November 2014

- Package trades accelerating supply in retail and wholesale channels
- Medium duty segments generally improving
- Special Study: Effect of region on price
COMMERCIAL TRUCK MARKET TRENDS

Market Summary

The volume of Class 8 trucks sold was up in both the retail and wholesale channels in September, with late-model trucks responsible for the increase. Supply of these trucks accelerated in late summer, shaking up the mix of trucks available to the marketplace. Medium Duty segments continue to mildly improve. A special study examines the effect of region on price.

Sleeper Tractors – Retail

Hopefully, we no longer need to state that the market is absorbing an expanded supply of model-year 2010-2013 trucks – this is the new normal, and the used truck industry should be accustomed to it. The new factors to watch are the acceleration of that supply that began in late summer, and the increased proportion of the market comprised of the International ProStar. August and September data showed numerous group package sales of this model as well as the Kenworth T660.

A combination of ProStar supply and natural depreciation resulted in NADA’s universal sleeper tractor average moving down $1,103 (or 1.8%) from August, despite average mileage 8,577 (or 1.7%) lower. Specifically, the average sleeper tractor retailed in September for $59,356, had 501,868 miles, and was 75 months old. Year-over-year,

![Average Retail Price and Mileage: All Sleeper Tractors Under 1M Miles](chart.png)
average pricing was up $5,663 (or 10.5%), mileage was down 35,707 (or 6.6%), and age was 3 months younger. See “Average Retail Price and Mileage” graph for detail.

If we exclude the ProStar from our calculations, the August-September pricing decline was 1.2%. So the ProStar was responsible for 0.6% of overall market depreciation. Increased supply of many other makes and models combined with somewhat typical seasonal depreciation is responsible for the remainder. Our early prediction of 1-1.5% depreciation for 2011 and newer trucks has been accurate on average - slightly high for 2011’s and 2012’s, and slightly low for 2013’s.

Outside of these variables, 3-5 year-old trucks continue to bring notably more money in 2014 than in the previous two years. See the “Average Retail Selling Price by Age” graph for detail.

**Sleeper Tractors – Wholesale**

September’s wholesale marketplace was shaken up even more by the influx of newer trucks. This month, 3-year-old Kenworth T660’s made an outsized impact on our wholesale database, pushing our universal average pricing to a new record. Thanks to this activity, average mileage and age were also pushed down to record levels, and were in fact lower than trucks sold retail!

Specifically, NADA’s wholesale benchmark average price hit its highest level in at least six years, coming in at $47,008. Average mileage was the lowest we’ve seen, coming in at 492,160. Average age was – you guessed it – the youngest recorded, at 64 months.

Month-over-month, pricing was up $6,949 (or 17.3%), mileage was down 74,929 (or 13.2%), and age was 9 months younger. Year-over-year, pricing was up $14,705 (or 45.5%), mileage was down 162,645 (or 24.8%) and age was 16 months newer. See “Average Wholesale Price and Mileage” graph for detail.
COMMERCIAL TRUCK MARKET TRENDS continued

A monthly change of this magnitude is an anomaly. At the same time, we have expected an accelerated supply increase of newer, lower-mileage trucks now that we are in the thick part of the trade-in cycle of trucks built post-recession. As such, we characterize September’s wholesale results as somewhat unusual, but indicative of the direction the market is heading. Expect a better selection of late-model sleepers in the auction lanes and from wholesale partners going forward.

Competitive Comparison—3- and 4-Year-Old Sleepers

Starting with 3-year-old (2012MY) trucks, the Freightliner Cascadia and Peterbilt 587 vied for top spot in September, with both models returning strong, stable pricing for multiple months. The Cascadia remains the highest-volume model in this cohort, which underlines its positioning. As for the 587, the vast majority of this model sold to date (85%) have been equipped with the ISX engine, which likely supports value.

The Kenworth T660 has depreciated more heavily than the other top-performing models, with increased volume of this model the primary factor.

Peterbilt’s 386 continues to return volatile pricing, due to a low volume of trucks reported sold combined with heavy MX engine representation in trucks sold recently.

Volvo’s 730/780 series returned back above the market average this month, with slightly lower average mileage the main factor behind the higher pricing. This model continues to return average mileage well above the industry mean. 630/670 models also moved up back to the market average this month. As with their larger brandmates, 630/670’s sold this month featured average mileage lower than last month.

The Kenworth T700 is also a model that appears to be well-used prior to trade-in, with average mileage well above the mean for this cohort. That factor combined with heavy MX engine representation are the main factors in this model’s positioning.

The International ProStar ticked back up in September, and continues to run roughly 25% below the average for this group. As we mentioned, this model has appeared in much greater numbers in recent months in our retail and wholesale sales data.

Wholesale records are comprised mainly of package deals – groups of trucks each
selling for the same price. Retail pricing remains volatile, which suggests the industry is still finding a comfort level for pricing of this model.

See “Average Retail Price – 3-Year-Old” graph for detail.

Moving over to 4-year-old (2011MY) trucks, most models ticked downwards in September, save for the 730/780 and 387. Increased volume appears to be the main factor behind the downward movement. The 730/780 and 387 simply had a stronger month than the competition, with no outstanding factors explaining their superior performance.

The ProStar continues to depreciate, currently running about 13% behind the market average for the year to date. There was a larger proportion of MaxxForce-equipped trucks sold this month, with 33% equipped with that engine.

See the “Average Retail Price – 4-Year-Old” graphs for detail.

**Medium Duty—Class 3-4 Cabovers**

2014 has been a better year for used cabovers than 2013, with pricing up notably. However, the number of trucks sold has decreased, and the upward movement in price over time is due partially to a lower mileage mix of trucks sold. Still, positive year-over-year pricing comparisons suggest an improved market.

Specifically, the average 4-7 year-old Class 3-4 cabover sold wholesale in September for $13,961 – a $5,003 (or 26.4%) decrease from August, but a
$3,358 (or 31.7%) increase over September 2013. Mileage came in at 100,583 – a 4,538 (or 4.7%) increase over last month, and a 28,340 (or 22.0%) decrease vs. September 2013. See Class 3 Cabover graph for details.

The mild mileage increase does not explain the major decrease month-over-month. Unfortunately, monthly volatility is a fact of life in a low-volume segment. 2014 is running a whopping 65.5% behind 2013 in terms of volume. Part of this shift is due to the inclusion of two low-build model years in the 2014 data (vs. one in the 2013 data), but if demand existed for these trucks in the used market, they would exhibit higher pricing.

At this point, it appears that the various users of light-GVW cabovers are paying about 19% more for these trucks in 2014 than they were last year, but there are fewer of these buyers.

Medium Duty—Class 4 and 6 Conventionals

Starting with Class 4, volume for our benchmark 4-7 year-old group is similar to last year, at an average of 42 sold in 2014 to date vs. 45 for the same period last year (excluding one major outlier month last year). Month-over-month and year-over year pricing comparisons are both positive, indicating an improving market.

Specifically, the average 4-7 year-old Class 4 conventional sold wholesale in September for $15,747 – a $2,625 (or 20.0%) increase over August, and a $3,707 (or 27.0%) increase over September, 2013. In terms of mileage, September came in at 118,932 – an 8,305 (or 6.5%) decrease over last month, and an 11,009 (or 10.2%) increase over September, 2013. See Class 4 Conventionals graph for details.

With mileage and sales volume stable over the past
two years, positive pricing performance appears to be organically driven. Contractors, landscapers, and light haulers have gradually been finding more work.

As for Class 6, that segment continues to eke out a recovery at a rate somewhat slower than Class 4. Pricing comparisons are positive, but volume in 2014 to date is notably lower.

Specifically, the average 4-7 year-old Class 6 conventional sold wholesale in September for $19,362 – a $1,258 (or 6.9%) increase over August, and a $4,855 (or 33.5%) increase over September, 2013. In terms of mileage, September came in at 173,532 – a 2,501 (or 1.5%) increase over last month, and a 3,562 (or 2.0%) decrease over September, 2013. The apparent bubble in pricing early this year was due to newer, lower-mileage trucks impacting our averages, not any shift in conditions. See Class 6 Conventionals graph for detail.

If volume in 2014 had been comparable to 2013, it would be appropriate to identify a recovery on the level of Class 4. However, with average monthly sales of this cohort averaging just 15 - compared to 43 in 2013 – demand has not clearly increased. The P&D and towing customers purchasing these trucks are paying moderately more money for them, but there are fewer of these buyers. We continue to consider this market in a very gradual recovery.

Special Study—Effect of Region on Price

This analysis updates NADA’s earlier study published in mid-October in our Commercial Vehicle Blog, controlling for additional variables. The conclusion is similar, but the figures are slightly different.

NADA is occasionally asked about the effect of location on the value of a used truck. We have looked at this data in the past, and have not drawn definitive conclusions outside of common wisdom – namely, that there is little demand for lower horsepower engines in mountain states, or pre- EPA2007 trucks in California and other western port states. Logically, regional microeconomies and access to used truck supply vary. So it is
possible that location itself is a factor impacting value.

To examine this issue, we split our retail database of aerodynamic sleeper tractors into five regions: Midwest, Northeast, Southeast, Southwest, and West. Trucks included were model years 2008-2012 sold in calendar year 2013. We chose MY2008 as the cutoff so EPA2007 (and newer) would be the spec for all trucks. We limited the database to trucks with mileage inside our acceptable range of 100-125,000 per year. Models included were those with representation in each region, to reduce the effect of higher-value models being overly represented in one or two regions.

With these parameters, our dataset is tightly defined. The high-low regional average age spread was 4 months, and the high-low average mileage spread was 29,288 (or 6.2%). Specs were similar between regions. As such, we did not need to perform any age or mileage adjustments.

On to the results. Overall, trucks sold in the western part of the country appear to mildly outperform those sold in the east. Specifically, trucks sold in the highest region (West) brought $2,134 (or 3.6%) more than the lowest region (Southeast) on average. The Southwest and West perform nearly identically, with only $370 (or 0.6%) separating the two regions. See “2008-2012 Aerodynamic Sleeper Tractors” table for details.

Potential explanations for the regional spread are numerous. First, even though spec level is similar between regions, there is nonetheless a 10% gap in number of trucks equipped with a 13-18 speed transmission in the West vs. Southeast regions. Second, even though various models are represented in each region, the mix of high-value trucks such as the Cascadia and T660 was moderately higher in the West – and, conversely, the number of ProStars sold in the Southeast was greater. Third, state and intra-state microeconomies impact demand, with Western states generally outperforming Southeastern states in that regard. Finally, intangible factors impacting vehicle condition such as weather patterns, road conditions, and percentage of urban usage also differ.

<table>
<thead>
<tr>
<th>Region</th>
<th>Avg. Ret. Price</th>
<th>Avg. Mileage</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midwest</td>
<td>$61,076</td>
<td>440964</td>
<td>643</td>
</tr>
<tr>
<td>Northeast</td>
<td>$60,104</td>
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</tr>
<tr>
<td>Southeast</td>
<td>$59,822</td>
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<tr>
<td>Southwest</td>
<td>$61,586</td>
<td>454275</td>
<td>152</td>
</tr>
<tr>
<td>West</td>
<td>$61,956</td>
<td>449349</td>
<td>698</td>
</tr>
</tbody>
</table>
Importantly, it must also be stated that identical trucks sold within a region (even by the same dealership) can vary in price by more than the $2,134 figure. NADA’s reporting dealers submit net price, which excludes overallowance – so this variation is simply a reflection of one customer paying more than another for an identical truck. This behavior is present in all regions, so the net impact to our study may cancel out – but it represents a big “asterisk” in the analysis.

With all these issues in mind, it is valid to state that location impacts value to a small degree. In an apples-to-apples comparison, sellers in the West can expect their trucks to sell for fractionally more money than their counterparts in the Southeast. Differences between other regions are minor enough to be considered negligible.

If you’re a national fleet – or are involved in remarketing a large volume of trucks nationwide – ongoing regional performance analysis is worth the effort. For local or regional entities dealing in moderate volumes, your competitors are not likely doing any better or worse than you based on location alone.

Sales Volume—Retail and Wholesale

The number of trucks reported sold wholesale (auction plus dealer-to-dealer) stands at 31,094 through September, for a 4.2% increase over same-period 2013. Dealer-to-dealer activity is the main story this month, with dealers reporting 3.2 trucks wholesaled per rooftop. This result is the highest since December 2010, and reflects the major increase in package trades. See “Total Wholesale Sales Reported to NADA” graph for detail.

As for the retail channel, volume returned to trend after a weak August, coming in at 6.1 trucks per rooftop. Given continued strong pricing, we didn’t assign much importance to August’s result, and September’s figure indicates that this was the correct stance.

In terms of the year to date, a weak September 2013 brings year-over-year comparisons up to parity. 2014 to date is now identical to same-period 2013 in terms of trucks retailed monthly per rooftop, averaging 6.0. This average rooftop has retailed 53.8
trucks so far in 2014, compared to 53.6 in the same period last year.

It is likely that calendar year 2014 will end up almost identical to calendar year 2013 in terms of retail volume per dealership. This would mark the fifth year in a row for very similar annual volume. See the “Average Number of Used Trucks Sold per Rooftop” graph for detail.

**Conclusion**

Retail and wholesale used truck pricing should remain strong through the end of the year despite the continually increasing supply. Our prediction of depreciation on the order of 1-1.5% for 2011 and newer trucks has generally proven accurate, and we may want to include 2010’s in that equation as well given recent performance of those models.

As always, most of the content in this report was originally posted on our Commercial Vehicle Blog in real-time. Keep up with that blog twice each week for analysis of incoming data as well as industry commentary, at [www.nada.com/b2b](http://www.nada.com/b2b).
### Monthly Change in ATD/NADA Commercial Truck Guide Value

**November 2014 v. October 2014**

<table>
<thead>
<tr>
<th>NADA Segment</th>
<th>2008MY</th>
<th>2009MY</th>
<th>2010MY</th>
<th>2011MY</th>
<th>2012MY*</th>
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<tbody>
<tr>
<td>Commercial Van</td>
<td>0.0%</td>
<td>0.0%</td>
<td>-0.1%</td>
<td>0.0%</td>
<td>0.7%</td>
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<td>Extended Hood</td>
<td>0.0%</td>
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<td>Highway Aerodynamic</td>
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<td>Highway Traditional</td>
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<td>0.0%</td>
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<tr>
<td>Local/Delivery Daycab</td>
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<td>0.0%</td>
<td>-0.1%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Medium Duty Cabover</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>2.7%</td>
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<td>Medium Duty Conventional</td>
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<td>Vocational/Construction</td>
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<td>0.0%</td>
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*Value movement can be influenced by newly valued vehicles.

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

**November, 2013 v. 2014**

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<th>NADA Segment</th>
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<th>4YR</th>
<th>3YR</th>
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<td>Extended Hood</td>
<td>1.8%</td>
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<tr>
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<td>3.7%</td>
<td>4.8%</td>
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<tr>
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<tr>
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*Calculations are based on vehicle age, i.e. values for 1-year-old vehicles in CY2014 are compared against values for 1-year-old vehicles in CY2013.

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

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<td>-1.5%</td>
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<td>0.6%</td>
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AT NADA USED CAR GUIDE

What’s New
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Since 1933, NADA Used Car Guide has earned its reputation as the leading provider of vehicle valuation products, services and information to businesses throughout the United States and worldwide. NADA’s editorial team collects and analyzes over one million combined automotive and truck wholesale and retail transactions per month. Its guidebooks, auction data, analysis and data solutions offer automotive/truck, finance, insurance and government professionals the timely information and reliable solutions they need to make better business decisions. Visit nada.com/b2b to learn more.
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NADA’s 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 NADA’s analytics team, which maintains and advances NADA’s 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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Guidelines
Updated monthly with a robust data set from various industry sources and NADA’s own proprietary analytical tool, Guidelines provides the insight needed to make decisions in today’s market.

NADA Perspective
Leveraging data from various industry sources and NADA’s analysts, NADA Perspective takes a deep dive into a range of industry trends to determine why they are happening and what to expect in the future.

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NADA’s 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.

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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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