% per month in 2018, compared to 1.6% last year.

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.

Class 8 sales per dealership came in lower than expected in October, matching September’s 4.9 result. Preliminary November data points to a further pullback in volume.

See “Number of Trucks Retailed per Dealership rooftops” graph for detail.
Looking forward over the long term, Class 8 orders dropped notably in November, which could indicate the industry is coming down the other side of the plateau. Fleets and other buyers are probably satisfied that they have enough orders in the pipeline to receive the trucks they need in 2019. The macroeconomy is most likely slowing mildly, as the 2018 tax incentives play themselves out and growth moves back to a more typical level. Still, we see new truck deliveries continuing strong into the second half of 2019. Used truck supply will eventually catch up to demand, causing more typical depreciation.

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

### Medium Duty Trucks

November’s medium duty market was stable, with pricing similar to October’s.

Starting with Class 3 – 4 cabovers, November’s average pricing came in at $14,706. This figure is $861 (6.2%) higher than October, and $325 (2.2%) higher than November 2017. Average mileage of our cohort was 16% lower than September, which largely explains the higher pricing. Monthly depreciation in the first 11 months of 2018 remains below the same period of 2017, at 2.1% vs. 2.9%, respectively.

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

Looking at conventionalals, Class 4’s averaged $18,397 in November. This figure is $502 (2.8%) higher than October, and $564 (3.2%) higher than November 2017. Average mileage and volume were very similar month-over-month. Monthly depreciation in the first 11 months of 2018 is averaging a very mild 0.9%, compared to 1.7% in the same period of 2017.
Class 6’s just edged out their Class 4 counterparts in November, bringing an average of $18,625. This figure is $794 (4.1%) lower than October, and $4,150 (28.7%) higher than November 2017. Average mileage was very similar month-over-month, but volume was notably lower. Depreciation for this group is running at 1.7% per month so far in 2018, compared to 2.5% per month in the same period of last year.

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

Forecast

The steep decline in November new truck orders was somewhat unexpected, but mainly suggests buyers are satisfied with the trucks they have in the pipeline. At the same time, we do expect economic growth to moderate now that the “juice” provided by the 2018 tax cuts has played out. The Section 179 tax incentives and bonus depreciation remain in place for 2019, bolstering the new and used truck market. Expect conditions in the first half to look similar to recent months, with an increasing supply of used trucks causing mildly higher depreciation.
COMMERCIAL TRUCK GUIDE TRENDS

Monthly Change in J.D. Power Valuation Services Values

November 2018 vs. December 2018

<table>
<thead>
<tr>
<th>Commercial Truck Segment</th>
<th>2012MY</th>
<th>2013MY</th>
<th>2014MY</th>
<th>2015MY</th>
<th>2016MY*</th>
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<tbody>
<tr>
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<tr>
<td>Highway Traditional</td>
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<tr>
<td>Local/Delivery Daycab</td>
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<td>0.0%</td>
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<tr>
<td>Medium Duty Cabover</td>
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<td>Medium Duty Conventional</td>
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<td>Vocational/Construction</td>
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<td>0.0%</td>
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*Calculations are based on vehicle age, i.e. values for 1-year-old vehicles in CY2017 are compared against values for 1-year-old vehicles in CY2016.

Annual Change in J.D. Power Valuation Services Values

December 2017 vs. December 2018*

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<th>Commercial Truck Segment</th>
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<tr>
<td>Extended Hood</td>
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<td>Medium Duty Cabover</td>
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<tr>
<td>Medium Duty Conventional</td>
<td>13.5%</td>
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<tr>
<td>Vocational/Construction</td>
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<td>9.9%</td>
<td>1.9%</td>
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*Value movement can be influenced by newly valued vehicles.

YTD Change in J.D. Power Valuation Services Values

January 2018 — December 2018

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<tr>
<th>Commercial Truck Segment</th>
<th>2012MY</th>
<th>2013MY</th>
<th>2014MY</th>
<th>2015MY</th>
<th>2016MY*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Van</td>
<td>-7.1%</td>
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<td>Extended Hood</td>
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<td>Highway Aerodynamic</td>
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</tr>
<tr>
<td>Local/Delivery Daycab</td>
<td>-1.2%</td>
<td>-2.8%</td>
<td>-7.7%</td>
<td>-8.2%</td>
<td>-16.4%</td>
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<tr>
<td>Medium Duty Cabover</td>
<td>-3.7%</td>
<td>-1.2%</td>
<td>-0.2%</td>
<td>5.5%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Medium Duty Conventional</td>
<td>-2.3%</td>
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<td>-5.3%</td>
<td>-0.9%</td>
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<tr>
<td>Vocational/Construction</td>
<td>-3.4%</td>
<td>-3.7%</td>
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<td>-5.1%</td>
<td>-5.6%</td>
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Complemented by J.D. Power Valuation Services’ analytics team, which maintains and advances its internal forecasting models and develops customized forecasting solutions for clients, the market intelligence team is responsible for publishing white papers, special reports and the Commercial Vehicle Blog. Throughout every piece of content, the team strives to go beyond what is happening in the industry to confidently answer why it is happening and how it will impact the market in the future.

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Commercial Vehicle Blog
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