

J.D. POWER

COMMERCIAL TRUCK GUIDELINES

Industry Update

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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TABLE OF CONTENTS

COMMERCIAL TRUCK MARKET TRENDS..... 2

J.D. POWER VALUATION SERVICES COMMERCIAL TRUCK VALUE TRENDS 6

AT J.D. POWER VALUATION SERVICES (FORMERLY NADA USED CAR GUIDE)..... 7

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*

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.

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.*

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

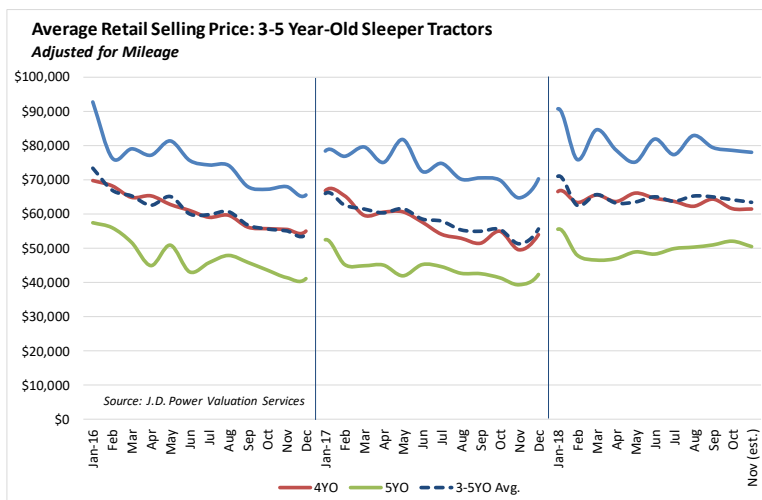
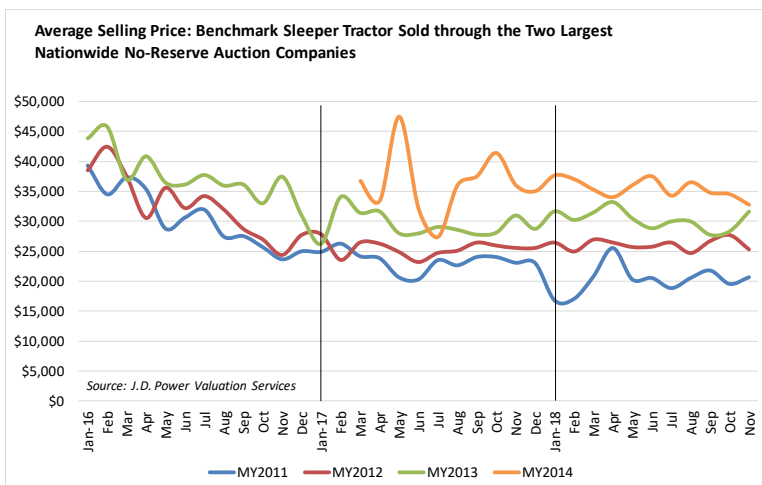
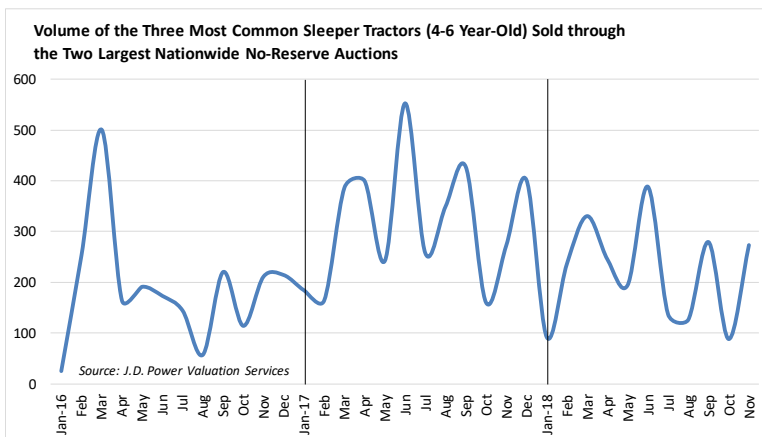
Model year 2014: \$52,077; \$1,094 [2.1%] higher than September

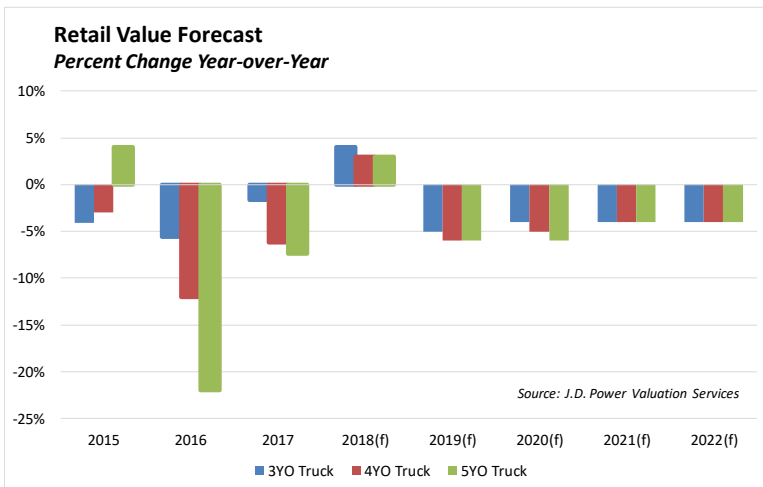
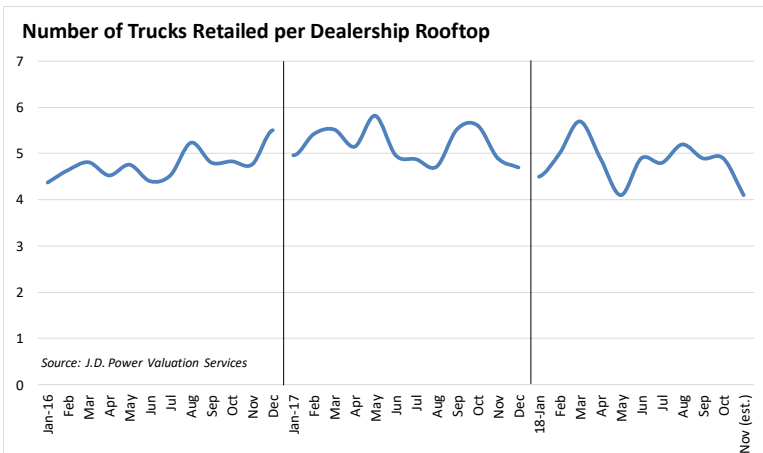
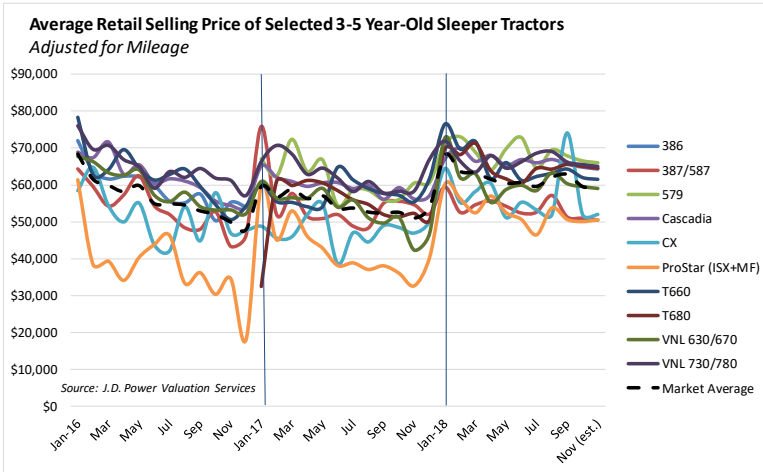
On a year-over-year basis, late-model trucks sold in the first 10 months of 2018 brought 9.3% more money than in the same period of 2017. Depreciation is running 0.2% per month in 2018, compared to 1.6% last year.

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 Rooftop" 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.

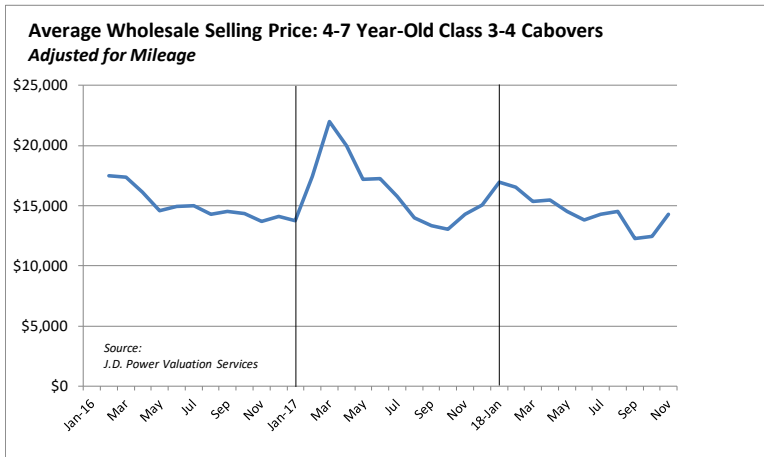
Medium Duty Trucks

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 conventionals, 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.

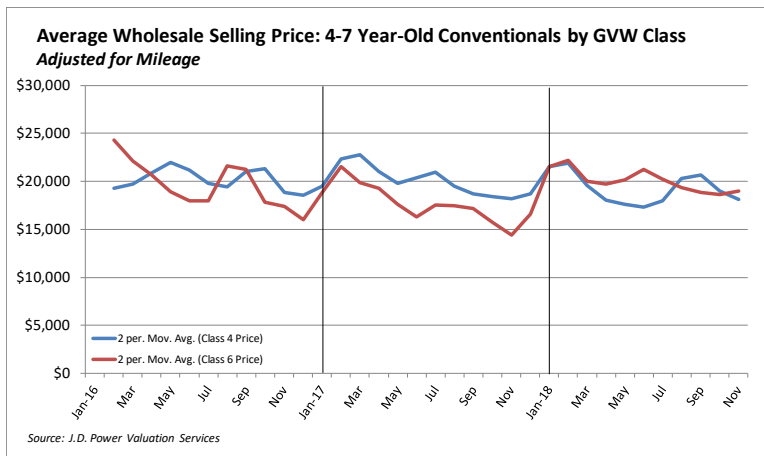


Class 6's just edged out their Class 4 counterparts in November, bringing an average of \$18,625. This figure is \$794 (4.1%) lower than October, and \$4,150 (28.7%) higher than November 2017. Average mileage was very similar month-over-month, but volume was notably lower. Depreciation for this group 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

Commercial Truck Segment	2012MY	2013MY	2014MY	2015MY	2016MY*
Commercial Van	↘ -1.4%	↘ -2.5%	↘ -1.1%	↔ -0.3%	↔ -0.1%
Extended Hood	↔ 0.0%	↔ 0.0%	↔ 0.0%	↔ 0.0%	↔ 0.0%
Highway Aerodynamic	↔ 0.0%	↔ 0.0%	↔ -0.1%	↘ -1.2%	↘ -1.0%
Highway Traditional	↔ 0.0%	↔ 0.0%	↔ 0.0%	↔ 0.0%	NULL
Local/Delivery Daycab	↔ 0.0%	↔ 0.0%	↔ 0.0%	↔ -0.3%	↔ 0.0%
Medium Duty Cabover	↔ 0.0%	↔ 0.0%	↔ 0.0%	↔ 0.0%	↔ 0.0%
Medium Duty Conventional	↔ 0.0%	↘ -1.8%	↘ -2.0%	↘ -1.7%	↔ 0.0%
Vocational/Construction	↔ 0.0%	↔ 0.0%	↔ 0.0%	↘ -0.6%	↘ -0.7%

*Value movement can be influenced by newly valued vehicles.

Annual Change in J.D. Power Valuation Services Values

December 2017 vs. December 2018*

Commercial Truck Segment	5YR	4YR	3YR	2YR
Commercial Van	-1.3%	-4.9%	6.1%	2.3%
Extended Hood	12.2%	8.2%	13.3%	5.4%
Highway Aerodynamic	22.5%	14.0%	10.1%	3.7%
Highway Traditional	15.3%	9.6%	NULL	NULL
Local/Delivery Daycab	10.6%	7.7%	4.9%	6.1%
Medium Duty Cabover	13.6%	8.5%	8.6%	27.9%
Medium Duty Conventional	13.5%	10.4%	8.4%	4.9%
Vocational/Construction	13.8%	9.9%	1.9%	9.6%

*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.

YTD Change in J.D. Power Valuation Services Values

January 2018 — December 2018

Commercial Truck Segment	2012MY	2013MY	2014MY	2015MY	2016MY*
Commercial Van	-7.1%	-4.2%	-3.8%	-6.4%	-5.0%
Extended Hood	-2.2%	-0.8%	-8.5%	-6.2%	-7.8%
Highway Aerodynamic	-2.9%	-9.6%	-11.8%	-11.8%	-16.4%
Highway Traditional	-0.7%	-0.2%	-7.0%	-7.9%	NULL
Local/Delivery Daycab	-1.2%	-2.8%	-7.7%	-8.2%	-16.4%
Medium Duty Cabover	-3.7%	-1.2%	-0.2%	5.5%	8.0%
Medium Duty Conventional	-2.3%	-4.6%	-5.3%	-0.9%	0.9%
Vocational/Construction	-3.4%	-3.7%	-3.9%	-5.1%	-5.6%

AT J.D. POWER VALUATION SERVICES (FORMERLY NADA USED CAR GUIDE)

What's New

NADA Values Online Now Features the VIN Based Option

You already use NADA Values Online to see all sides of every vehicle's story. Now you can gain even greater insight with our new VIN Based Option feature, which provides a precise, uniquely adjusted valuation for specific used cars and light-duty trucks. The VIN Based Option utilizes packaging, content and descriptive features specific to each 17-character VIN, rather than just the 11-character VIN, to enhance and customize a vehicle's valuation. This way, you can understand the valuable differences between two identical-seeming vehicles of the same year, make and model. Rely on the new VIN Based Option to:

- Reveal valuable vehicle equipment, trim and options
- Increase valuation accuracy and reduce risk
- Make more-informed business decisions

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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. Residual Values is the

Commercial Truck Market Analysis

Chris Visser
703.610.7067
Chris.Visser@jdpa.com

Director Sales and Customer Service

Dan Ruddy
703.749.4707
Dan.Ruddy@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 Business Development

James Gibson
703.821.7136
James.Gibson@jdpa.com



CONSULTING SERVICES

J.D. Power Valuation Services' market intelligence team leverages a database of nearly 200 million transactions and more than 100 economic and market-related series to describe the factors driving current trends to help industry stakeholders make more informed decisions. Analyzing data at both wholesale and retail levels, the team continuously provides content that is both useful and usable to dealers, financial institutions, businesses and consumers.

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.

VP Vehicle Analysis & Analytics

Jonathan Banks

703.610.7008

Jonathan.Banks@jdpa.com

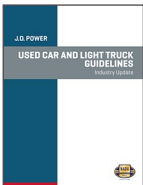
Senior Analyst and Product Manager

Chris Visser

703.610.7067

Chris.Visser@jdpa.com

ADDITIONAL RESOURCES



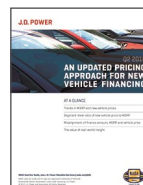
Guidelines

Updated monthly with a robust data set from various industry sources and J.D. Power Valuation Services' proprietary analysis, *Guidelines* provides the insight needed to make decisions in today's market.



Perspective

Leveraging data from various industry sources and J.D. Power Valuation Services' analysts, *Perspective* takes a deep dive into a range of industry trends to determine why they are happening and what to expect in the future.



White Papers

J.D. Power Valuation Services' white papers and special reports aim to inform industry stakeholders on current and expected used vehicle price movement to better maximize today's opportunities and manage tomorrow's risk.



Commercial Vehicle Blog

Written and managed by Senior Analyst Chris Visser, the Commercial Vehicle Blog analyzes market data, lends insight into industry trends and highlights relevant events.

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