

**J.D. POWER**

# COMMERCIAL TRUCK GUIDELINES

Industry Update

FEBRUARY 2018

- Typically slow January for auctions, but pricing stable
- Retail pricing back up after two weak months
- Medium duty market solidifies

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## COMMERCIAL TRUCK MARKET TRENDS

### Positive Start to 2018

The Class 8 market looked positive in early 2018, with December's retail pricing back up and January's auction results similar to December's despite limited activity. Medium duty trucks had a notably up month.

### Sleeper Tractors – Auction/Wholesale

January was a typically slow month in the auction lanes, with comparatively few sales on the calendar and not many trucks running through. As such, there was not really enough data to draw any conclusions about market conditions. The low volume resulted in some price swings that are not necessarily representative of the market. We'll see how February's results turn out.

January auction performance of our benchmark model was as follows:

*MY2013: \$31,700 average; \$2,950 [10.3%] higher than December*

*MY2012: \$26,500 average; \$900 [3.5%] higher than December*

*MY2011: \$16,750 average; \$6,250 [27.2%] lower than December*

Year-over-year, trucks four to six years of age sold in January ran 17.1% ahead of their counterparts a year ago. Again, don't read too much into this comparison until we see more data next month.

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

The Class 8 market looked positive in early 2018, with December's retail pricing back up and January's auction results similar to December's despite limited activity. Medium duty trucks had a notably up month.

## Sleeper Tractors – Retail

As expected, December's figures were notably higher than November's, suggesting the late-year dip was not the start of a trend.

The average sleeper tractor retailed in December was 78 months old, had 432,888 miles, and brought \$46,918. Compared to November, the average sleeper was 1 month older, had 28,323 [6.1%] fewer miles, and brought \$593 [1.2%] more money. Compared to December 2016, this average sleeper was 6 months older, had 31,419 [6.8%] fewer miles, and brought \$1,913 [3.9%] less money. The retail sleeper market overall averaged 7.1% lower pricing in 2017 compared to 2016.

Looking at trucks three to five years of age, retail selling prices dropped an average of 1.7% per month in 2017. This figure is significantly better than the 2.3% seen in 2016.

Average pricing by age was as follows:

*3-year-old trucks: \$70,282; \$5,547 [8.6%] higher than November*

*4-year-old trucks: \$53,991; \$4,448 [9.0%] higher than November*

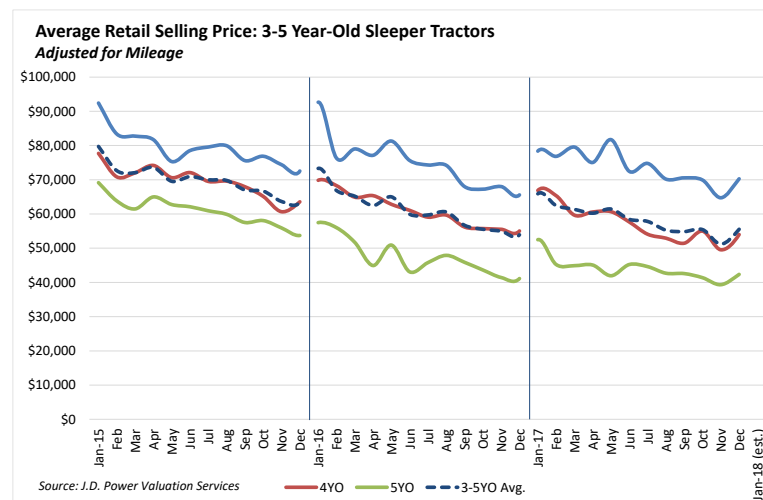
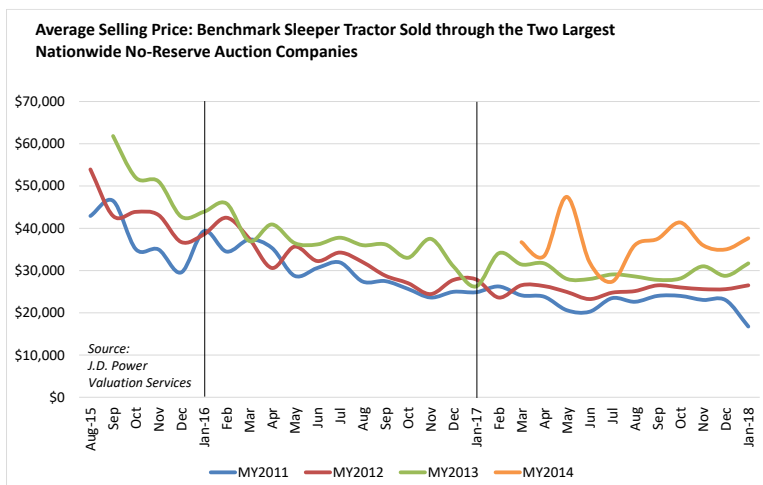
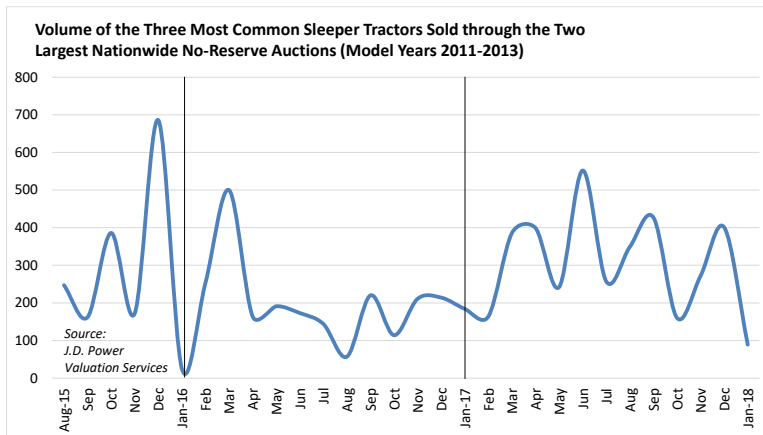
*5-year-old trucks: \$42,353; \$3,013 [7.7%] higher than November*

On a year-over-year basis, late-model trucks sold in 2017 averaged 4.7% lower than in 2016.

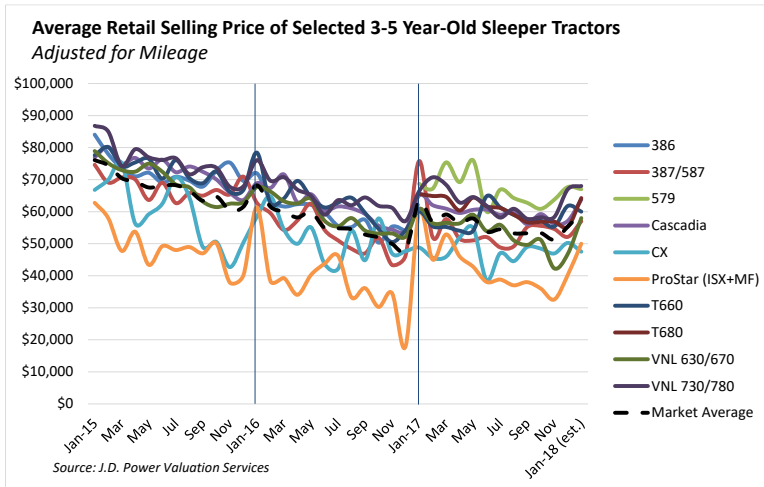
*See the "Average Retail Selling Price: 3- to 5-Year-Old Sleeper Tractors" graph for detail.*

Looking at specific models, most trucks trended upward, with little or no competitive movement in December. See the "Average Retail Selling Price of Selected 3- to 5-Year-Old Sleeper Tractors" graph for detail.

Class 8 sales per dealership rooftop dipped in December, from 4.9 to 4.7. Last year was somewhat more volatile than 2016, but volume was up roughly



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8% year over year. That gain represents roughly five additional used trucks sold per rooftop in 2017.

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

Looking forward over the long term, January’s very impressive new truck order figures point to increased deliveries in 2018. The downside of a strong new truck market is increased trade-ins, with the added complication of some older equipment not being ELD-compliant from the factory. In response, we have adjusted our long-term value forecasts starting with the 2020 timeframe.

See the “Retail Value Forecast” graph for detail.

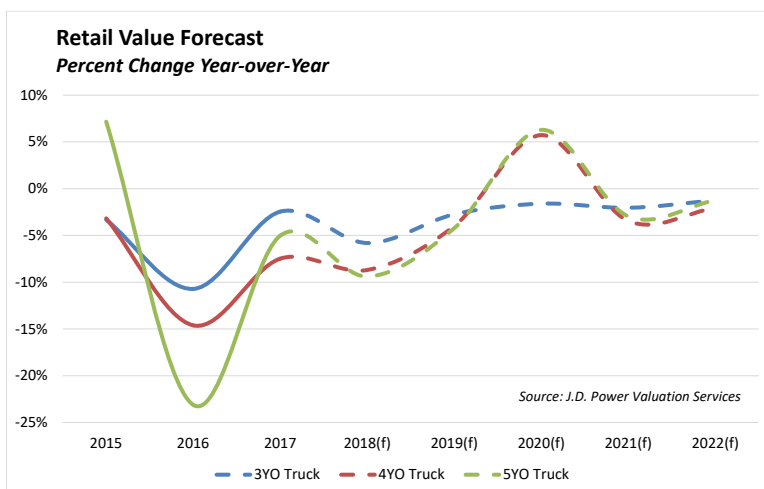
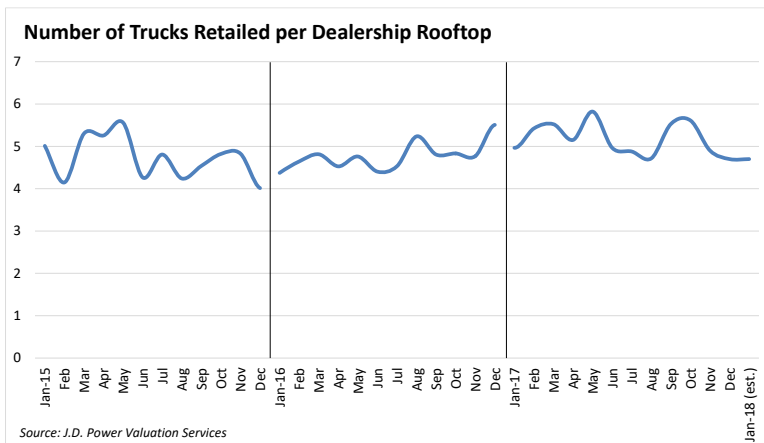
## Medium Duty Trucks

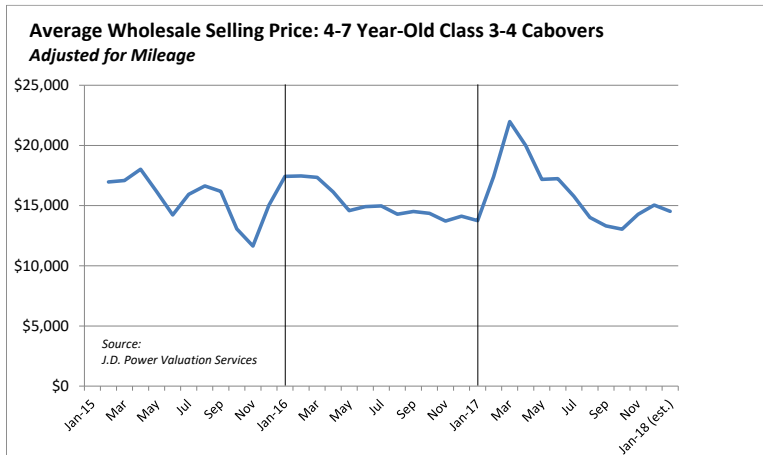
Starting with Class 3-4 cabovers, December’s average pricing was very similar to November’s, while average mileage was moderately higher. Volume was similar. December’s average pricing was \$15,059, which was \$28 [0.1%] higher than November, and \$864 [6.1%] higher than December 2016. In general, pricing for trucks of similar age and mileage was little changed month-over-month.

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

The conventional market moved positive in December, with both Class 4 and Class 6 trucks up substantially in price. Volume was similar for Class 4, and up notably for Class 6.

Specifically, Class 4’s averaged \$19,606 in December. This figure is \$1,733 [9.9%] higher than November, and \$898 [4.8%] higher than December 2016. Class 6’s broke their downward trend and moved upward dramatically. Class 6’s averaged \$18,690 in December, which is \$4,215 [or 29.1%] higher than November, and \$2,902 [or 18.4%] higher than December 2016.



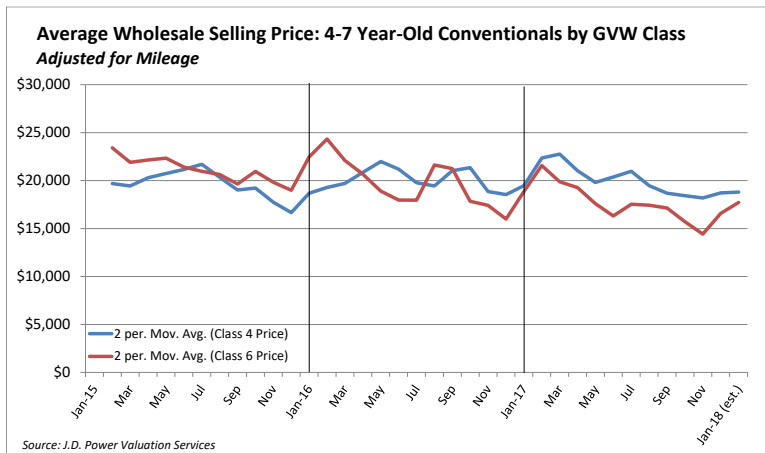


One month is not a trend, so we will look to January's results to add color to our observations. In the case of Class 4, lower average mileage of trucks sold was at least a partial factor. As for Class 6 trucks, group demographics were similar to last month, so it is possible the market may look more positive.

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

## Forecast

As mentioned earlier, Class 8 orders were through the roof in January. Tax breaks and incentives, the need to modernize equipment to comply with ELD mandates, OEM incentives, and general optimism about the economy look to be the main drivers of the strong performance. We're keeping our depreciation estimate at roughly 2% per month in 2018, as the predicted increase in used truck supply should counteract economic improvements to an extent.



## ATD OFFICIAL COMMERCIAL TRUCK GUIDE TRENDS

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

January 2018 vs. February 2018

Used Car Guide Segment	2011MY	2012MY	2013MY	2014MY	2015MY*
Commercial Van	➡ -0.4%	↘ -1.1%	↘ -1.1%	➡ -0.4%	↘ -0.6%
Extended Hood	➡ 0.0%	➡ 0.0%	➡ 0.0%	➡ 0.0%	➡ 0.0%
Highway Aerodynamic	➡ 0.0%	➡ 0.0%	➡ 0.0%	➡ -0.4%	➡ -0.3%
Highway Traditional	➡ 0.0%	➡ 0.0%	➡ 0.0%	➡ 0.0%	➡ 0.0%
Local/Delivery Daycab	➡ 0.0%	➡ 0.0%	➡ 0.0%	➡ 0.0%	➡ -0.1%
Medium Duty Cabover	➡ 0.0%	➡ 0.0%	➡ 0.0%	➡ 0.0%	➡ 0.0%
Medium Duty Conventional	➡ 0.0%	➡ 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

February 2017 vs. 2018\*

Segment	5YR	4YR	3YR	2YR	Segment Change
Commercial Van	4.0%	4.0%	15.1%	6.5%	0.3%
Extended Hood	17.2%	2.3%	13.3%	4.8%	-3.8%
Highway Aerodynamic	10.4%	6.8%	9.6%	-1.5%	-8.9%
Highway Traditional	12.7%	6.2%	NULL	NULL	-7.6%
Local/Delivery Daycab	19.1%	6.8%	3.3%	6.4%	-0.7%
Medium Duty Cabover	4.0%	-6.2%	-6.7%	-0.4%	-7.2%
Medium Duty Conventional	17.7%	13.0%	5.6%	-1.2%	-1.6%
Vocational/Construction	14.5%	14.1%	8.0%	8.0%	1.4%

\*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 2018 — February 2018

Used Car Guide Segment	2012MY	2013MY	2014MY	2015MY	2016MY*	Segment
Commercial Van	-1.1%	-1.1%	-0.4%	-0.6%	-0.8%	-0.7%
Extended Hood	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Highway Aerodynamic	0.0%	0.0%	-0.4%	-0.3%	-0.5%	-0.3%
Highway Traditional	0.0%	0.0%	0.0%	0.0%	NULL	0.0%
Local/Delivery Daycab	0.0%	0.0%	0.0%	-0.1%	-0.2%	-0.1%
Medium Duty Cabover	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Medium Duty Conventional	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Vocational/Construction	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

## 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.



### About J.D. Power

J.D. Power is a global leader in consumer insights, advisory services, and data and analytics to help clients measure and improve the key performance metrics that drive growth and profitability. J.D. Power's industry benchmarks, robust proprietary data, advanced analytics capabilities, and reputation for independence and integrity has established the company as one of the world's most well-known and trusted providers of consumer and market insights for more than a dozen industries. Established in 1968, J.D. Power is headquartered in Costa Mesa, California, and has 17 global locations serving North/South America, Asia Pacific, and Europe.

### 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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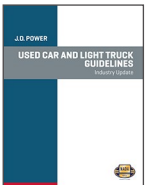
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## ADDITIONAL RESOURCES



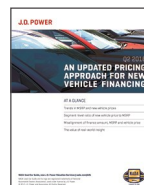
### Guidelines

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.



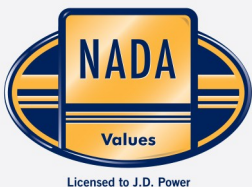
### White Papers

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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