

**J.D. POWER**

# COMMERCIAL TRUCK GUIDELINES

Industry Update

NOVEMBER 2017

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**Auction volume down notably, but pricing unchanged**

- Recent pricing stability suggests supply/demand equilibrium

**Retail pricing steady on higher volume**

- Depreciation is slightly better than last year

**Medium duty pricing generally down**

- Class 4's again returned the best performance
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## COMMERCIAL TRUCK MARKET TRENDS

### Fourth Quarter Starts Out on Positive Note

Auction volume was down notably in October, but pricing was nearly identical to September on average. Retail volume increased dramatically month-over-month, with stable pricing. The medium duty market moved downward incrementally.

### Sleeper Tractors – Auction/Wholesale

Volume of the most common sleeper tractors auctioned in October was down notably from September. Pricing was very similar month-over-month, with little up or down movement on average.

*October auction performance of our benchmark model was as follows:*

*MY2013: \$28,120 average; \$325 [1.2%] higher than September;*

*MY2012: \$26,000 average; \$500 [1.9%] lower than September;*

*MY2011: \$24,000 average; identical to September.*

In the first 10 months of the year, trucks of model year 2011 averaged 0.7% depreciation per month, trucks of model year 2012 depreciated 0.3% per month, and trucks of model year 2013 depreciated 0.7% per month. Depreciation under 1% per month is very light, and suggests the market is comfortable with current pricing. We remain focused on model years 2011-2013 because volume is still concentrated on those years. Three- and four-year-old trucks are becoming more common, and we will expand our analysis in upcoming months.

Auction volume was down notably in October, but pricing was nearly identical to September on average. Retail volume increased dramatically month-over-month, with stable pricing. The medium duty market moved downward incrementally.

See the “Volume of all Aerodynamic Sleeper Tractors Sold...” and “Average Selling Price: Benchmark Sleeper Tractor” graphs for detail.

In the larger overall wholesale environment (auction, dealer-to-dealer, and dealer-to-wholesaler combined), late-model trucks performed similarly to last month. Average pricing in the first 9 months of 2017 is running 2.4% lower than the same period of 2016.

The average sleeper tractor sold wholesale in September was 64 months old, had 501,747 miles, and brought \$33,602. Compared to August, trucks sold in September were 6 months newer, had 17,464 (3.4%) fewer miles, and brought \$7,155 (27.1%) more money. Compared to September 2016, the average sleeper sold this month was 13 months newer, had 73,270 (12.7%) fewer miles, and brought \$1,997 (5.6%) less money.

The average wholesale selling price of 3- to 5-year-old sleepers increased in September, but a large group of identical, relatively high-priced trucks of model year 2015 artificially impacted the average. Average wholesale pricing for the 3- to 5-year-old cohort was \$39,747; or \$4,935 (14.2%) higher than August.

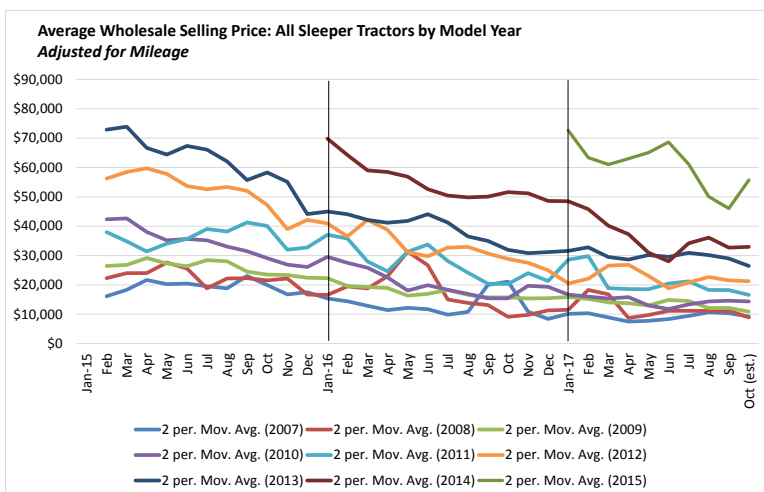
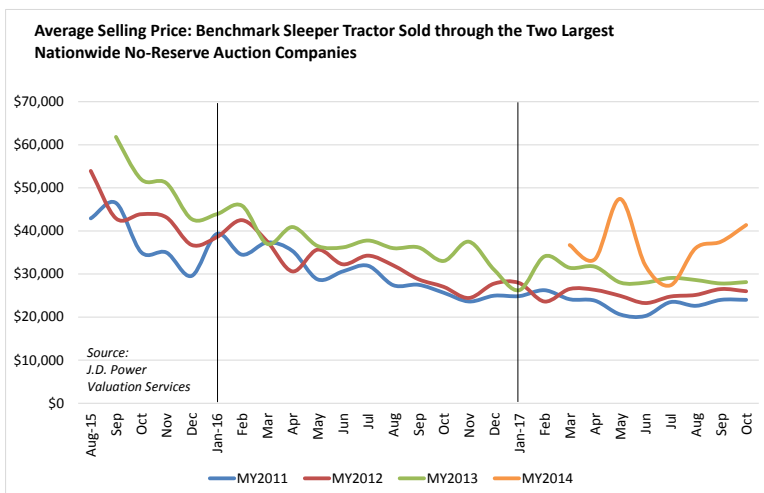
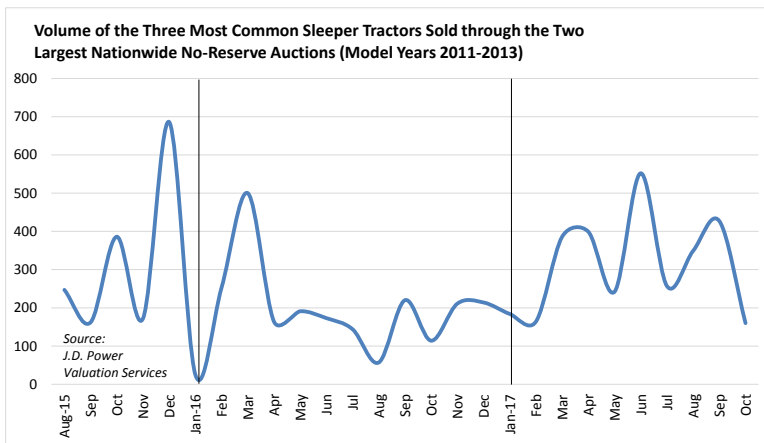
Average pricing by age was as follows:

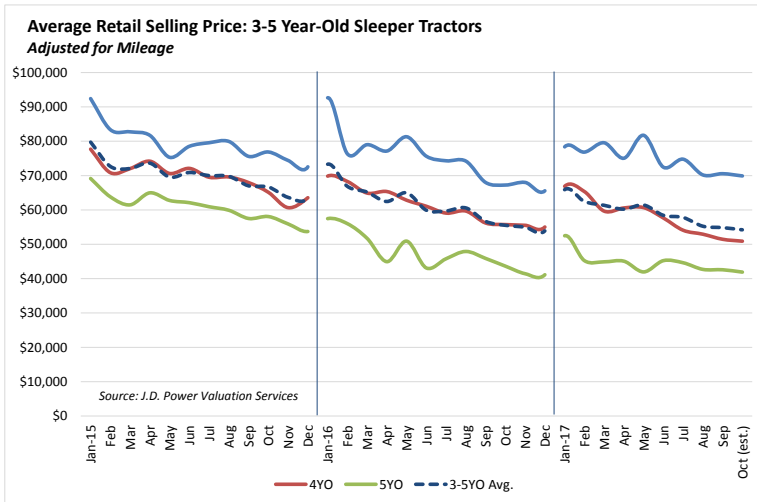
3-year-old trucks: \$62,403; \$19,334 (44.9%) higher than August;

4-year-old trucks: \$32,914; \$512 (1.6%) higher than August;

5-year-old trucks: \$23,924; \$5,041 (17.4%) lower than August.

Again, don't put too much stock into the major swing in average price of 3-year-old trucks. Eliminating the large group of identical trucks from the average shows September's result very similar to August's.





See the “Average Sleeper Tractor Pricing by Model Year (All Wholesale)” graph for detail.

## Sleeper Tractors – Retail

September was a relatively strong month for the retail Class 8 market, with volume up notably and pricing on par with August.

The average sleeper tractor retailed in September was 75 months old, had 463,896 miles, and brought \$47,050. Compared to August, the average sleeper was 2 months older, had 16,655 (3.7%) more miles, and brought \$768 (1.6%) less money. Compared to September 2016, this average sleeper was 1 month newer, had 11,497 (2.5%) more miles, and brought \$2,672 (5.4%) less money. The retail sleeper market overall averaged 8.2% lower pricing in the first 9 months of 2017 compared to the same period of 2016.

Looking at trucks three to five years of age, retail selling prices have dropped an average of 1.3% per month so far in 2017. This figure is similar to the 1.5% per month average in the first 9 months of 2016.

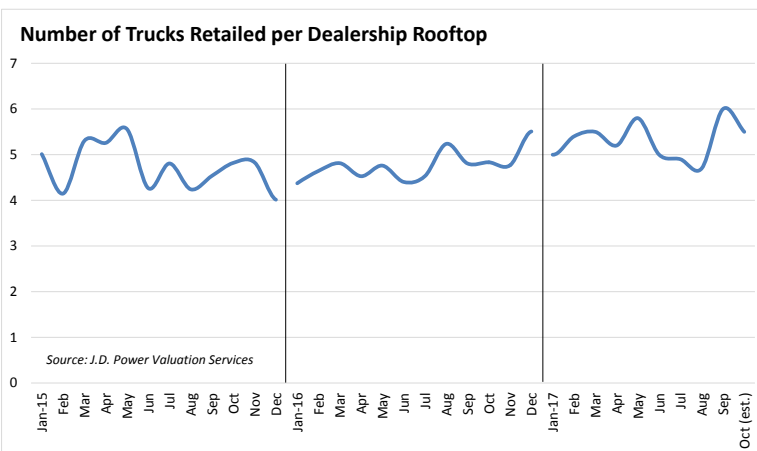
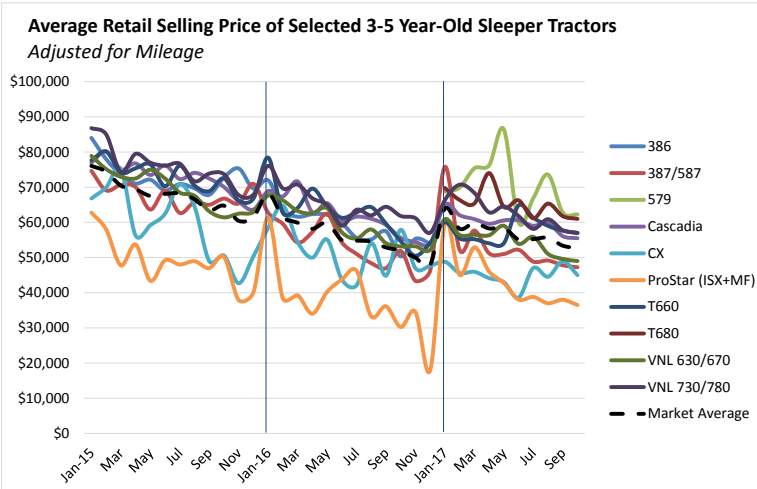
Average pricing by age was as follows:

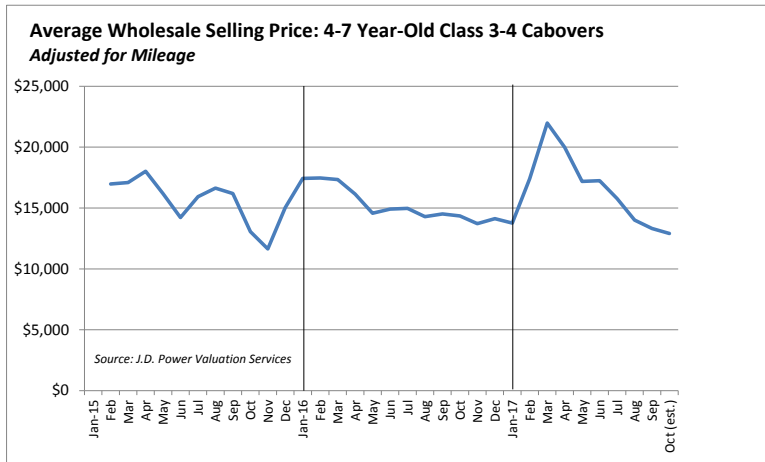
3-year-old trucks: \$70,555; \$359 [0.5%] higher than August;

4-year-old trucks: \$51,596; \$1,340 [2.5%] lower than August;

5-year-old trucks: \$42,586; \$106 [0.2%] lower than August.

On a year-over-year basis, late-model trucks sold in the first 9 months of 2017 averaged 5.6% lower than in the same period of 2016. Supply of sleeper tractors will be an issue for the next two years, but the demand side should continue to incrementally improve.



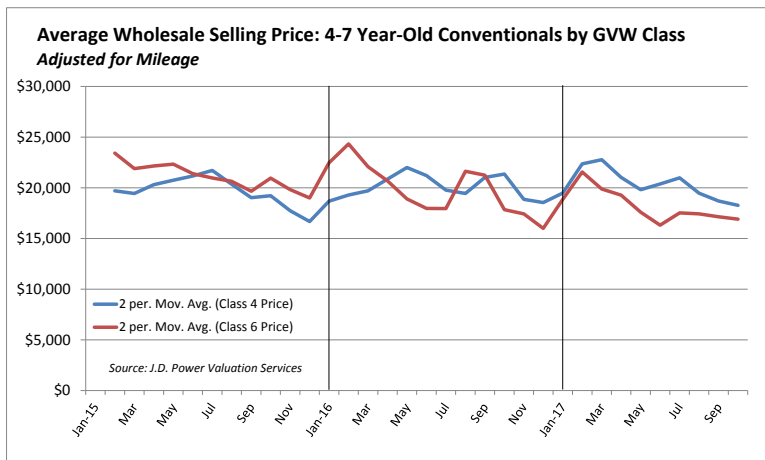


See the “Average Retail Selling Price: 3- to 5-Year-Old Sleeper Tractors” graph for detail.

The most common aerodynamic sleeper tractors showed little relative movement in September. Most models depreciated on par with the market overall. The Peterbilt 579 came back down closer to trend due to a more typical spread of model years resulting in a more valid average. See the “Average Retail Selling Price of Selected 3- to 5-Year-Old Sleeper Tractors” graph for detail.

Class 8 sales per dealership rooftop increased dramatically month-over-month, with September’s average coming in at 6.0 trucks. This figure is 1.3 trucks higher than August, and 1.2 trucks higher than September 2016. We have to go all the way back to July of 2014 to see a higher figure. There were no large packages of trucks impacting the average, so the result appears to be a natural market construct. It is possible some minor pent-up demand after the late August/early September hurricanes contributed to the result.

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



## Medium Duty Trucks

Starting with Class 3-4 cabovers, September pricing saw a moderate dip. Our benchmark group showed similar age, mileage, and model mix, with slightly lower volume. September’s average pricing was \$13,110, which was \$1,488 [10.2%] lower than August, and \$2,796 [17.6%] lower than September 2016.

There was no clear reason for the monthly decline, and we do not consider it significant. The cabover market continues to feature an ample supply of 4- to 7-year-old trucks with average mileage.

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

The conventional market in September was somewhat similar to August. Class 4’s dipped more notably than Class 6’s. Volume was similar month over month for Class 4, and elevated for Class 6.

Specifically, Class 4’s averaged \$18,284 in September. This figure is \$817 [4.3%] lower than

August, and \$5,057 [21.7%] lower than an unusually high September 2016. Class 6's continue to underperform Class 4's, averaging \$17,067 in September. This figure is \$151 [0.9%] lower than August, and \$37 [or 0.2%] higher than September 2016.

In the first 9 months of 2017, Class 4 trucks lost 1.5% of their value each month. While strong, this figure is behind the same period of 2016, in which trucks were essentially flat. Year-over-year pricing for our benchmark age group of Class 4 trucks is essentially identical to 2016.

In Class 6, monthly depreciation in 2017 has shrunk to 1.9%, which is nearly identical to last year's performance. Class 6 trucks in our benchmark age group are running 10.8% behind 2016.

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

## Forecast

Buyers and sellers seem comfortable with current price levels. The supply of used sleeper tractors will increase in upcoming quarters, but pricing dropped enough from mid-2015 through early 2017 that the worst of the depreciation should be behind us.

## ATD OFFICIAL COMMERCIAL TRUCK GUIDE TRENDS

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

October vs. November 2017

Used Car Guide Segment	2011MY	2012MY	2013MY	2014MY	2015MY*
Commercial Van	↗ 0.9%	↗ 0.6%	↗ 1.6%	↘ -0.9%	→ 0.0%
Extended Hood	↘ -2.6%	→ 0.0%	↗ 0.7%	→ 0.0%	→ 0.0%
Highway Aerodynamic	↘ -0.9%	→ 0.0%	↘ -1.5%	↘ -2.3%	↘ -2.8%
Highway Traditional	→ 0.0%	→ 0.0%	→ 0.0%	→ 0.0%	→ 0.0%
Local/Delivery Daycab	→ -0.3%	→ 0.0%	→ 0.1%	→ -0.4%	→ -0.3%
Medium Duty Cabover	→ 0.0%	↗ 1.0%	→ 0.2%	→ 0.0%	→ 0.0%
Medium Duty Conventional	→ 0.4%	→ 0.0%	→ 0.0%	→ 0.0%	→ 0.0%
Vocational/Construction	→ 0.0%	→ 0.0%	→ 0.0%	→ 0.0%	→ 0.0%

\*Value movement can be influenced by newly valued vehicles.

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

November, 2016 vs. 2017

Used Car Guide Segment	5YR	4YR	3YR	2YR	Segment Change
Commercial Van	-12.7%	-5.2%	-14.4%	-5.1%	-16.5%
Extended Hood	-7.5%	-6.7%	11.3%	0.9%	-14.5%
Highway Aerodynamic	-14.1%	-6.0%	2.1%	-1.7%	-25.5%
Highway Traditional	-2.3%	-5.7%	5.7%	4.5%	-14.3%
Local/Delivery Daycab	-6.3%	7.7%	5.9%	1.2%	-14.4%
Medium Duty Cabover	-4.6%	3.9%	-4.0%	-7.8%	-10.8%
Medium Duty Conventional	-2.3%	10.3%	5.4%	3.4%	-6.9%
Vocational/Construction	23.1%	4.4%	11.8%	12.8%	-0.6%

\*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 ATD/NADA Commercial Truck Guide Value

January — November 2017

Used Car Guide Segment	2011MY	2012MY	2013MY	2014MY	2015MY*	Segment
Commercial Van	0.3%	1.9%	4.8%	-3.3%	-6.4%	-1.5%
Extended Hood	-16.7%	-11.6%	-5.9%	-8.1%	-5.5%	-10.4%
Highway Aerodynamic	-13.7%	-12.0%	-19.6%	-19.5%	-16.3%	-16.3%
Highway Traditional	-12.3%	-10.4%	-9.0%	-6.8%	-3.8%	-8.5%
Local/Delivery Daycab	-9.5%	-8.9%	-9.7%	-12.3%	-10.5%	-7.3%
Medium Duty Cabover	-10.7%	-8.9%	-12.7%	-6.7%	-9.9%	-8.6%
Medium Duty Conventional	-5.2%	-4.1%	-4.8%	-5.9%	-7.6%	-4.7%
Vocational/Construction	-1.3%	-2.8%	-2.5%	-3.5%	-1.3%	-0.1%

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

### What's New

J.D. Power is pleased to offer a new **Residual Values** product suite designed to help manufacturers, captive finance companies, and lenders make informed decisions on residual setting, lease support, and risk management. This benchmark product incorporates industry-leading data from three trusted sources. Coupled with a seasoned team of data scientists and analysts, the product suite's sophisticated valuation forecast methodology provides a fresh, reliable approach based on objective expertise and complete transparency.



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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 first product to be launched by J.D. Power Valuation Services.

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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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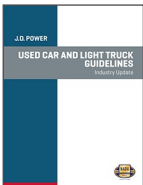
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## ADDITIONAL RESOURCES



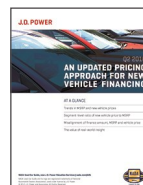
### Guidelines

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.



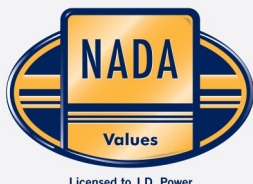
### White Papers

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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