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.
**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 rooftops dipped in December, from 4.9 to 4.7. Last year was somewhat more volatile than 2016, but volume was up roughly...
Average Retail Selling Price of Selected 3-5 Year-Old Sleeper Tractors
Adjusted for Mileage

Source: J.D. Power Valuation Services

Number of Trucks Retailed per Dealership Rooftop

Source: J.D. Power Valuation Services

Retail Value Forecast
Percent Change Year-over-Year

Source: J.D. Power Valuation Services

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

#### January 2018 vs. February 2018

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<thead>
<tr>
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*Value movement can be influenced by newly valued vehicles.

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

#### February 2017 vs. 2018*

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*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

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