



TRUCKING & TRAILERS

CURRENT TRENDS

- As economies reopen, North American Class 8 truck orders have increased to levels not seen since 2018.
- New trailer orders more than tripled between March 2020 and March 2021.
- Class 8 used truck sales reached their third highest rate in March 2021, and auction values are soaring for newer, lower-mileage units.

PROJECTED VALUES (12-MONTH OUTLOOK)



GORDON BROTHERS BY THE NUMBERS

\$86B+

of transportation assets appraised and disposed

700+

valuation projects completed in truck and trailer sectors

150,000+

transportation equipment data points in proprietary sales database since 2010

TRUCK TONNAGE INDEX



NOTE: THIS PUBLICATION IS PROVIDED FOR INFORMATIONAL MARKETING PURPOSES ONLY. THE MATERIAL CONTAINED HEREIN SHOULD NOT BE REGARDED AS ADVICE, NOR RELIED UPON TO MAKE FINANCIAL, OPERATIONAL OR OTHER DECISIONS; NOR SHOULD IT BE USED AS A SUBSTITUTE FOR AN ASSET APPRAISAL. ACTUAL RECOVERY VALUES MAY VARY FROM TRANSACTION TO TRANSACTION AND THE RECOVERY VALUES REFERENCED HEREIN ARE FOR REPRESENTATIVE TRANSACTIONS WITHOUT REGARD TO SPECIFIC KEY FACTORS. THIS MATERIAL MAY BE REDISTRIBUTED ONLY IN ITS ENTIRETY, INCLUDING NOTICE OF COPYRIGHT. ALL RIGHTS RESERVED. ©2021 GORDON BROTHERS, LLC. REFERENCE SOURCES: U.S. BUREAU OF TRANSPORTATION STATISTICS, TRANSPORT TOPICS, HEAVY DUTY TRUCKING INFO, FOR CONSTRUCTION PROS, FTR TRANSPORTATION INTELLIGENCE, EQUIPMENT LEASING AND FINANCE ASSOCIATION, AMERICAN TRUCKING ASSOCIATIONS, ACT RESEARCH, THE ALTA GROUP



CLASS 8 ORDERS REBOUND:

Trucks

North American Class 8 orders exhibited stronger than normal trends in the second quarter 2021, because of both increased demand and ongoing supply chain delays for new trucks. As a result, major carriers continue to order at higher rates than usual to meet their new equipment needs by year end.

According to FTR Transportation Intelligence (FTR) and ACT Research (ACT), April 2021 orders came in at 33,500 to 34,600 units. These levels are a massive improvement from April 2020, when the pandemic drove order activity to its lowest level since 1995. In contrast, the number of orders for April 2021 was at its strongest monthly rate since 2018. While April 2021 orders were slightly lower than March 2021, activity was almost 700% higher than April 2020. For the rolling 12-month period through April 2021, Class 8 truck orders totaled approximately 403,000, as compared with \$160,000 in 2020.

Despite strong recent sales, the well-publicized ongoing supply chain difficulties, anecdotal reports of partially built trucks and slowing production have presented headwinds. "It continues to be a situation of fleets not being able to take delivery when they would prefer to take delivery — as opposed to fleets not wanting trucks," ACT Vice President Steve Tam recently told freight transportation publication Transport Topics.

According to Tam, there has been inflation within the truck manufacturing supply chain and increased pricing for scarce new trucks due to supply and demand. This has provided truck makers with "a golden opportunity to justify and pass on to truck buyers the upward pressure they see on a myriad of scarce components, (such as) lumber, resins, rubber, steel, semiconductors and the rest" All major Class 8 truck manufacturers posted double-digit gains except for the smallest, Western Star, according to Transport Topics.

Freight growth remains steady as the country emerges from the pandemic, and fleets and major carriers are anticipating they will need additional capacity through the end of 2021, according to FTR officials. Because the supply of new trucks is limited, carriers continue to order at healthy rates to secure new equipment by the end of 2021. "Fleets see the need for more trucks extending out the entire year," said Don Ake, FTR vice president of commercial vehicles "Orders remain elevated, as carriers evaluate their needs in Q4. This indicates they expect freight conditions to continue along at healthy levels right into 2022."

Ake cautioned filling these orders might be challenging. "The supply chain is stressed right now, limiting the number of new trucks that can be produced," he said. "With orders continuing at this pace, it is possible that the supply chain will not be able to catch up with the fantastic truck demand for months. It's almost as if conditions are too good."

More than a year ago, ACT President Kenny Vieth noted in the Fleet News Daily newsletter "April (2020) represents the first full month of COVID-19 impacts on the trucking industry, and given broadly halted economic output leading to a sharp drop in freight volumes and rates, as well as more empty miles from fragmented supply chains further impacting carriers' profitability, a negative order number was within the realm of possibilities." Indeed, April 2020 was the weakest Class 8 order month since September 1995 when net order numbers were briefly negative.

The Expert: Bill Corwin



Bill Corwin is a 29-year veteran in the appraisal industry, specializing in valuations of a broad range of machinery and other personal property owned by the world's largest corporations. Read his full bio [here](#).

While fleet operators were extremely cautious heading into 2020 because of prior weakness in the industry, sentiments had flipped completely in the second quarter of 2021. Some operators questioned whether the situation could become much better for the trucking industry.

Trailers

North American net trailer orders for March 2021 reached 29,910, which is more than triple the volume of trailer orders in March 2020, when the pandemic was first taking hold. Additionally, March 2021 volume was 12% higher than February 2021, helping to offset the seasonal decline the industry typically sees in March.

March 2021 marked the first year-over-year increase in build rate since April 2019. According to ACT, in March 2021 the order backlog for van and reefer trailers reached into the latter part of the first quarter of 2022, with 9.7 months marking the lengthiest backlog since 1994.

Additionally, the flatbed and vocational markets are currently seeing "solid orders" as manufacturing and industrial sectors improve. Flatbed orders from November 2020 through March 2021 were more than double what they were for the same period a year ago.

USED CLASS 8 TRUCK SALES HIT HIGHS: According to ACT, Class 8 used truck sales in March 2021 rose to the third-highest price ever on a monthly basis, as demand surged, and supply remained scarce. The average price for Class 8 used trucks hit \$52,388 in March 2021, compared with \$43,791 in 2020, an increase of just under 20%. Additionally, the March 2021 price increased 6% over February 2021 sales. Pricing has climbed as the order backlog for new trucks extends into 2022, and freight demand and rates remain exceptionally high. "We are expecting sequential prices and year-over-year increases as the year progresses," Tam told Transport Topics. "We will be having the opportunity to reach the all-time high in this cycle at the rate that we are going."

The all-time high for used Class 8 trucks occurred in 2015, when the average price hit \$55,000. The next highest, almost \$53,000, came at the end of 2018. Tam said wholesalers and dealers are seeing prices climb for used trucks. ACT reported used Class 8 sales numbers reached 23,800 in March 2021 compared with 18,000 a year ago at the beginning of the pandemic, and sales of new trucks have been equally strong.

Chris Visser, commercial truck senior analyst at J.D. Power Valuation Services, noted that April 2021 auction pricing for the newest available sleeper tractors continued to shoot into the stratosphere. Many in the industry share his opinion that there are just not enough of these trucks to meet demand. He tracked model year 2018 trucks that were priced at \$69,556 on average in March 2021. That cost was \$19,627, or 39.3%, higher than February 2021.

ANNUAL EQUIPMENT MARKET SURVEY: Now in its 31st edition, the Equipment Leasing and Finance Association's (ELFA) "What's Hot, What's Not: Equipment Market Forecast 2021" report is a benchmarking tool that provides industry perceptions of 15 equipment markets based on a survey of ELFA members. Survey results and responses on economic conditions allow companies to compare their progress with that of others and identify opportunities for future success.

Carl Chrappa, senior managing editor of The Alta Group, LLC, and author of the report, noted the 2021 survey scores for several asset classes are very high when compared to prior years. In particular, the construction industry received high scores, indicating that equipment leasing and finance companies feel comfortable with the current market for those assets.

Medical equipment and trucks and trailers were tied for second place in the 2021 survey. Chrappa remarked the second-place finish marks a "huge rebound" for this market, which ranked second to last in the 2020 survey.

VALUATION OUTLOOK: After weighing all factors, Gordon Brothers believes equipment values for this segment in the near term will be positive to increasing, given current market conditions.



**Gordon
Brothers**

GORDONBROTHERS.COM
+1.617.426.3233