

**2024 Used Truck Market Forecast – Background:**

The used truck valuation correction that started in 3Q-'22 continued throughout 2023. The most significant price declines observed in 2023 were in the used linehaul (day cab plus sleeper) tractor sectors. Pricing in the MRD / LFE / MRD tractor and vocational sectors were aligned with historical pricing declines. The primary factors that drove prices lower in 2023 were high levels of used truck supply and an increasing level of used inventory. These factors will continue to adversely impact the used truck market in 2024.

The WA assessment of the factors that will impact the 2024 used truck market are in the dashboard below. Green suggests the category will be positive and support higher YOY prices. Yellow indicates neutral – the category will support pricing at 2023 levels. Red indicates trouble for the used truck pricing in 2024. I will develop each of these areas in more detail in this forecast.

Used Truck Market Forecast: 2024			
2023 Used Truck Market Metrics	2024 Demand Assessment	2024 Used Truck Supply	Liquidity / Inventory

**Executive Summary:**

Challenges in the day cab and sleeper tractor sectors will continue in 2024. The WA 2024 Used Truck Forecast highlights are:

- Used truck demand in 2024 is expected to be consistent with 2023 demand for each product sector. Demand for linehaul tractors will remain consistent with historical unit sale volumes – 150,000 units. Demand for used Class 8 vocational equipment will be around 25,000 units. And used MRD / LFE unit sales volumes are projected to be about 90,000 units.
- Total US 2024 Class 8 retail sales are forecasted to be about 230,000 units. This will produce a supply of used linehaul tractors that is higher than demand levels again this year. Supply from other used truck sources (repossessions, etc.) in 2024 is also expected to increase. The total supply of used linehaul tractors in 2024 will be well above historical demand for these products.
- The supply of used MRD trucks is forecasted to be about equal to demand in 2024. Used MRD and LFE prices will continue to decline in an orderly, predictable fashion once again in 2024.
- Demand for used HH / Vocational products is being supported by the 2021 Infrastructure & Jobs Act, and a strong construction market. These products will continue to provide sales and gross margin opportunities for dealers in 2024.
- Used truck inventory levels in all sectors rose consistently in 2023. Used sleeper tractor inventory levels have reached a surplus level that is exerting downward price pressure on this inventory. Used day cab tractor inventories will reach a similar point in 2Q-'24. MRD / LFE inventory levels remains in check.
- 2024 will be a very challenging year once again in the North American used truck market. OEM backlogs and current order receipt rates ensure used truck supply will be elevated in 2024. Used truck inventory levels are also high – and they will move higher. So, remain vigilant and ACTIVELY manage your used truck inventory in 2024.



**1) 2023 Used Truck Market Challenges:**

The used truck valuation correction that started in 2022 continued throughout 2023. Sleeper prices fell dramatically. Used day cab tractor prices declines in 2023 exceeded forecasted declines for the year by about 50%. Clearly, 2023 was a challenging year for selling used linehaul tractors. Here is a summary of where the 2023 used truck market stands as we move into 2024:

- The supply of used linehaul tractors in 2023 was about 50,000 units more than demand! Accelerated Class 8 sales of new trucks in 2023 was the primary driver of high used truck supply. 2023 used truck supply from all sources (including trade-ins on new tractors) is estimated to be about 225,000 units. Historical Class 8 used truck demand (including vocational equipment) is about 175,000 units. This imbalance drove large price declines in 2023.
- Sales volume in the auction market exploded in 2023. We observed record unit sales every month in 4Q-'23 in both the day cab and sleeper sectors. Activity in the used MRD sector also increased. High auction unit sales increased downward price pressure throughout 2023.
- Retail asking prices for used day cab / sleeper are following the auction market lead. Asking prices for this inventory declined consistently throughout 2023. MRD asking prices were more stable.
- Inventory levels for used linehaul tractors increased consistently throughout 2023. Sleeper inventory levels have reached a point where excess inventory is contributing to price declines. Used day cab tractor inventory is close behind. MRD / LFE inventory remains in check at this time.
- Repossession activity relating to increased FMCA authority revocations returned to historical levels in 2023. This resulted in higher loan delinquencies and more repossessions during the year. Nevertheless, liquidity remains in place to provide financing for used truck customers in 2024.

From start to finish 2023 was a difficult year in the used linehaul tractor market. This challenging market has created some strong headwinds that will have an adverse impact on 2024 used truck metrics!

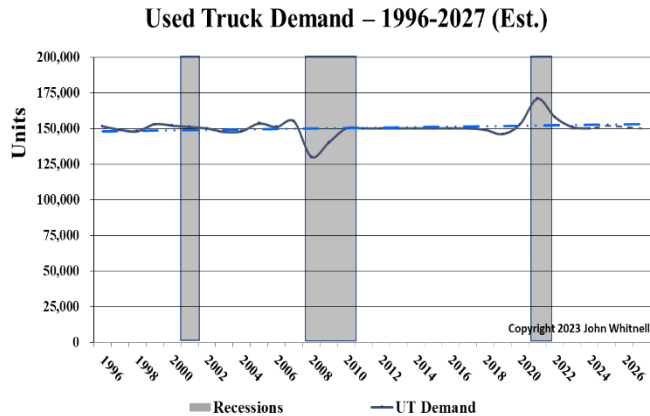
**2) 2024 Expected Used Truck Demand:**

Evaluating used truck demand was talked about frequently in the trade publications this year. As I have previously stated spot rates, freight rates, fleet utilization and the price of tea in China have never impacted the demand for used Class 8 tractors. Period. The only accurate way to measure used truck demand (and sales) is by tediously evaluating name changes on vehicle titles. Attempting to interpolate used truck demand from monthly sales data is a flawed methodology that is not reliable. The fact is, used Class 8 linehaul tractor demand (of about 150,000 annual units) is remarkably stable. And it has been for over 30 years. The table below summarizes retail demand for used linehaul tractors for the last five years. Except for 2021, demand for used linehaul tractors continues to move in a very narrow range around 150,000 annual unit sales. It will continue to do so in 2024.

Class 8 Heavy	2019	2020	2021	2022	2023 Annualized	2024 Forecast
Used Class 8 Linehaul Unit Sales (Rounded)	146,000	153,000	171,000	158,000	151,000	150,000



As we look at 2024 there are significant questions about the strength of the domestic economy. But as I stated in last year’s forecast, the U.S economy is extremely resilient! The chart to the right overlays used truck demand versus periods of recession (using GDP contraction to define a recession.) The 2009-2010 decline in demand was not driven by economic considerations but by banks choking off liquidity in response to new banking regulations. In the other two recessions, demand has remained stable at about 150,000 annual units. So used truck demand may not be “recession-proof.” But it is remarkably stable and has been for 30 years.



The current economic circumstances are not ideal. But there was no recession in 2023. And nobody is expecting a recession in 2024. The current estimates for 2024 GDP growth are adequate to sustain used truck linehaul tractor demand at 150,000 units. I would say the same thing on industry metrics. The outlook for rates, loadings, and fleet utilization are not ideal. But trucking industry metrics will continue to support demand at historical levels of about 150,000 units in 2024.

**3) 2024 Used Truck Supply Considerations:**

The WA forecast for 2024 Class 8 retail sales is summarized in the chart below. This chart aggregates assumptions about used truck supply from all sources to develop a projected supply of used trucks for each month in 2024. Highlights of this year’s supply forecast are:

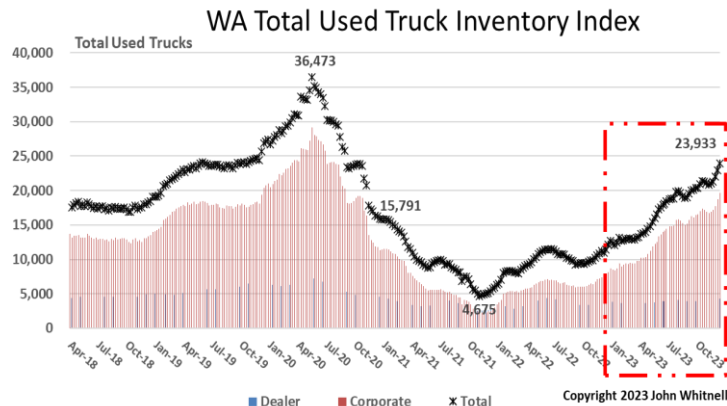
- 2024 US Class 8 retail sales will decrease from 270,000 units in 2023. But the trade-in conversion rate will increase partially offsetting any relief from lower new truck retail sales.
- 2024 repossession activity will be modestly higher in 2023 resulting in an increase in used truck supply.
- Trade-on-trade activity will also increase as fewer owners will want to take the time to sell their own trades in 2024 now that used sleeper tractor prices have collapsed.
- Export sales will go up in 2024 to about 3,200 units. But this volume of export sales will not be sufficient to materially impact high inventory levels or low prices in 2024.
- Leasing companies will continue to run leaner daily rental fleets in 2024. This will increase used MRD supply modestly in 2024.

	Monthly US Class 8 Retail Sales	Wt. Avg. 60 Day Retail Rate	Projected Monthly Used Truck Supply
Jan-24	16,000	17,000	17,310
Feb-24	17,000	16,500	16,670
Mar-24	18,000	17,500	16,450
Apr-24	18,000	18,000	16,690
May-24	19,000	18,500	17,580
Jun-24	19,000	19,000	17,320
Jul-24	19,000	19,000	17,420
Aug-24	19,000	19,000	17,320
Sep-24	20,000	19,500	17,610
Oct-24	20,000	20,000	17,800
Nov-24	22,000	21,000	18,380
Dec-24	23,000	22,500	19,450
<b>2024 U.S. Forecast</b>	<b>230,000</b>		<b>210,000</b>

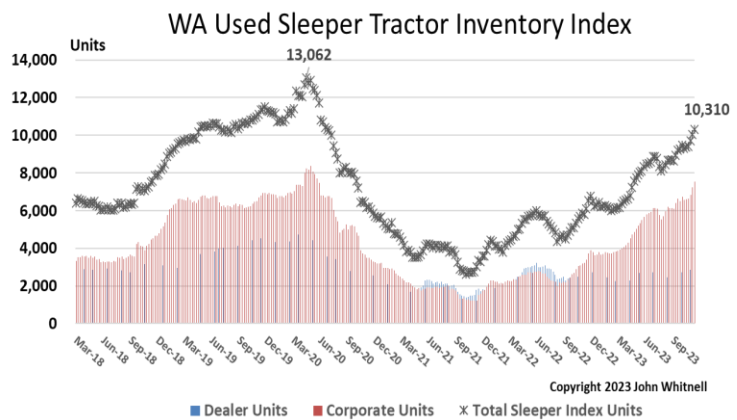
Used truck supply is forecasted to be 210,000 units in 2024. This is above expected demand (of 175,000 units). Therefore, **we will still in be in an “over supply” condition for used tractors throughout 2024.**

#### 4) 2024 Used Truck Inventory Forecast:

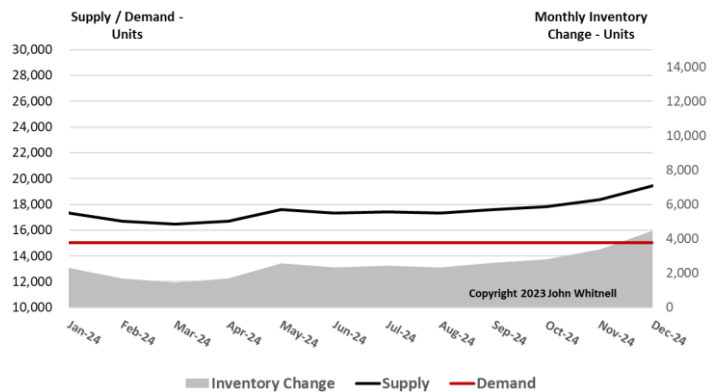
The WA Total Used Truck Inventory Index levels rose consistently in 2023. This can be seen in the chart to the right. (The 2023 increase is shown in the red box.) Once again, the primary reason inventory levels increased so dramatically in 2023 was due to strong US Class 8 new truck sales. The index value has increased by about 12,000 units in 2023. The increase in inventory was across the board in all product sectors. (The day cab index increased by about 5,000 units. The sleeper index value was up about 4,000 units. And the MRD / Other index value increased by about 3,000 units.)



Over the last 7 years WA has analyzed pricing sensitivity to determine if certain index values reflect “price inflexion” points. Our analysis of the day cab sector has not been as conclusive as in the sleeper tractor sector. When the WA Used Sleeper Tractor Inventory Index value reaches 8,000 units downward price pressure accelerates. And when the index hits 10,000 this pressure intensifies even more. We experienced that at the end of 2023! This indicates we will continue to experience incremental price pressure on used sleeper tractors throughout 2024. High supply plus high inventory equals low prices.



The chart to the right illustrates the WA forecast for used Class 8 inventory levels in 2024. When the used truck supply forecast (see page 3) exceeds 15,000 units per month the supply of used trucks will exceed demand. Therefore, inventory levels will grow. As can be seen in the chart to the right – inventory levels are expected to continue their pattern of increasing every month in 2024!



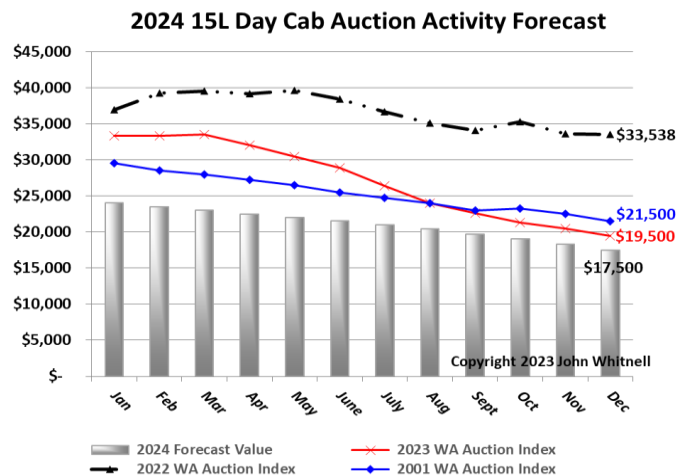
2024 used truck market conditions will reflect high levels of used truck supply and excess used truck inventory. That is a difficult scenario. It is critical that you ACTIVELY manage your used sleeper inventory in 2024!

### 5) 2024 Used Truck Market Pricing Assessment – Summary:

What impact will higher used truck supply and rising inventory levels have on prices in each product sector in 2024? This section translates the 2024 forecast themes discussed above into dollars to provide you with some directional valuation insights for each product sector in 2024.

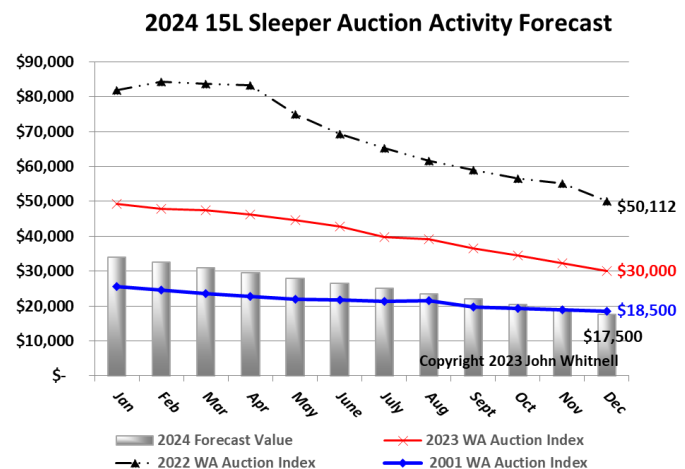
#### Day Cab Tractors:

- The gray bars in the chart to the right define the WA predicted price trend for day cab tractors sold in the 2024 auction market. 2001, 2022 and 2023 auction prices are shown for context.
- The track vehicle is a 7 MY / 15L engine / AMT / 6x4 / AS 5<sup>th</sup> with 70K annual miles.
- Pricing in 2024 will be a challenge throughout the entire year. Year-end pricing will equal the all-time low auction price (set in 2020) of about \$17,500.
- Day cab inventory levels will continue to grow in 2024. This will create additional pricing tension in all sales channels throughout the year.



#### Sleeper Tractors:

- The gray bars in the chart to the right define the WA predicted price trend for day cab tractors sold in the 2024 auction market. 2001, 2022 and 2023 auction prices are shown for context.
- The track vehicle is a 5 MY / 15L engine / AMT / 6x4 / big bunk with 90K annual miles.
- Pricing in 2024 will be a challenge throughout the entire year. Year-end pricing will be lower than the all-time low auction price (set in 2001) of about \$18,500.
- Sleeper tractor inventory levels will continue to grow in 2024. This will create additional pricing tension in all sales channels throughout the year.

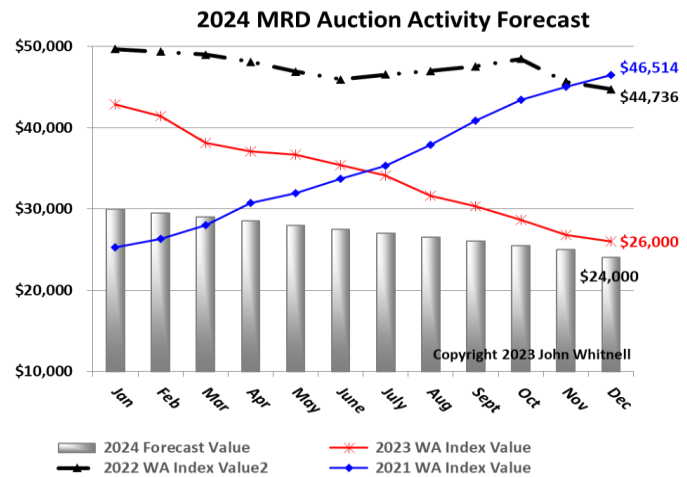


2024 will be a challenging year in both the day cab and sleeper tractor sectors. Supply will be high, and so will inventory levels. But forewarned is forearmed. It is essential that you aggressively manage your inventory pricing. Maintain inventory levels that are closely aligned with your sales performance. There will be an abundance of used linehaul tractor bargains in 2024. Position your business to capitalize on these opportunities!



**Class 6-7 Straight Trucks:**

- The gray bars in the chart to the right define the WA predicted price trend for day cab tractors sold in the 2024 auction market. 2021, 2022 and 2023 auction prices are shown for context.
- The track vehicle is a 5 MY / I6-diesel / Auto / 4x2 / 24'+ Van with 30K annual miles.
- Pricing in 2024 will be lower than we observed in 2023. But by the end of 2024 we will see this YOY pricing spread diminish.
- The supply of used MRD units will continue to increase in 2023. But in a historical sense used MRD / LFE inventory is still relatively low. Major leasing companies have high levels of used MRD inventory. (They have taken a lot of used MRD units to various auctions in 4Q-'23.) So, be vigilant!



**6) Conclusion:**

The charts and graphs shown above have been presented to communicate the WA used truck market expectations for 2024. Be forewarned! 2024 will be a challenging year. Here is the short version:

- The 2023 used truck market has created significant headwinds for the used truck market in 2024.
- Large OEM order backlogs and 2H-'23 order receipt rates ensure that 2024 retail sales will continue to produce high trade-in volumes. Combined with an increase in used truck supply from other sources it is certain used truck supply will exceed demand every month in 2024.
- Demand in 2024 will be consistent with what we experienced historically in all sectors. (150,000 Class 8 linehaul tractors. 25,000 Class 8 vocational trucks. 90,000 used Class 5-7 trucks.)
- High inventory levels at the end of 2023 will create additional downward price pressure in all product sectors throughout 2024.
- High used truck supply coupled with high inventory levels is a difficult combination for used truck pricing. The pricing “tide” has turned in 2023 for the used linehaul tractor market. It will be even more challenging in 2024.
- The table is still set for success in other product sectors in 2024. Relatively low inventory levels and moderate auction sales will provide some level of pricing support for MRD / MRD tractor / LFE / vocational products once again in 2024.

WA is forecasting a difficult year for the 2024 North American used linehaul tractor market. High supply combined with high inventory levels will be a significant challenge to overcome. You can help yourself by actively managing your used inventory and by maintaining a tight grip on your trade-in valuation process. As always, keep a sharp eye on the basics of running a successful used truck business. (Drive your sales team. Manage your assets. Make intelligent investment decisions. Be alert for bargains. And make sure you have a sharp eye on competitive pricing initiatives in your market.) Best wishes for success in 2024!