January 2015

- 2014 Review
  Comprehensive analysis of performance by segment
- 2015 Outlook
  How will the market perform over the next two quarters?
COMMERCIAL TRUCK MARKET TRENDS

Market Summary

The year 2014 was marked by increased availability of late-model, lower-mileage trucks driven by a return to 3- to 5-year trade cycles. Pricing remained extremely strong for these trucks, thanks to heavy demand. Retail and wholesale sales volume declined in the fourth quarter, but pricing remained elevated. In general, year-over-year comparisons for most segments were favorable in 2014.

We forecast continued strength in pricing through at least the second quarter of 2015, even as increased numbers of late-model trucks are traded in. The high price of new iron combined with the continually-improving economy will ensure that demand for late-model used trucks remains healthy.

Sleeper Tractors – Retail

Any way you slice it, pricing in 2014 was even stronger than in a record-setting 2013. The increased availability of 3- to 5-year-old units pushed average pricing up by approximately 7.5% year-over-year, while average mileage was about 4.5% lower. Average age has remained similar, at 75.6 months in 2014 vs. 76.5 months for 2013.

Late-model used iron was and will remain a compelling alternative to new trucks, thanks to the steadily-increasing price of new iron. At just under $60,000, the average used sleeper tractor with 450-500,000 miles is less than half the price of a new truck. This used truck still has a few hundred thousand miles in it before a major overhaul.
One major development in 2014 was the increasing supply of International ProStars entering the market. In November, ProStars comprised 27.7% of all 2012 to 2010 model-year sleeper tractors reported sold – a disproportionate representation. Previous months were more in line with International’s expected market share, averaging 15.1% if November is excluded. In general, the underperforming selling prices of this model negatively impacted our averages. See “Model Year 2012-2010 Average Retail Pricing” chart for detail.

Looking at monthly results for the latest month available – November, in this case – average retail pricing is currently off the all-time record set last month by just over 2%. Average mileage dipped again, a direct effect of the ever-improving availability of sub-500,000 mile iron.

Specifically, the average used sleeper tractor retailed in November for $59,759. That is $1,325 (or 2.2%) less than October, and $4,696 (or 8.5%) greater than November 2013. Average mileage was 487,865. That figure is 9,581 (or 1.9%) less than October, and the lowest in four years. Year-over-year, average mileage was down 39,741 (or 7.5%). See “Average Retail Price and Mileage” graph for more detail.

Interestingly, unlike average mileage, average age has remained steady since late 2012. We would logically expect age and mileage to move up or down proportionally, but this has not been the case. What we are seeing is the model year mix of available trucks adjusting back to normality. More specifically, we’re seeing the end of the outsized influence of 2007 model year trucks. Through late-2012, trucks of this vintage dominated the market. Once the supply of low- to average-mileage 2007’s started to dry up, the model year mix started to balance out.
Currently, the retail channel is dominated by the 2010-2012 model years, as opposed to the 2007-2010 model years this time last year. This means that the mix of available used trucks is essentially two full years younger than in 2013. This trend reflects the disappearance of desirable 2007 models as well as the shift back to shorter trade cycles following the recession. See “Monthly Retail Sales Volume” graph for more detail.

Sleeper Tractors – Wholesale

The previous 24-month period saw steep increases in the average price – and substantial decreases in the average mileage – of trucks reported sold. The factors behind this shift are the same as in the retail channel, which, namely, increased availability of late-model iron.

Through November of 2014, the average sleeper tractor sold at wholesale brought in a whopping 44.2% more in price than in the same period of 2013. This average truck was essentially a full year younger than in 2013, at 75.5 months vs. 87.1 months, respectively. Average mileage was down 12.6%. As in the retail channel, buyers have a newer, lower-mileage pool of trucks to choose from, but pricing has not suffered.

The ProStar was also a major factor in the wholesale market in 2014. The proportion of that model sold at auction or dealer-to-dealer was even greater than in the retail channel, averaging 27.6% of all 2012 to 2010 model year sleeper tractors reported sold. Packages of this model really started to hit the market in the 2nd quarter of 2014, and supply has been elevated above 40% since then. See “Model Year 2012-2010 Average Wholesale Pricing” graph for more detail.

Moving over to month-over-month results, November’s wholesale figures returned to trend following an anomalous October. The average sleeper tractor sold at auction or dealer-to-dealer in
November brought $45,529 and had 519,923 miles. Compared to October, this average truck brought $12,609 (or 38.3%) more, and had 101,518 (or 16.3%) fewer miles. Compared to November 2013, this average truck brought $15,535 (or 51.8%) more, and had 119,857 (or 18.7%) fewer miles. See “Average Wholesale Price and Mileage” graph for more detail.

Throughout the year, the age of trucks entering the market has trended younger. As we’ve stated, this shift is the result of fleets moving back to shorter trade cycles. The market is now in the thick of the 3 to 5 year trade cycle of trucks built post-recession. Depreciation for individual trucks has been generally mild, with the exception of specific models that saw large packages of trades.

**Daycabs – Retail**

The daycab market performed strongly in 2014, with pricing of the average truck following an upward trend roughly on par with the sleeper segment. On average, daycabs brought 14.7% less money than their sleeper counterparts – a difference explained largely by the 30-month age gap between the average sleeper and daycab reported sold.

The daycab market is still dominated by the 2007 model year. Thanks to the lower annual mileage accumulated by daycabs, 2007’s still feature under 500,000 miles, and are therefore an attractive option to the buyer looking for a pre-DPF truck.

In terms of pricing, the average daycab sold in November brought $53,476, had 407,867 miles, and was 108 months old. Compared to last month, this truck brought $3,664 (or 7.4%) more money, had 18,387 (or 4.3%) fewer miles, and was two months newer. Year-over-year, November 2014’s pricing was
$6,372 (or 13.5%) higher, mileage was 47,951 (or 10.5%) lower, and age was four months older. See “Average Retail Sleeper vs. Daycab” graph for detail.

Volume is much lower in the daycab segment, with our database of sold daycabs 31.5% the size of our sleeper database in 2014.

As was typical since before the recession, the premium for a sleeper tractor decreases to zero after about six years. This means that the 2010 to 2009 model years are essentially a wash for sleeper vs. daycab versions of the same model, all else being equal. This dynamic is mainly due to the mileage typically accumulated by sleeper tractors of that age. After six years, daycabs bring more money than sleepers. See “Daycab vs. Sleeper Retail Pricing” graph for detail.

Going forward, this segment should perform at least as strongly as the sleeper segment. Smaller volume of available trucks combined with the shift toward smaller hauling routes should keep demand strong.

**Owner-Operator Sleeper Tractors**

We don’t see much press about the extended-hood segment these days. New aerodynamic models are regularly introduced to great fanfare, but it is rare to see a new traditionally-styled model enter the market. Owning and operating one’s own truck has become increasingly difficult in the past two decades due to fuel prices, higher insurance costs, the increased price of new trucks, tougher competition for freight, shifting credit standards, and other factors. Demographics have also shifted to a point where traditional owner-operators are aging out of the business to an increasing degree.

So where does this leave the used long & tall market? Production has of course declined since the 80’s, which means there are fewer trucks available to the secondary market. However, there is still demand for these trucks from selected operators. Traditional long-haul owner-operators still demand these trucks, and many fleets purchase limited numbers as reward trucks for their best drivers. As such, pricing of used trucks is alive and well, with the average 3-year-old extended-hood model bringing almost $12,000 (or
13%) more than the average aerodynamic model in 2014 when adjusted for specification. Not adjusting for specification, that difference increases to nearly $20,000 (or 24%). Further, the value difference holds up over time, with the average 6-year-old long-hood truck maintaining the 13% premium. See “Retail Pricing of Owner-Operator vs. Aerodynamic Sleeper Tractors” graph for more detail.

Going forward, demand for long & tall trucks should gradually shrink over time in step with the number of traditional long-haul owner-operators. However, manufacturers have done a good job “right-sizing” production to meet demand on the new side. Owner-operators looking for a late-model used rig, and heavy-haul or construction entities looking for a slightly older piece of equipment, will ensure a continued market for these trucks. As such, we do not see the premium for extended-hood equipment shrinking to a notable extent in upcoming quarters.

Construction

The construction segment continues to recover in step with the broader economy. Since late 2012, the volume of trucks sold has trended upward, increasing from 69 trucks reported sold in the first quarter of 2012 to 238 in the most recent three-month period. Pricing has been remarkably stable in this period, with 6 to 9 year-old trucks (the group for which we have the most data) returning very little depreciation over time. In fact, average pricing in the most recent 3-month period is actually 7.6% higher than same-period last year. See “Average Retail + Wholesale Price of Construction Trucks” graph for more detail.

Late-model (4-year-old and newer) trucks have sold in proportionally greater numbers in 2014 compared to 2013, with 60 reported in 2013 compared to 124 for the first 11 months of 2014. To the extent that
they are available, these newer trucks bring strong money – generally into the six-figures.

Going forward, expect that rare combination of better availability of desirable late-model iron and continued strength in pricing.

**Medium Duty—Class 3-4 Cabovers**

The cabover market continues to improve, with pricing for 4 to 7 year-old trucks performing positively year-over-year. Volume for this benchmark group was lower in 2014 than 2013, but 3-year-old and newer trucks sold in greater numbers and at strong pricing. We view this segment as returning to a normal supply/demand relationship, with higher pricing on the horizon.

In November, the average 4 to 7 year-old cabover sold wholesale for $15,813 and had 154,973 miles. Pricing was up by $516 (or 3.4%) month-over-month, and a whopping $5,735 (or 56.9%) year-over-year. Mileage was 53,274 (or 52.4%) higher month-over-month, and 22,341 (or 16.8%) higher year-over-year.

Trucks that are 3 years old and newer trucks are particularly strong, with the few that become available commanding wholesale pricing well into the $30,000 range. Availability of this late-model cohort is much better than in 2013, with a 137.0% increase in the number sold year-over-year. These factors point to healthy demand for the economic sectors employing these trucks.

**Medium Duty—Class 4 Conventionals**

After a promising first half of 2014, pricing for Class 4 Conventionals trended back downward. This trend was partially due to increased mileage, but lower year-over-year volume points to a market that may be stagnating.

In November, the average 4 to 7 year-old Class 4 Conventional sold wholesale for $12,789 and had 127,782 miles. Pricing was up $598 (or 4.9%) month-over-month, but down $1,995 (or 13.5%) year-over-year. Mileage was 12,062 (or 10.4%) higher month-
over-month, and 20,298 (or 18.9%) higher year-over-year.

Volume and pricing for 3-year-old and newer trucks was nearly identical year-over-year, suggesting that supply is adequate to meet demand. It appears that the contractors, landscapers, and light haulers who typically buy these trucks are easily finding the used iron they need.

Medium Duty—Class 6 Conventional

The Class 6 segment followed a trend similar to Class 4, with prices tracing an arc in 2014. Year-over-year pricing comparisons were more favorable in this heavier GVW class, but volume for our 4 to 7 year-old benchmark group was down more dramatically. However, 3-year-old and newer trucks performed strongly year-over-year, which paints a moderately favorable picture of conditions in 2014 and going forward.

In November, the average 4 to 7 year-old Class 6 Conventional sold wholesale for $17,370 and had 192,537 miles. Pricing was up $1,790 (or 11.6%) month-over-month, and $320 (or 2.0%) year-over-year. Mileage was 4,333 (or 2.3%) higher month-over-month, and 30,700 (or 19.0%) higher year-over-year.

Volume of 3-year-old and newer trucks was 50% higher in 2014 than 2013, and pricing was similar. Despite the lower pricing in the second half of 2014 — and lower year-over-year volume for average trucks — strength in the newer model years points to better availability with moderately healthy demand. We characterize this segment as moderately healthy for newer trucks, and somewhat stagnant for 4-year-old and older trucks. Trends seen in the most recent months will likely remain in place in upcoming quarters.
Sales Volume

The fourth quarter of 2014 was a bit more volatile than expected, with October’s retail sales per rooftop coming in at a strong 6.2, then plummeting in November to 4.5. December’s incoming data points to volume moving back up towards the 6.0 level.

While unexpected, this movement is not cause for alarm. November is typically a slow month for sales, as buyers have largely completed their strategic purchases for the year and are concentrating on the holiday shipping season. Also, the 4.5 figure is only 0.2 lower than the previous low point set in June of 2013, so it’s not a total outlier. As such, we do not assign much importance to the result.

On the wholesale side, dealers sold an average of 1.7 trucks per rooftop – identical to last month. Based on recent wholesale activity, it appears that major trade activity peaked in September. Total wholesale (auction plus dealer-to-dealer) volume was favorable in 2014 year-over-year, but the first half was more active than the second half, with fourth quarter volume lower in 2014. If December performs similarly to 2013, 2014 will come in at 39,850 trucks – 671 (or 1.7%) higher than 2013. This result would undercut our early estimate of a 5% increase year-over-year by an appreciable margin.

See “Average Number of Used Trucks Sold per Rooftop” and “Total Wholesale Sales Reported to NADA” graphs for more detail.

Outlook

In the upcoming two quarters, there are no factors that should limit demand. New truck orders were “through the roof” in the fourth quarter, and most of these trucks will be delivered in the first half of this
year. That means increased trade-in activity. As such, expect continued expansion of supply.

The strong demand for late-model iron we’ve seen since the recovery began will continue in step with the improving economy. The proportionally higher price of new trucks has caused a permanent shift in dynamics further supporting this increased demand.

In terms of actual selling prices, year-over-year comparisons will appear less impressive as price increases level out. In real terms, pricing will remain at record levels.

Be sure to read our blog twice each week for real-time updates on this and other market data, at www.nada.com/b2b.
### Monthly Change in ATD/NADA Commercial Truck Guide Value

**December 2014 v. January 2015**

<table>
<thead>
<tr>
<th>NADA Segment</th>
<th>2009MY</th>
<th>2010MY</th>
<th>2011MY</th>
<th>2012MY</th>
<th>2013MY*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Van</td>
<td>-1.2%</td>
<td>-3.5%</td>
<td>-1.2%</td>
<td>-1.1%</td>
<td>-1.0%</td>
</tr>
<tr>
<td>Extended Hood</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Highway Aerodynamic</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>-0.3%</td>
</tr>
<tr>
<td>Highway Traditional</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Local/Delivery Daycab</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Medium Duty Cabover</td>
<td>0.5%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>-1.5%</td>
</tr>
<tr>
<td>Medium Duty Conventional</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Vocational/Construction</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

*Value movement can be influenced by newly valued vehicles.

### Annual Change in ATD/NADA Commercial Truck Guide Value

**January, 2014 v. 2015**

<table>
<thead>
<tr>
<th>NADA Segment</th>
<th>5YR</th>
<th>4YR</th>
<th>3YR</th>
<th>2YR</th>
<th>Segment Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Van</td>
<td>13.0%</td>
<td>4.0%</td>
<td>22.0%</td>
<td>-9.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Extended Hood</td>
<td>7.1%</td>
<td>1.9%</td>
<td>-2.6%</td>
<td>10.8%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Highway Aerodynamic</td>
<td>5.4%</td>
<td>8.2%</td>
<td>5.0%</td>
<td>5.7%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Highway Traditional</td>
<td>10.4%</td>
<td>4.5%</td>
<td>2.6%</td>
<td>11.3%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Local/Delivery Daycab</td>
<td>2.0%</td>
<td>1.2%</td>
<td>-10.0%</td>
<td>9.9%</td>
<td>9.2%</td>
</tr>
<tr>
<td>Medium Duty Cabover</td>
<td>25.9%</td>
<td>17.2%</td>
<td>-3.8%</td>
<td>-2.1%</td>
<td>11.7%</td>
</tr>
<tr>
<td>Medium Duty Conventional</td>
<td>17.0%</td>
<td>1.9%</td>
<td>1.2%</td>
<td>5.0%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Vocational/Construction</td>
<td>20.0%</td>
<td>11.3%</td>
<td>4.2%</td>
<td>0.6%</td>
<td>12.3%</td>
</tr>
</tbody>
</table>

*Calculations are based on vehicle age, i.e. values for 1-year-old vehicles in CY2014 are compared against values for 1-year-old vehicles in CY2013.

### YTD Change in ATD/NADA Commercial Truck Guide Value

**January — December 2014**

<table>
<thead>
<tr>
<th>NADA Segment</th>
<th>2009MY</th>
<th>2010MY</th>
<th>2011MY</th>
<th>2012MY</th>
<th>2013MY*</th>
<th>Segment Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Van</td>
<td>3.2%</td>
<td>-5.6%</td>
<td>-3.8%</td>
<td>-0.9%</td>
<td>-13.3%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Extended Hood</td>
<td>-5.3%</td>
<td>-10.4%</td>
<td>-10.8%</td>
<td>-9.9%</td>
<td>-7.3%</td>
<td>-6.6%</td>
</tr>
<tr>
<td>Highway Aerodynamic</td>
<td>-8.0%</td>
<td>-9.4%</td>
<td>-9.7%</td>
<td>-12.8%</td>
<td>-15.8%</td>
<td>-6.6%</td>
</tr>
<tr>
<td>Highway Traditional</td>
<td>-2.8%</td>
<td>-8.8%</td>
<td>-9.0%</td>
<td>-7.1%</td>
<td>-6.9%</td>
<td>-5.4%</td>
</tr>
<tr>
<td>Local/Delivery Daycab</td>
<td>-9.1%</td>
<td>-12.1%</td>
<td>-18.4%</td>
<td>-16.8%</td>
<td>-9.5%</td>
<td>-5.0%</td>
</tr>
<tr>
<td>Medium Duty Cabover</td>
<td>-5.6%</td>
<td>-3.7%</td>
<td>-10.1%</td>
<td>-13.1%</td>
<td>N/A</td>
<td>-5.3%</td>
</tr>
<tr>
<td>Medium Duty Conventional</td>
<td>-8.3%</td>
<td>-4.7%</td>
<td>-7.9%</td>
<td>-8.3%</td>
<td>-9.2%</td>
<td>-5.9%</td>
</tr>
<tr>
<td>Vocational/Construction</td>
<td>-6.6%</td>
<td>-4.1%</td>
<td>-3.7%</td>
<td>-3.6%</td>
<td>-2.1%</td>
<td>-6.2%</td>
</tr>
</tbody>
</table>

*Calculations are based on vehicle age, i.e. values for 1-year-old vehicles in CY2014 are compared against values for 1-year-old vehicles in CY2013.
AT NADA USED CAR GUIDE

What’s New
NADA Online delivers values from 10 different NADA guidebooks including commercial trucks. Starting at $385 per year, NADA Online is comprehensive, easy to use and includes mobile web access free with your subscription. And since it’s web-based, there is no software to install and your whole staff can use it at the same time without the need for additional user licenses.

If you’re looking for a small number of commercial vehicle values, the Official Commercial Truck Guide Online Mini-Pack provides three values online for $40.

On the Road
Please join the NADA Used Car Guide Team for the 2015 NADA/ATD Convention & Expo January 22 - 25, 2015 in San Francisco. Stop by our ATD/NADA Used Commercial Truck booth #4284N to talk with Chris Visser. Also, be sure to visit NADA Used Car Guide booth #1511 S and pick-up your FREE iPad Mini with an annual subscription of NADA AppraisalPRO. Learn about the various services NADA Used Car Guide provides to support your business needs.

Stay up-to-date with the latest in the commercial truck industry by checking out the NADA Commercial Truck Blog and our Market Overviews video channel on YouTube. Updated twice per week by Chris Visser, the blog provides real-time analysis of incoming sales data from the industry’s leading used truck sales database. NADA produces a monthly market overview video to provide further insight into the commercial truck market.

About NADA Used Car Guide
Since 1933, NADA Used Car Guide has earned its reputation as the leading provider of vehicle valuation products, services and information to businesses throughout the United States and worldwide. NADA’s editorial team collects and analyzes over one million combined automotive and truck wholesale and retail transactions per month. Its guidebooks, auction data, analysis and data solutions offer automotive/truck, finance, insurance and government professionals the timely information and reliable solutions they need to make better business decisions. Visit nada.com/b2b to learn more.
NADA CONSULTING SERVICES

NADA’s 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 NADA’s analytics team, which maintains and advances NADA’s 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.

Senior Director, Vehicle Analysis & Analytics
Jonathan Banks
800.248.6232 x4709
jbanks@nada.org

Senior Analyst and Product Manager
Chris Visser
800.248.6232 x4731
cvisser@nada.org

ADDITIONAL RESOURCES

Guidelines
Updated monthly with a robust data set from various industry sources and NADA’s own proprietary analytical tool, Guidelines provides the insight needed to make decisions in today’s market.

NADA Perspective
Leveraging data from various industry sources and NADA’s analysts, NADA 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
NADA’s 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.

Connect with NADA
Read our Blog
nada.com/commercialtruck

Follow Us on Twitter
@NADAUsedCarGde

Find Us on Facebook
Facebook.com/NADAUsedCarGuide

Watch Us on YouTube
youtube.com/NADAUsedCarGuide

Disclaimer: NADA Used Car Guide makes no representations about future performance or results based on the data and the contents available in this report (“Guidelines”). Guidelines is provided for informational purposes only and is provided AS IS without warranty or guarantee of any kind. By accessing Guidelines via email or the NADA website, you agree not to reprint, reproduce, or distribute Guidelines without the express written permission of NADA Used Car Guide.