

**J.D. POWER**

# COMMERCIAL TRUCK GUIDELINES

Industry Update

## DECEMBER 2017

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### **2017 Closes out Positive**

- Auction volume was back up in November
- 

### **Retail market firming up**

- Like auction channel, volume was up and pricing was unchanged
  - Long-term forecast shows relaxed depreciation
- 

### **Medium duty market mixed**

- Cabovers and light-GVW trucks performing well
- 

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## TABLE OF CONTENTS

COMMERCIAL TRUCK MARKET TRENDS.....	2
J.D. POWER VALUATION SERVICES COMMERCIAL TRUCK VALUE TRENDS .....	7
AT J.D. POWER VALUATION SERVICES (FORMERLY NADA USED CAR GUIDE).....	8

## COMMERCIAL TRUCK MARKET TRENDS

### 2017 Closes out Positive

Auction volume was back up in November after a slow October, with pricing stable to slightly upwards for yet another month. The retail market is firming up. Medium duty results were mixed.

### Sleeper Tractors – Auction/Wholesale

Volume of the most common sleeper tractors auctioned in November increased after a slow October. Pricing was very similar month-over-month, with the newest units showing some volatility due to low volume.

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

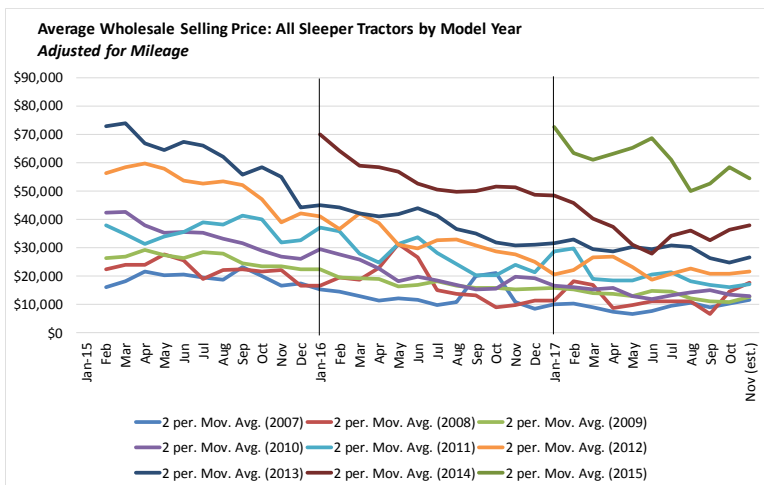
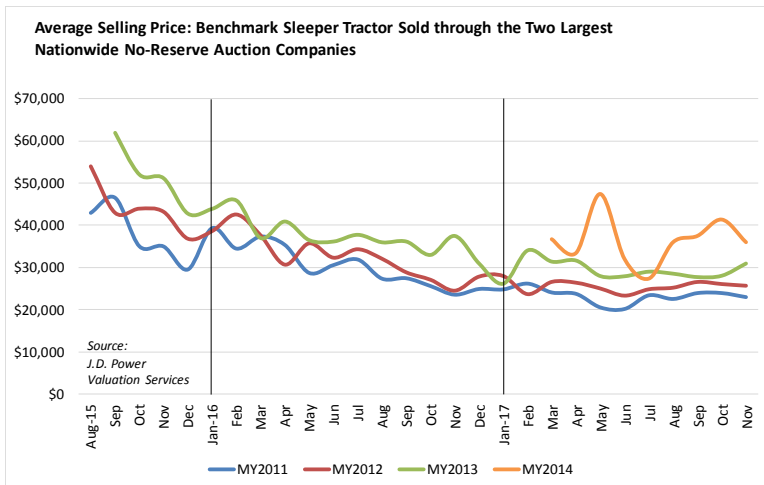
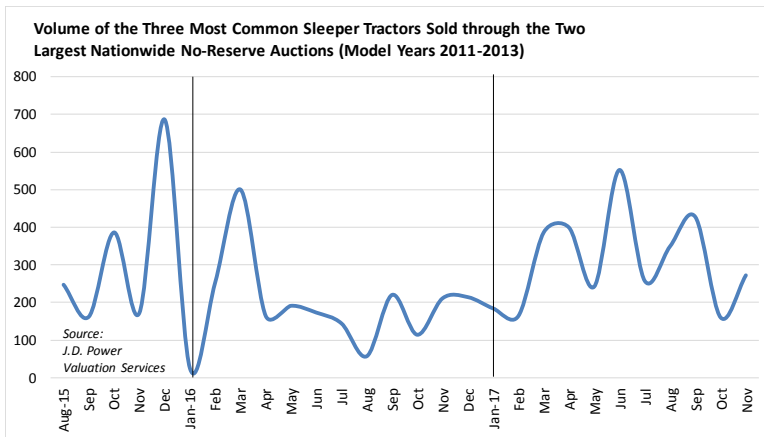
*MY2013: \$31,000 average; \$2,880 (10.2%) higher than October*

*MY2012: \$25,600 average; \$400 (1.5%) lower than October*

*MY2011: \$23,045 average; \$955 (4.0%) lower than October*

In the first 11 months of the year, trucks of model year 2011 averaged 0.6% depreciation per month, trucks of model year 2012 depreciated 0.2% per month, and trucks of model year 2013 depreciated 0.4% per month. Year-over-year, trucks four to six years of age are running 6.9% behind their counterparts a year ago, but this comparison is turning more positive based on the recent stable pricing. *See the “Volume of all Aerodynamic Sleeper Tractors Sold...” and “Average Selling Price: Benchmark Sleeper Tractor” graphs for detail.*

Auction volume was back up in November after a slow October, with pricing stable to slightly upwards for yet another month. The retail market is firming up. Medium duty results were mixed.



In the larger overall wholesale environment [auction, dealer-to-dealer, and dealer-to-wholesaler combined], late-model trucks performed very similarly to last month. Average pricing in the first 10 months of 2017 is running 1.3% lower than the same period of 2016. Thanks to milder depreciation in the second half of 2017, year-over-year comparisons have swung positive.

The average sleeper tractor sold wholesale in October was 66 months old, had 542,959 miles, and brought \$31,740 [November data was not yet available at the time of this writing]. Compared to September, trucks sold in October were 2 months newer, had 41,212 [3.6%] fewer miles, and brought \$1,862 [5.5%] less money. Compared to October 2016, the average sleeper sold this month was 14 months newer, had 20,390 [3.6%] fewer miles, and brought \$877 [2.8%] more money.

The average wholesale selling price of 3-to-5- year-old sleepers was essentially identical to September. Monthly swings in the averages of each model year have recently been impacted by large groups of identical make and model trucks, so pay more attention to multi-month trends. Average wholesale pricing for the 3- to 5- year-old cohort was \$39,953; or - \$206 [0.5%] higher than September.

*Average pricing by age was as follows:*

*3- year-old trucks: \$54,463; - \$7,940 [12.7%] lower than September*

*4- year-old trucks: \$32,662; - \$6,748 [20.5%] higher than September*

*5- year-old trucks: \$25,733 -; \$1,809 [7.6%] higher than September*

***See the "Average Sleeper Tractor Pricing by Model Year [All Wholesale]" graph for detail.***

## Sleeper Tractors – Retail

October was another positive month for the retail channel, with volume up incrementally over a relatively strong September, and pricing essentially unchanged.

The average sleeper tractor retailed in October was 78 months old, had 462,171 miles, and brought \$47,876. Compared to September, the average sleeper was 6 months older, had 4,073 [0.9%] fewer miles, and brought \$829 [1.8%] more money. Compared to October 2016, this average sleeper was 1 month newer, had 1,207 [0.3%] fewer miles, and brought \$1,785 [3.6%] less money. The retail sleeper market overall averaged 7.8% lower pricing in the first 10 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 1.6% per month so far in 2017. This figure is appreciably better than the 2.1% seen over the same period of 2016.

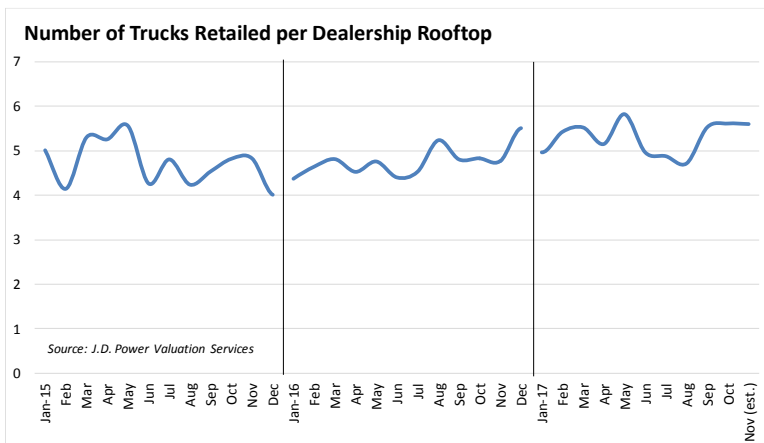
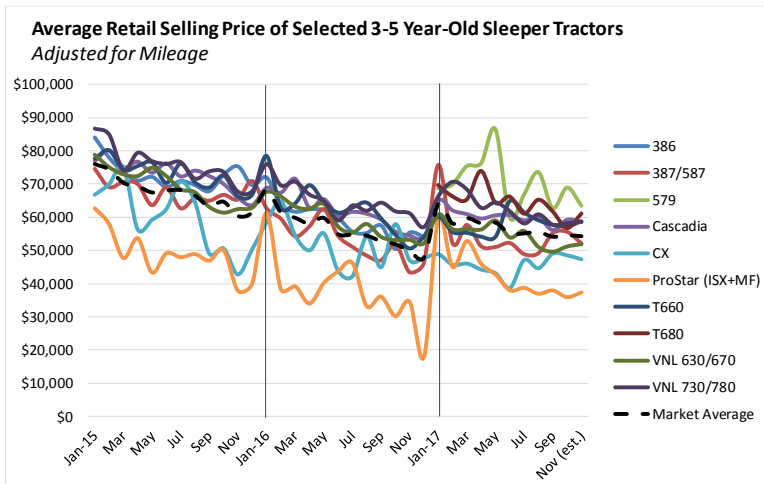
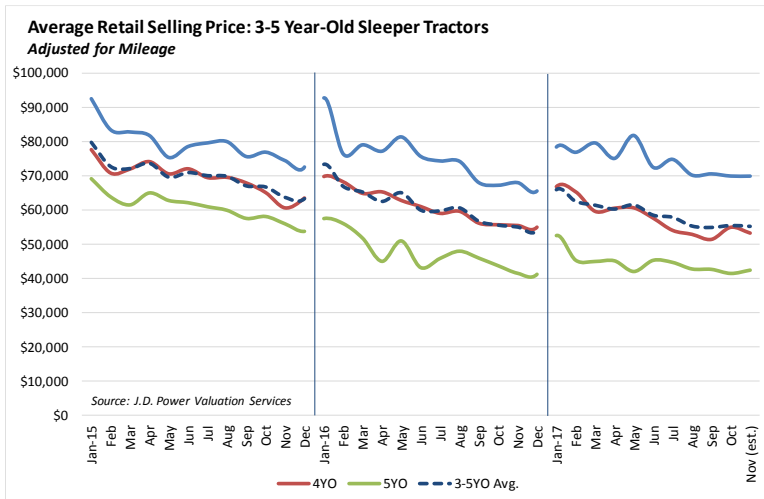
*Average pricing by age was as follows:*

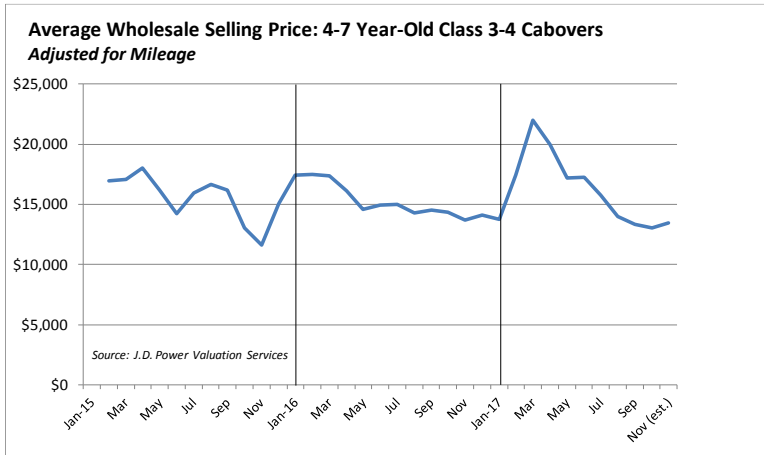
*3- year-old trucks: \$69,921; - \$634 [0.9%] lower than September*

*4- year-old trucks: \$55,000; - \$1,462 [6.9%] higher than September*

*5- year-old trucks: \$41,389; - \$1,197 [2.8%] lower than September*

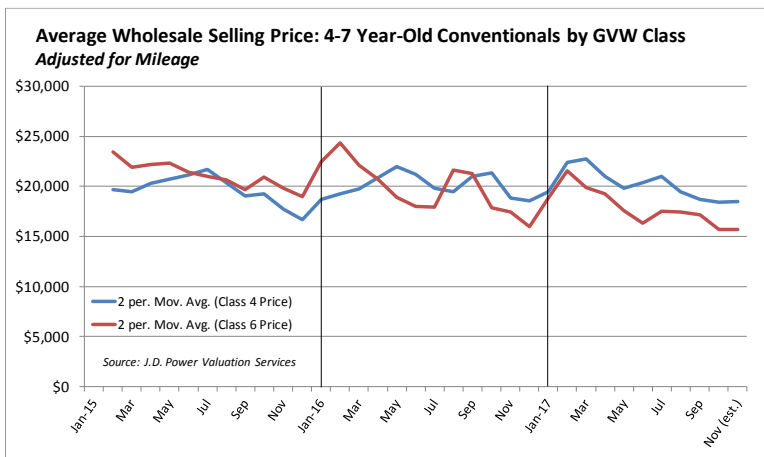
On a year-over-year basis, late-model trucks sold in the first 10 months of 2017 averaged 5.1% lower than in the same period of 2016. Thanks to the minimal depreciation since the third quarter, our year-over-year comparisons are looking more and more favorable. Demand is increasingly balancing out supply. *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 continues to lead the market. The Freightliner Cascadia continues to post solid numbers despite its substantial volume in the auction lanes. *See the “Average Retail Selling Price of Selected 3- to 5- Year-Old Sleeper Tractors” graph for detail.*

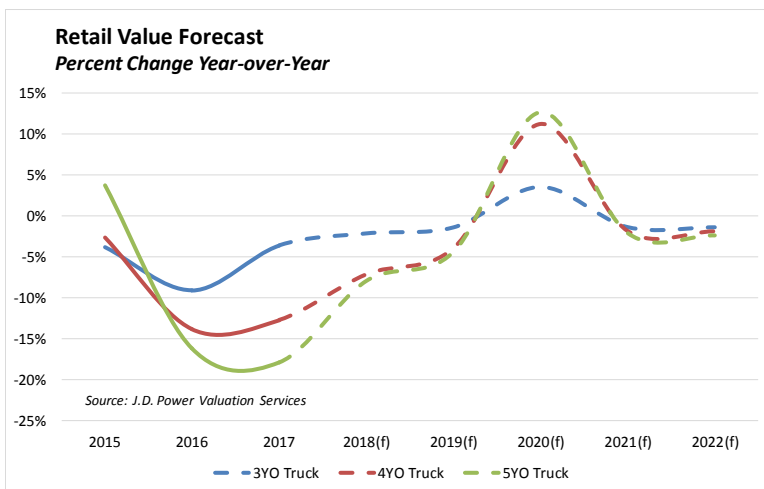
Looking forward over the long term, we see a relaxation of depreciation into 2020, at which point trucks should regain some of the value they lost from 2015-2019. Then, values should again head downwards as the returning supply of used trucks increases. Forecast changes are based primarily on expected returning supply combined with predicted economic conditions. *See the “Retail Value Forecast” graph for detail. This is a new graph resulting from our research and analysis on residual values for clients.*



Class 8 sales per dealership rooftop were similar to last month, with October’s average coming in at 5.6 trucks. This figure is 0.1 trucks higher than September, and 0.8 trucks higher than October 2016. This figure is respectable in the current market environment. 2017 is running about 13% higher than 2016 in terms of volume. *See “Number of Trucks Retailed per Dealership Rooftop” graph for detail.*

## Medium Duty Trucks

Starting with Class 3-4 cabovers, October’s average pricing moved back upwards, canceling out much of September’s dip. Our benchmark group showed similar age and mileage, with moderately higher volume. October’s average pricing was \$13,528, which was \$969 [7.7%] higher than September, and \$142 [1.1%] higher than October 2016.



Trucks sold in the second half of the year have generally been slightly older and higher-mileage than those sold in the first half. This shift has pushed our 4-7 year-old average lower. However, individual trucks are holding their value, with the lowest-mileage units performing well. *See the "Average Wholesale Selling Price: 4- to 7- Year-Old Class 3-4 Cabovers" graph for detail.*

The conventional market in October was somewhat similar to September, with our Class 4 average nearly identical, and our Class 6 average moving lower due to a higher-mileage mix of trucks sold. Volume was up moderately for Class 4, and down notably for Class 6.

Specifically, Class 4's averaged \$18,554 in October. This figure is \$270 [1.5%] higher than September, and \$804 [4.2%] lower than October 2016. Class 6's looked unimpressive in October, averaging \$14,361. This figure is \$2,706 [15.9%] lower than September, and \$4,290 [or 23.0%] lower than October 2016.

In the first 10 months of 2017, Class 4 trucks lost 1.6% 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 nearly identical to 2016.

In Class 6, monthly depreciation in 2017 has increased to 2.7%, which is moderately worse than last year's 2.3%. Class 6 trucks in our benchmark age group are running 11.9% behind 2016. A higher-mileage mix of trucks sold is partially responsible for the lower average pricing. *See the "Average Wholesale Selling Price: 4- to 7- Year- Old Conventionals by GVW Class" graph for detail.*

## Forecast

We expect little change in market dynamics as 2017 closes out. 2018 will open on a somewhat positive note, with increased demand partially counteracting a higher supply. The volume of used sleeper tractors will increase in upcoming quarters, keeping downward pressure on pricing. However, we see depreciation remaining under 2% per month in the first half of 2018.

## ATD OFFICIAL COMMERCIAL TRUCK GUIDE TRENDS

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

November vs. December 2017

Used Car Guide Segment	2011MY	2012MY	2013MY	2014MY	2015MY*
Commercial Van	→ 0.0%	→ 0.0%	→ 0.0%	→ 0.0%	→ 0.1%
Extended Hood	↓ -2.0%	↓ -2.4%	↓ -2.2%	↓ -4.5%	↓ -2.8%
Highway Aerodynamic	↓ -3.2%	↓ -2.6%	↓ -1.9%	↓ -4.1%	↓ -2.8%
Highway Traditional	→ -0.9%	→ -0.3%	→ -1.5%	↓ -4.0%	↓ -2.2%
Local/Delivery Daycab	→ -0.5%	→ -1.0%	→ -0.3%	→ -1.2%	→ -0.3%
Medium Duty Cabover	→ 0.0%	↓ -2.5%	↓ -2.9%	↓ -4.4%	↓ -8.7%
Medium Duty Conventional	→ 0.0%	→ 0.0%	→ 0.0%	→ 0.0%	→ 0.0%
Vocational/Construction	→ 0.0%	→ -0.5%	→ 0.0%	→ 0.0%	→ -0.5%

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

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

December, 2016 vs. 2017

Used Car Guide Segment	5YR	4YR	3YR	2YR	Segment Change
Commercial Van	-10.4%	-3.2%	-13.2%	-4.2%	-15.6%
Extended Hood	-5.8%	-4.8%	8.0%	-0.3%	-14.4%
Highway Aerodynamic	-11.9%	-3.2%	2.6%	-1.7%	-24.0%
Highway Traditional	1.1%	-5.0%	1.9%	3.1%	-14.0%
Local/Delivery Daycab	-2.1%	13.1%	12.0%	2.7%	-10.1%
Medium Duty Cabover	-5.5%	2.4%	-5.3%	-13.8%	-11.6%
Medium Duty Conventional	-0.4%	11.3%	7.2%	2.6%	-6.2%
Vocational/Construction	22.5%	4.4%	13.1%	12.7%	-0.3%

\*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 — December 2017

Used Car Guide Segment	2011MY	2012MY	2013MY	2014MY	2015MY*	Segment
Commercial Van	0.3%	1.9%	4.8%	-3.3%	-6.3%	-1.5%
Extended Hood	-18.3%	-13.7%	-8.0%	-12.2%	-8.1%	-12.9%
Highway Aerodynamic	-16.5%	-14.3%	-21.1%	-22.8%	-18.6%	-18.7%
Highway Traditional	-13.1%	-10.7%	-10.4%	-10.5%	-6.0%	-10.0%
Local/Delivery Daycab	-10.0%	-9.8%	-10.0%	-13.3%	-10.8%	-7.5%
Medium Duty Cabover	-10.7%	-11.2%	-15.2%	-10.8%	-17.7%	-11.6%
Medium Duty Conventional	-5.2%	-4.1%	-4.8%	-5.9%	-7.6%	-4.7%
Vocational/Construction	-1.3%	-3.3%	-2.5%	-3.5%	-1.8%	-0.3%

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

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## 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.

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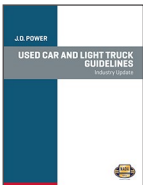
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## ADDITIONAL RESOURCES



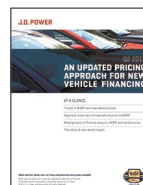
### Guidelines

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.



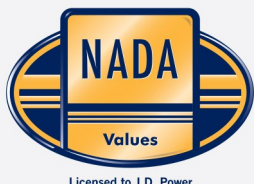
### White Papers

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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