COMMERCIAL TRUCK GUIDELINES

INDUSTRY REVIEW

February 2019

J.D. Power Valuation Services

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SUMMARY

New Truck Boom Cycle Comes to a Close

The year opened as expected in the auction and retail channels, with no real changes in pricing. The new truck boom cycle is almost certainly behind us, but that just means truckers are satisfied with the units they have in the production pipeline. Medium duty trucks were mixed to downward.

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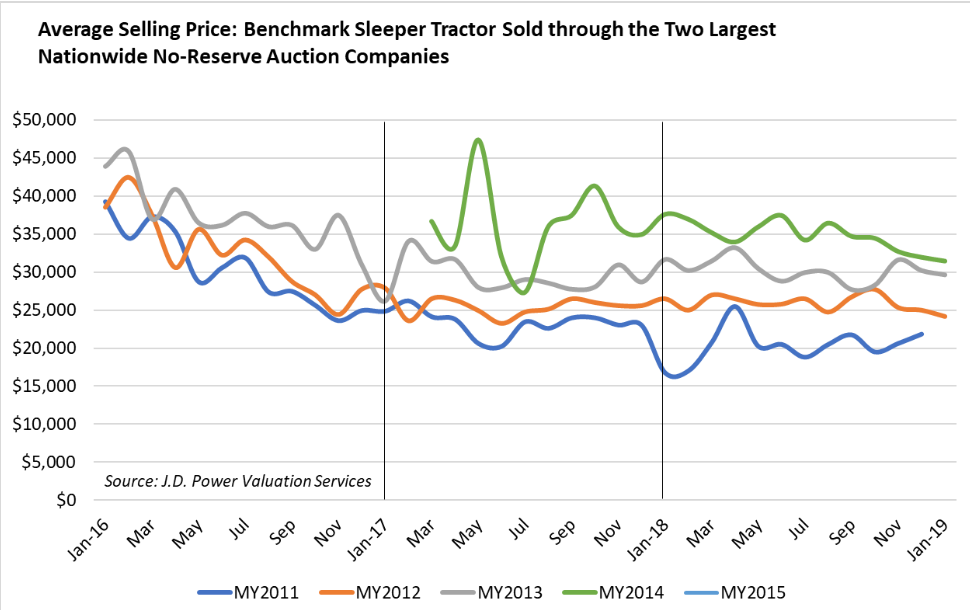
CLASS 8 AUCTION UPDATE

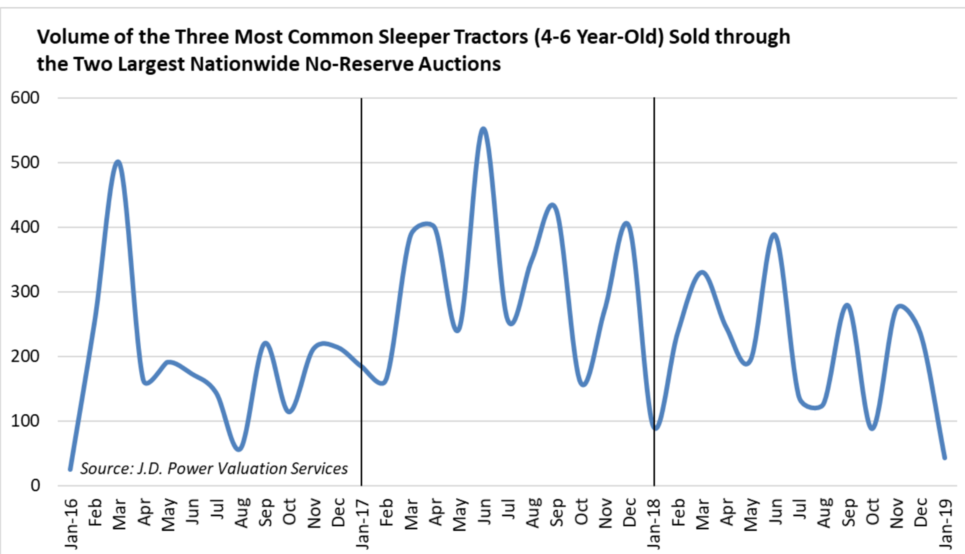
With the seasonal lull in auction activity in place, there were very few units of our benchmark model sold in January. Low volume can create anomalies in our averages, but this month's figures looked stable. The exception was trucks of model-year 2015, which showed a dip that can be explained by a high-mileage and low-spec mix of trucks sold. See below for detail.

- Model year 2016: $51,895 average; $2,520 (4.9%) higher than December
- Model year 2015: $39,125 average; $4,425 (10.2%) lower than December
- Model year 2014: $31,500 average; $500 (1.6%) lower than December
- Model year 2013: $29,700 average; $550 (1.8%) lower than December
- Model year 2012: $24,175 average; $825 (3.3 %) lower than December
- Model year 2011: No sales in January

There was essentially no depreciation in 2018 for 4-6 year-old examples of our benchmark model. On average, this group brought 21.5% more money year-over-year. We expect the supply and demand relationship to look more historically typical as 2019 progresses, resulting in more noticeable depreciation.

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





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CLASS 8 RETAIL UPDATE

Trucks sold in January continue to bring strong money, with depreciation essentially nonexistent month-over-month. There appear to have been fewer buyers in January, but those who did write a check were paying similar money to last month.

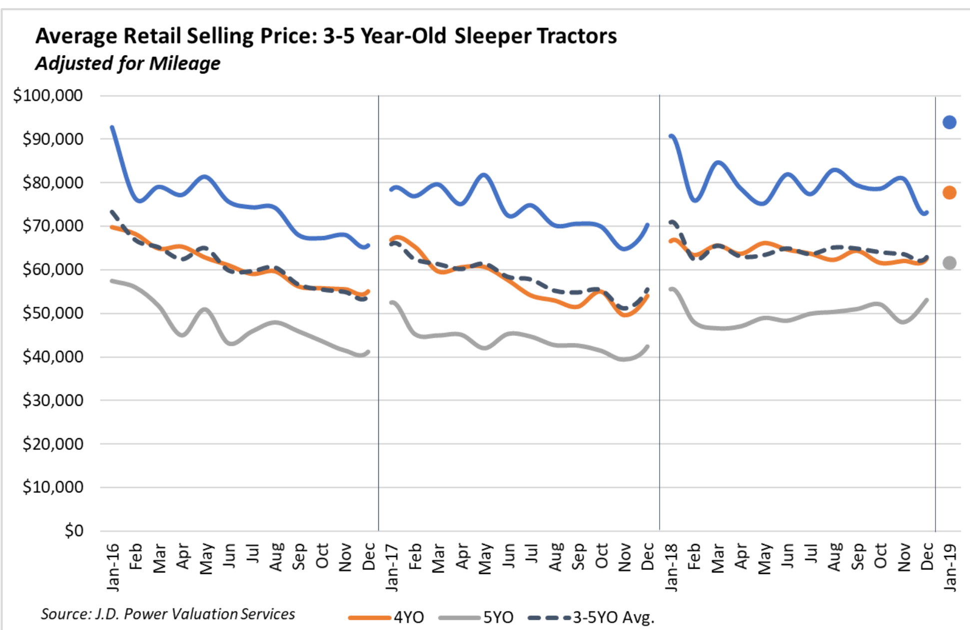
The average sleeper tractor retailed in January was 70 months old, had 467,599 miles, and brought $56,379. Compared to December 2018, the average sleeper was one month older, had 7,632 (1.7%) more miles, and brought $856 (1.5%) more money. Compared to January 2018, this average sleeper was 1 month older, had 8,410 (1.8%) more miles, and brought $5,181 (10.1%) more money.

Each January, we consider each model year one year older. For example, we now consider a truck of model year 2015 to be 5 years old as opposed to 4 years old last month. As such, we will provide year-over-year comparisons below. Next month, we will return to month-over-month comparisons. With that in mind, January's average pricing was as follows:

- 3-Year-Old Truck: $93,883; $3,238(3.6%) higher than January 2018
- 4-Year-Old Truck: $77,560; $10,956 (16.4%) higher than January 2018
- 5-Year-Old Truck: $61,540; $5,975 (10.8%) higher than January 2018

On a year-over-year basis, late-model trucks sold in calendar-year 2018 brought 10.7% more money than in the same period of 2017. Depreciation in 2018 averaged 0.3% per month, 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



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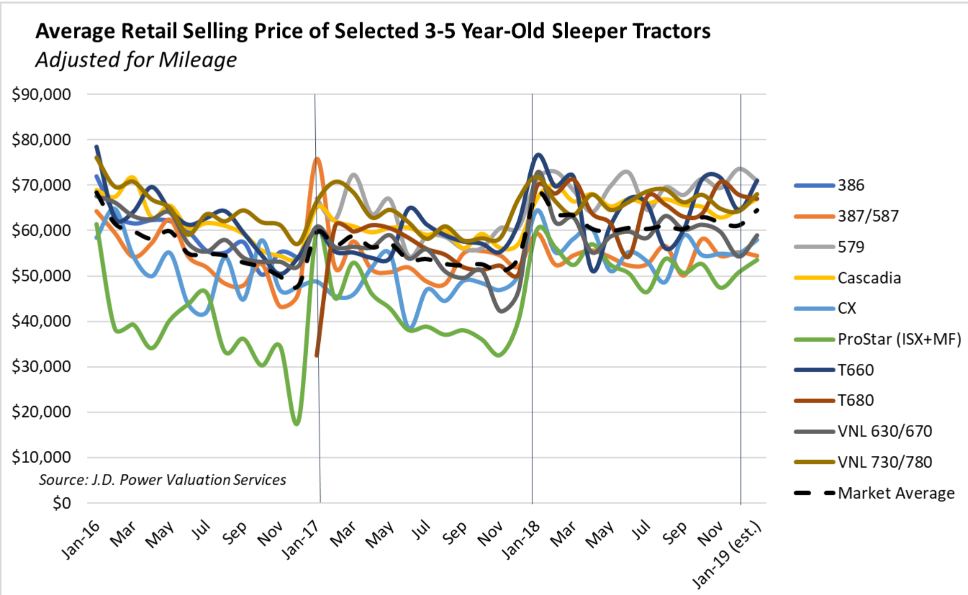
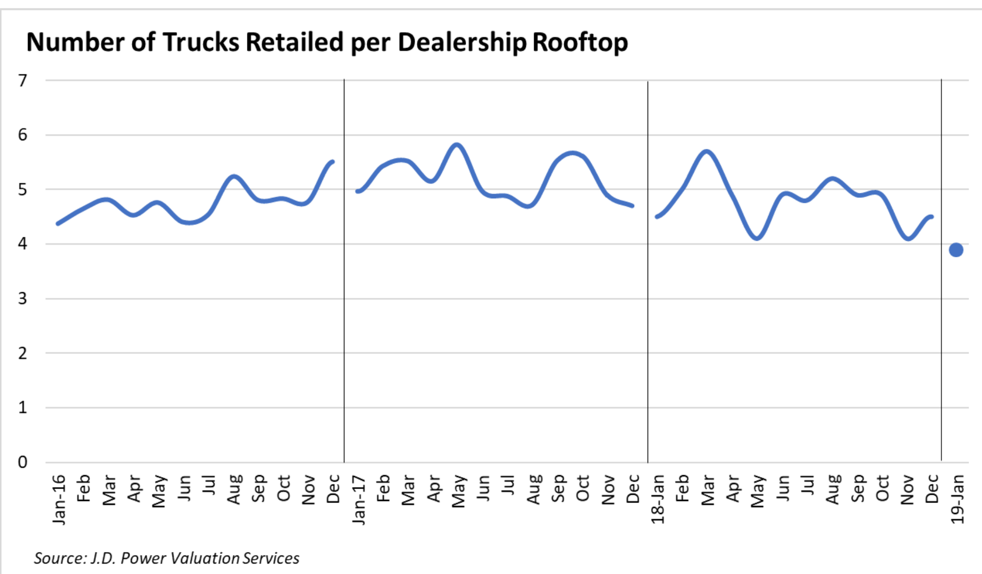


Class 8 sales per dealership came in substantially lower than expected in late 2018 and January of 2019, dropping in January to 3.9. This is the lowest volume recorded since the Great Recession. January is more often than not a slow month for used truck sales, so we are not overly concerned about the result.

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



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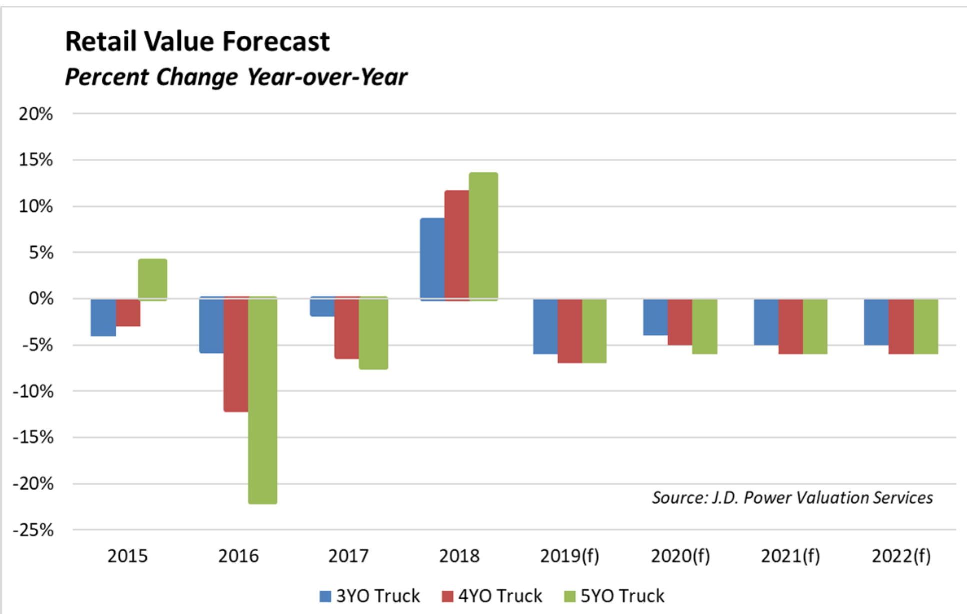
Looking forward over the long term, Class 8 orders dropped dramatically in late 2018 and January of 2019. Orders have now been below deliveries for two months, which is an inflection point that should be noted. The new truck boom is behind us, as the "beat-the-tariffs" business inventory buildup has ended and the "juice" from the 2018 tax breaks has played out. Deliveries of new trucks will remain strong into the second half of 2019, but it looks like demand is on the downward slope as supply heads in the other direction.

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



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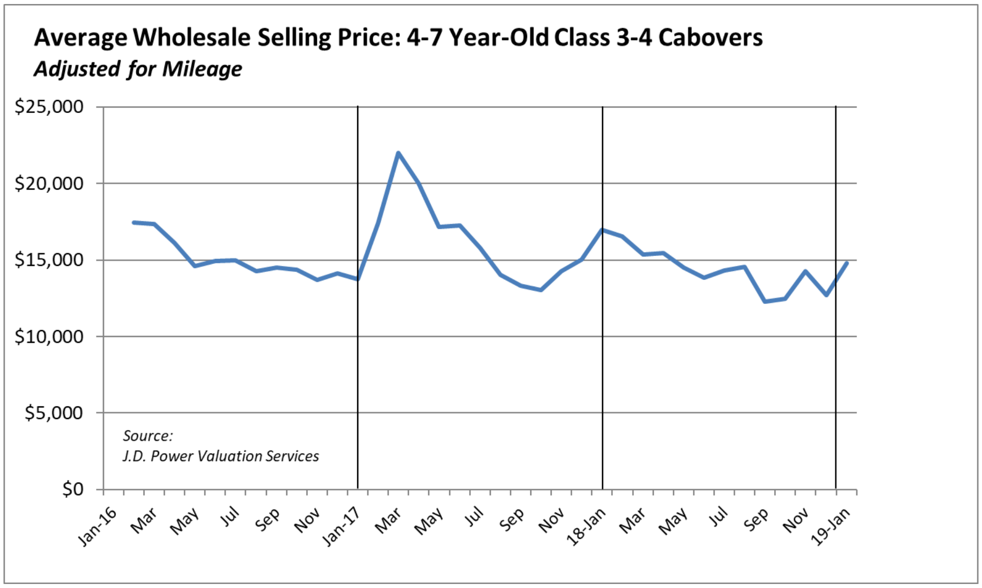
Medium Duty Trucks

Lighter-GVW segments started out the year stronger than their heavier counterparts. Class 4 conventionals returned strong money, Class 3-4 cabovers were on par with last January, and Class 6 conventionals started out the year weaker than last year. Note that we shift the age range of our cohort forward one year each January, so in this edition, we will provide year-over-year comparisons instead of month-over-month. We will return to our usual format in the next edition when we can incorporate February results.

Starting with Class 3 – 4 cabovers, January's average pricing came in at $18,855. This figure is very similar to last January's average of $18,907. Average mileage was up mildly compared to January 2018, while volume was notably lower. It looks like the year is off to a similar start.

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



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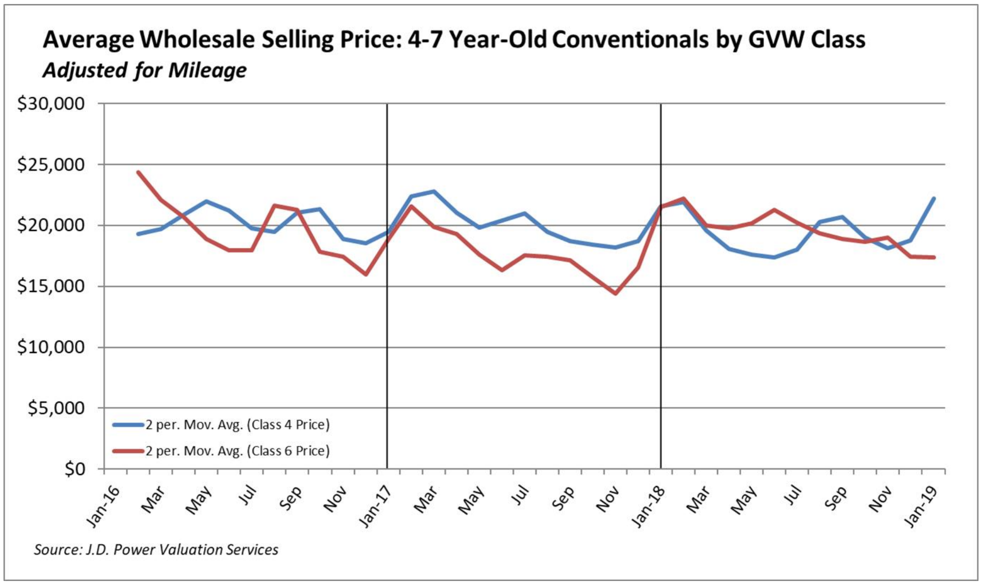
Looking at conventionals, Class 4's averaged $25,261 in January. This figure is $1,737 (7.4%) higher than January 2018. Average mileage was very similar, while volume was up moderately. January's results can be characterized as strong.

Class 6's started out the year moderately weak, with our cohort averaging $18,514 in January. This figure is $5,835 (24.0%) lower than January 2018. Average mileage was 22.3% lower than last January, while volume was up notably. We'll see whether this segment recovers in early 2019.

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



Forecast

Compared to most of 2018, Class 8 orders were extremely low for the third month in a row. Most analysts predicted this decline, as fleets have reserved all the build slots they think they will need. However, the degree of the cutback was a bit of a surprise. The lead time for new trucks is still extremely long, although cancellations have been on the uptick since the fourth quarter of 2018.

Fundamentally, the freight environment declined in the late third quarter of 2018, along with manufacturing indices. This movement was largely predicted, as businesses are no longer pulling ahead inventory, and the 2018 tax cuts are now just the "new normal" on the balance sheet. Manufacturing rebounded in January, so we are not yet overly concerned about the health of the economy. But indicators are becoming more mixed, and it would be wise to start shifting to a more conservative long-term outlook for inventory management and pricing forecasts.

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About J.D. Power

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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.

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