

**J.D. POWER**

# COMMERCIAL TRUCK GUIDELINES

Industry Update

## OCTOBER 2018

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- **Auction volume up notably in September**

Newer trucks entering the market in greater numbers, but pricing remains strong

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- **Retail volume up moderately**

Pricing mildly lower as dealers receive more trade-ins

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- **Medium Duty market down in September**

Weak month for cabovers and heavier-GVW conventionals

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## COMMERCIAL TRUCK MARKET TRENDS

### Changing New Truck Conditions Create More Used Trucks to Sell

An increase in the number of new trucks delivered should be creating a higher volume of late-model used trucks to sell. Medium duty trucks were generally down, with lighter-GVW units once again leading the market.

### Sleeper Tractors – Auction

The auction market performed closer to expectations in September, with a notable increase in the number of sleeper tractors of most model years represented. Pricing for our benchmark model was mostly lower, particularly for model-year 2015 trucks, which were impacted by higher volume and higher average mileage. See below for detail.

*Model year 2015: \$38,000 average; \$17,750 [31.8%] lower than August*

*Model year 2014: \$34,750 average; \$1,750 [4.8%] lower than August*

*Model year 2013: \$27,750 average; \$2,250 [7.5%] lower than August*

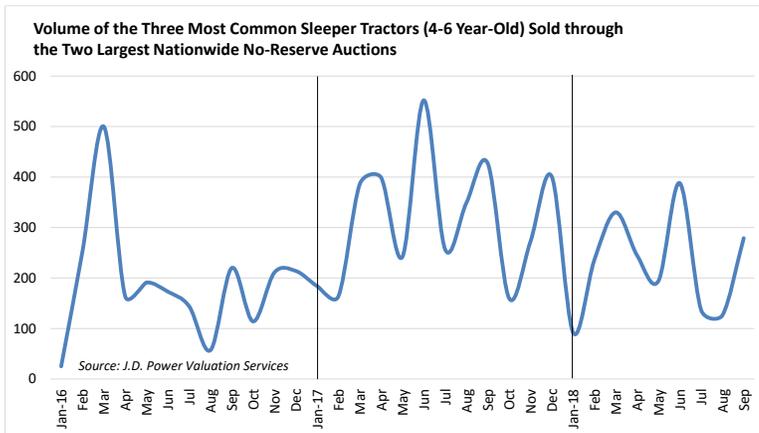
*Model year 2012: \$26,750 average; \$2,000 [8.1%] higher than August*

*Model year 2011: \$21,750 average; \$1,250 [6.1%] higher than August*

The severe drop in our pricing average for 2015's is a bit misleading. This month's figure was unusually low and is being compared to an unusually strong previous month. There was simply a much higher volume of trucks with high average mileage sold in September compared to August. Newer trucks are indeed seeing more notable depreciation now that more volume is entering the market, but the 31.8% result is not representative of what to expect in the real world.

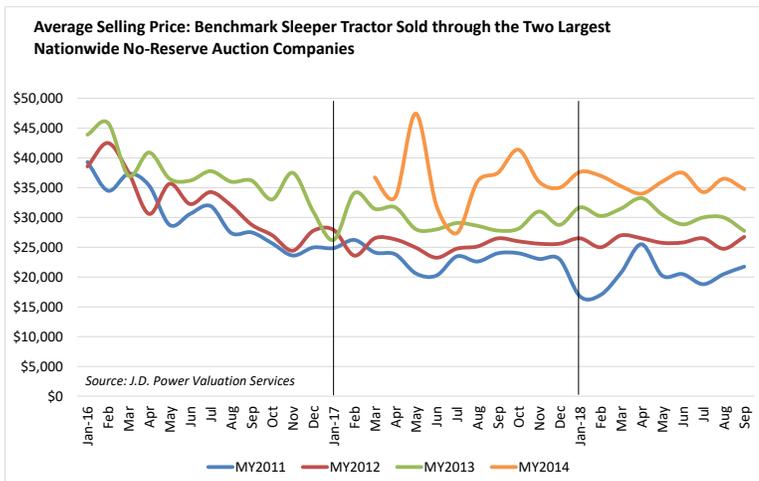
Despite the value drop in the newest model years, the year-over-year average for trucks four to six years old is still very positive. Trucks in this age range sold in the first nine months of 2018

An increase in the number of new trucks delivered should be creating a higher volume of late-model used trucks to sell. Medium duty trucks were generally down, with lighter-GVW units once again leading the market.



brought 20% more money than the same period in 2017. On average, this group has lost essentially no value in the first nine months of 2018, averaging 0.2% per month depreciation. This figure compares favorably to an also-very-low 0.8% in the same period of 2017.

The number of trade-ins becoming available does appear to be ramping up, now that production constraints have been mostly alleviated, and fleets are taking delivery of more new trucks. There may be more downward pressure on newer trucks than in previous months. See the “Volume of all Aerodynamic Sleeper Tractors Sold...” and “Average Selling Price: Benchmark Sleeper Tractor...” graphs for detail.



## Sleeper Tractors – Retail

Predictably, August’s retail used truck market looked very similar to July’s. Dealers sold incrementally more trucks, while pricing was basically unchanged. Incoming September data suggests a mild pullback in pricing commensurate with a higher volume of trucks sold.

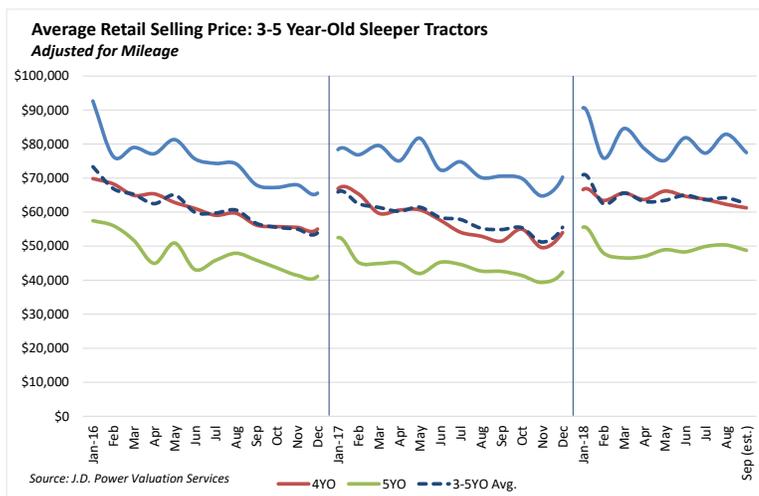
The average sleeper tractor retailed in August was 71 months old, had 455,782 miles, and brought \$53,480. Compared to July, the average sleeper was 3 months older, had 6,109 [1.3%] fewer miles, and brought \$184 [0.3%] more money. Compared to August 2017, this average sleeper was 4 months newer, had 9,311 [2.1%] more miles, and brought \$5,662 [11.8%] more money.

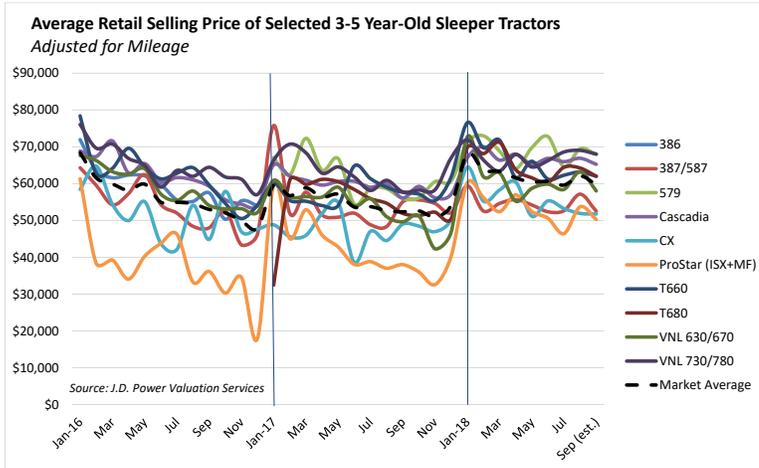
Looking at trucks three to five years of age, August’s average pricing was as follows:

*Model year 2016: \$82,884; \$5,557 [7.2%] higher than July*

*Model year 2015: \$62,299; \$1,436 [2.3%] lower than July*

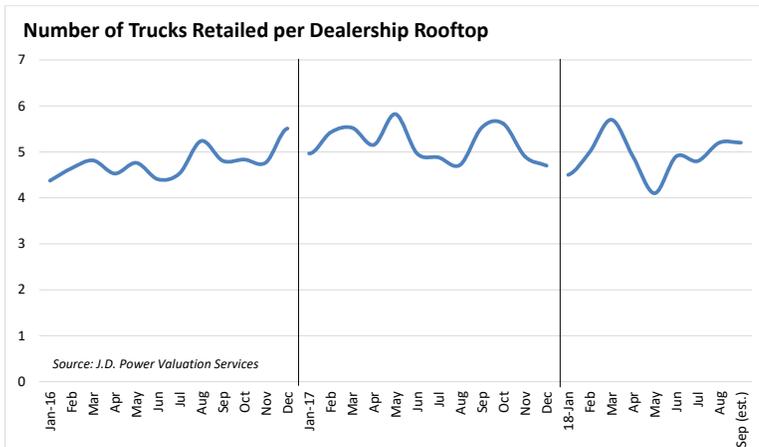
*Model year 2014: \$50,333; \$426 [0.9%] higher than July*





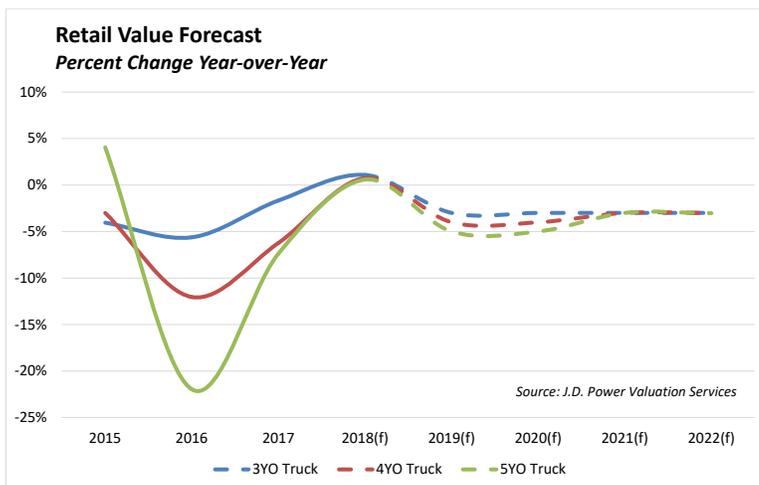
On a year-over-year basis, late-model trucks sold in the first 8 months of 2018 brought 7.5% more money than in the same period of 2017. Depreciation is running 0.4% per month in 2018, compared to 1.8% last year. See the “Average Retail Selling Price: 3-5 Year-Old Sleeper Tractors” and “Average Retail Selling Price of Selected 3-5 Year-Old Sleeper Tractors” graphs for detail.

Class 8 sales per dealership finally blipped up in August, coming in at 5.2 trucks per rooftop. Incoming September data points to a similar result. Dealers should be seeing incrementally more trade-ins to sell. See “Number of Trucks Retailed per Dealership Rooftop” graph for detail.



Looking forward over the long term, the new truck order/delivery ratio has pulled back considerably from July’s wide disparity. August and September deliveries were 16% higher than July, while September orders were 19% lower than August. This shift suggests fleets are scaling back their build slot reservations as the actual build rate gets closer to real-world need.

2018’s peak order month to date was August, at 52,629 units. At the last recent peak in mid-2015, new truck orders numbered about 46,000. Deliveries topped out a few months later at just over 25,000 units. This means the highest delivery month was only 55% of the highest order month. Using this ratio, August 2018 orders suggest a peak delivery month of just over 28,000 trucks. However, economic and regulatory factors require anywhere from 25-50% more trucks now than in 2015, which suggests a peak of 35,000-42,000 units. This figure is not realistically attainable, so we still see deliveries increasing into the second quarter of 2019. See the “Retail Value Forecast” graph for a look at how we see used truck pricing unfolding over the next four years.

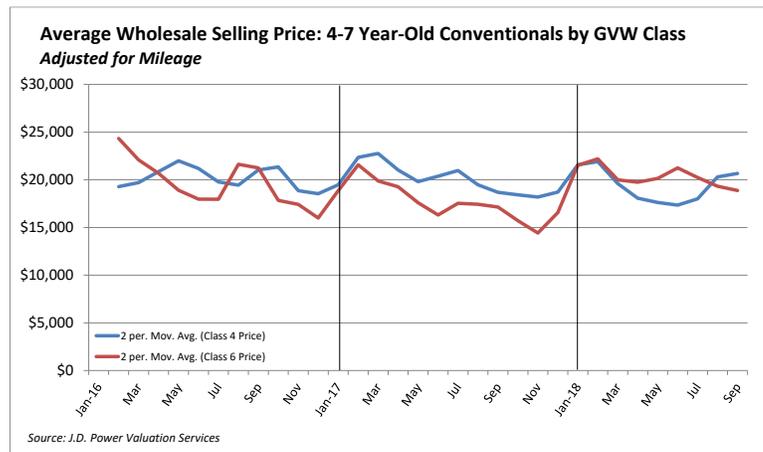
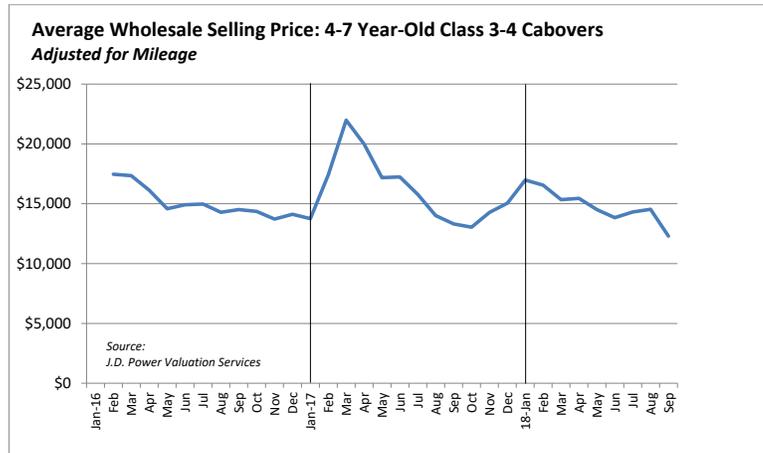


## Medium Duty Trucks

September was a somewhat disappointing month for medium duty trucks. All segments brought lower average pricing month-over-month.

Starting with Class 3 – 4 cabovers, September’s average pricing came in at \$11,089. This figure is \$2,422 [17.9%] lower than August, and \$1,470 [11.7%] lower than September 2017. The average mileage of the trucks we track was notably higher than in recent months, which accounts for some of the pricing difference. Still, September was the second month in a row with lower pricing, and August’s average mileage was similar to previous months. Monthly depreciation in the first 9 months of 2018 is now higher than the same period of 2017, at 3.4% vs. 3.0%, respectively. *See the “Average Wholesale Selling Price: 4-7 Year-Old Class 3-4 Cabovers” graph for detail.*

Looking at conventionals, Class 4’s averaged \$20,069 in September. This figure is \$1,206 [5.7%] lower than August, and \$1,785 [9.8%] higher than September 2017. September’s average pricing represents a mild pullback from the two-month rally in July and August. Class 4’s brought more money than heavier GVW units throughout the third quarter. Monthly depreciation in the first 9 months of 2018 is averaging a very mild 0.6%, compared to 1.6% in the same period of 2017.



Class 6’s averaged \$17,828 in September. This figure is \$2,100 [10.5%] lower than August, and \$758 [4.5%] higher than September 2017. This month represented a break from the relative stability of previous months. There were no clear factors explaining the difference, other than a mildly higher average mileage mix. Depreciation for this group is running at 1.7% per month so far in 2018, compared to 2.6% per month in the same period of last year. *See the “Average Wholesale Selling Price: 4-7 Year-Old Conventionals by GVW Class” graph for detail.*

## Forecast

We may be near the peak of the new truck order cycle, which means deliveries should increase for a few more months. This means the volume of trade-ins will increase through the first quarter. Wall Street appears to be adjusting to a more traditional interest rate environment, which generally points to a cooler rate of economic expansion. However, the economy is still expanding, and most measures remain positive. After the midterm elections and winter weather season, we’ll have a clearer picture of how things stand.

## COMMERCIAL TRUCK GUIDE TRENDS

### Monthly Change in J.D. Power Valuation Services Values

September 2018 vs October 2018

Commercial Truck Segment	2012MY	2013MY	2014MY	2015MY	2016MY*
Commercial Van	↘ -1.4%	↘ -1.1%	↘ -0.6%	→ 0.0%	→ 0.0%
Extended Hood	→ 0.0%	→ 0.0%	→ 0.0%	→ 0.0%	→ 0.0%
Highway Aerodynamic	→ 0.0%	→ 0.0%	→ -0.1%	↘ -1.2%	↘ -1.5%
Highway Traditional	→ 0.0%	→ 0.0%	→ 0.0%	→ 0.0%	NULL
Local/Delivery Daycab	→ 0.0%	→ 0.0%	→ 0.0%	→ -0.4%	→ -0.4%
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 J.D. Power Valuation Services Values

October 2017 vs. October 2018\*

Commercial Truck Segment	5YR	4YR	3YR	2YR
Commercial Van	3.5%	-1.4%	5.2%	2.7%
Extended Hood	12.8%	4.1%	10.9%	1.8%
Highway Aerodynamic	19.0%	9.4%	5.6%	1.6%
Highway Traditional	14.7%	5.3%	NULL	NULL
Local/Delivery Daycab	10.0%	6.1%	2.0%	4.6%
Medium Duty Cabover	6.9%	-4.8%	-7.2%	4.5%
Medium Duty Conventional	14.3%	11.1%	7.8%	1.2%
Vocational/Construction	13.8%	11.5%	2.5%	10.2%

\*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 J.D. Power Valuation Services Values

January 2018 — October 2018

Commercial Truck Segment	2012MY	2013MY	2014MY	2015MY	2016MY*
Commercial Van	-2.6%	0.0%	-1.9%	-6.3%	-4.8%
Extended Hood	-1.1%	-0.1%	-7.3%	-6.0%	-7.5%
Highway Aerodynamic	-2.9%	-9.6%	-11.6%	-10.6%	-15.5%
Highway Traditional	-0.3%	-0.1%	-6.6%	-7.9%	NULL
Local/Delivery Daycab	-1.2%	-2.8%	-7.7%	-7.5%	-17.1%
Medium Duty Cabover	-3.5%	-5.6%	-10.1%	-5.7%	-3.4%
Medium Duty Conventional	-1.9%	-3.5%	-4.2%	-1.5%	-2.4%
Vocational/Construction	-3.4%	-3.7%	-3.9%	-3.8%	-3.1%

## 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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### 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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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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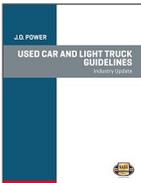
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## ADDITIONAL RESOURCES



### 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

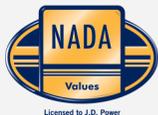
J.D. Power Valuation Services' white papers and special reports aim to inform industry stakeholders on current and expected used vehicle price movement to better maximize today's opportunities and manage tomorrow's risk.



### 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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