

# SMARTER PERSPECTIVE: TRANSPORTATION Commercial Transportation: 2024 Year End Wrap Up and General 2025 Forecasting

By Bryan Courcier

**December 2024** In this article, we review the relevant topics covered in our Q1 and Q2 Hilco Transportation Market Updates and what has happened in the second half of 2024. We look back on the year and how the market performed overall compared to historical norms related to the sale of used commercial transportation assets. Finally, we look to what can be expected moving forward with commentary on what is anticipated from the Trump administration related to the North American transportation world at large.

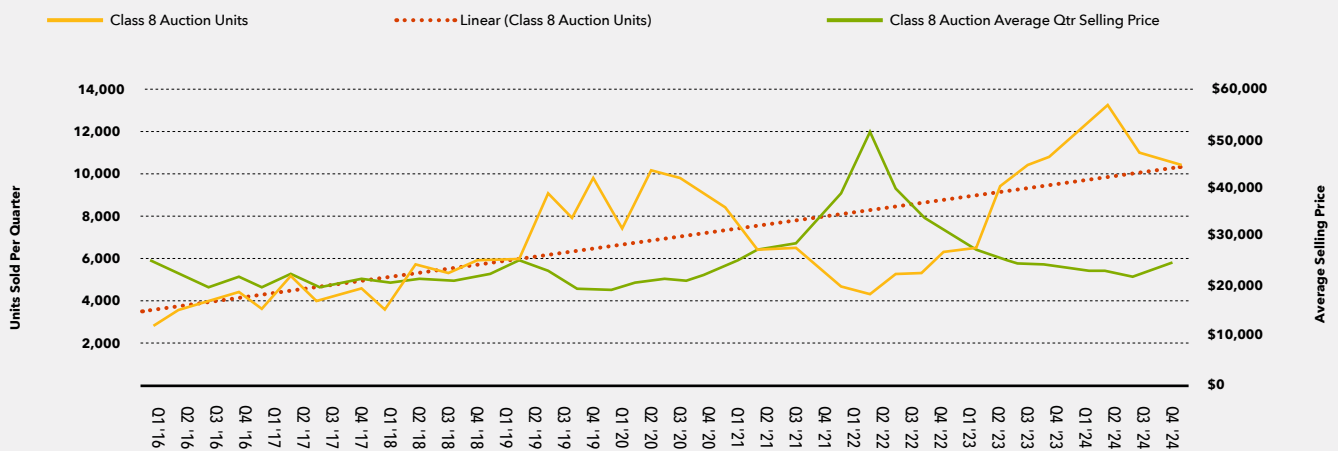
To reprise Hilco's Q2 update, when it comes to class 8 used values, nothing tells a better story than leading trends in the public auction realm. Uninhibited raw data with a large enough market to create a stock market-type representation of the daily rate of demand, what is actually available in the market, and in what volume it is trading.

**Q1 & Q2 Used Class 8 Sales:** According to ACT Research, revised raw data through May '24, y/y change in gross auction selling price per month was

down on average 21%. -28% in January, -13% in February, -25% in March, -27% in April, and -9% in May. From a volume perspective, the number of units hitting the market was up 40% from 2023.

**Q3 & Q4 Used Class 8 Sales Data:** The back half of the year is as follows: Raw data for the months of June through November '24, y/y change in gross auction selling price per month was down on average 16%. -20% in June, -23% in July, -15% in August, -13% in September, -11% in October and -2% in November.

## Auction Units Sold Quarterly and Average Price/Unit



In terms of volume, the second half of the year was up 24% from 2023, representing a material cooldown in market volume increases from the beginning of the year. The year's second-half stats are still, brutally, in the negative double digits for y/o/y used average sale pricing and volume, but those figures are gradually trending in the right direction heading into 2025.

To summarize 2024 at auction, 3% newer 7% lower mileage trucks were sold for an average of 16% less than in 2023, with a volume increase of 30% thru November. Certainly another year of material downward market correction.



The following graphic from Sandhills Global is an excellent representation of the inverse relationship between used sales pricing and volume in the trucking sector over the past several years.

2025 trucking industry forecast highlights:

**Freight Growth:** The trucking industry is expected to see a more favorable rate environment in 2025, with a continued gradual end to the freight recession. That

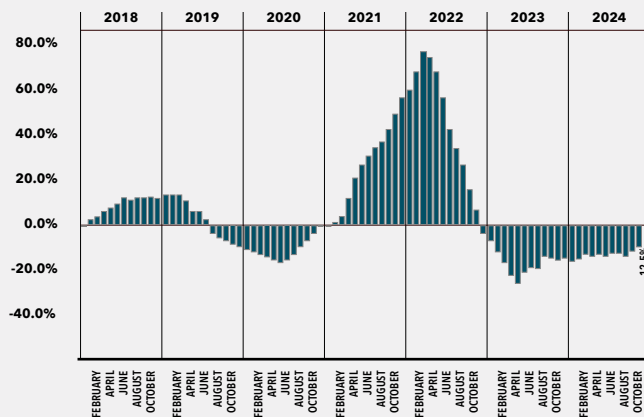
being said, freight growth is going to be slow through softer consumer demand and inventory adjustments across a bevy of industries.

**Capacity Rebalancing:** The truckload market is rebalancing with private fleets taking a larger share of freight volume. According to the Journal of Commerce, US shippers are shifting more freight from for-hire trucking companies to

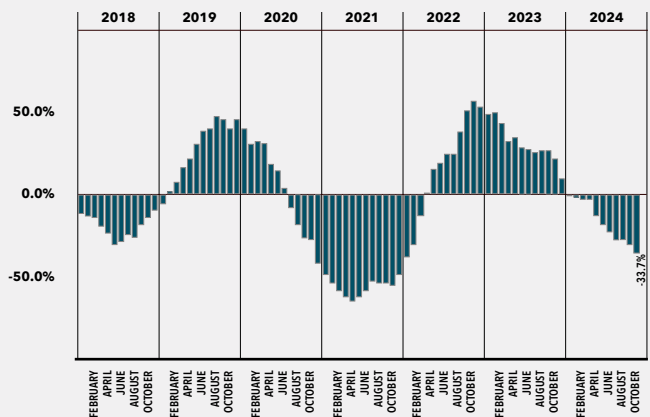
their own tractors and trailers despite a shipper-friendly freight market in terms of carrier pricing, a survey shows. In total, 65% of the shippers surveyed said they used their private fleets as leverage in contract talks with for-hire carriers, up from 50% in 2023. And that number is expected to increase again in 2025. This does not necessarily have real implications for used asset values but is a prevailing topic in the freight community.

## Class 8: US Used Market Year over Year Variance

Asking EVI Y/Y Variance



Inventory Y/Y Variance



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### Class 8 Market - Pre Buy is Here:

The upcoming 2027 EPA emissions regulations are just over the horizon. Anything purchased prior to January 1st, 2027, has an exemption from the new emissions standards. New vehicles with new emissions equipment and technology are expected to be more expensive. There will also be a service and performance learning curve that will hamper profitability and productivity for fleet units with the new emissions tech. This will drive strategic new fleet purchasing to increase over the next two years, with cap ex dedicated to making sure operators have the right fleet with predictability in terms of service & maintenance costs and the knowledge that new truck pricing will most certainly increase.

### Medium-duty & Vocational Segments:

Medium duty trucks are core to municipalities and utilities operations. Infrastructure funding and construction projects mean more projects happening in 2025 that require both vocational units and urban support equipment. This is a solid collateral in the next calendar year that will maintain solid pricing.

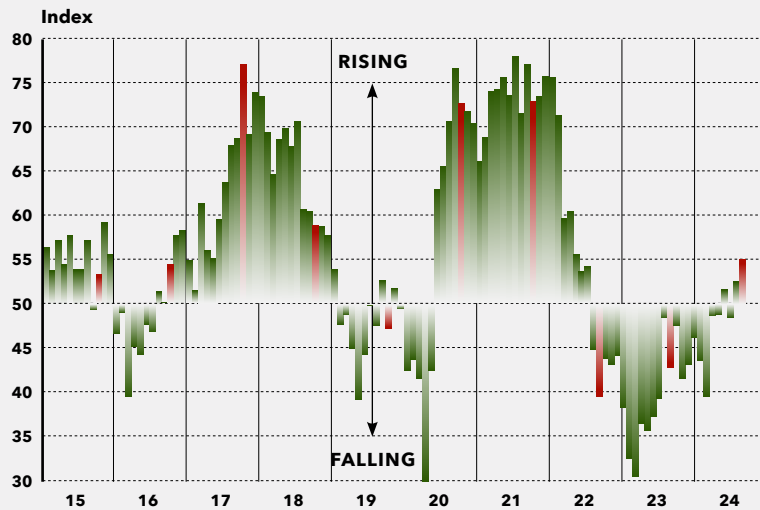
**Trailers:** Expect to see a slowdown in production and order activity through the next year. Demand is continually cooling due to oversupply and weaker carrier profitability over the past 24 months. According to McNealy order backlogs are the lowest they have been in a decade. Per usual, ACT research alludes to a potential upswing in market conditions towards the end of 2025. The endearing optimism of industry insiders is ever-present; however the soft market is likely to exist through all of 2025 end to end.

**Regime Change:** November 5th brought new leadership to the White House, with President-Elect Donald J. Trump set to begin his second stint in office starting January 2025. There are real implications for the trucking industry worth highlighting.

First and foremost, the EPA's new emissions regulations which are set to start in 2027, will be a hot topic. Specifically the Greenhouse Gas Emissions Standards for Heavy-Duty

## ACT For-Hire Trucking Index: Freight Rates

January 2015 - October 2024 (Seasonally Adjusted)



Source: ACT Research Co. ©2024

Vehicles – Phase 3. While it is likely to start as planned, the rule applies through 2032 with a step-up schedule moving towards greater and greater adoption of EV's. Common sense pundits have always maintained that deadlines to expand EV adoption would be pushed back based upon availability and feasibility during this 15-year term. But the Trump administration makes that likelihood more concrete with a pivot to other alternatives like renewable diesel. Perhaps even a shelving of the idea that EV's are meant to be adopted en masse as the replacement for fossil fuels. Certainly a setback for progressives championing commercial and consumer EV adoption.

Second – Autonomous trucks. Biden-Harris had proposed a regulation entitled "Safe Integration of Automated Driving Systems-Equipped Commercial Motor Vehicles," requiring the highest levels of truck automation performance and certifications. The expectation is this regulation will not go through, and autonomous commercial vehicle development will continue on without regulatory intervention for some time. It is unlikely automation will be adopted for portions of the transportation and logistics trucking community within the next four years. One for the future...

Third, Corporate Taxes. The Biden-Harris

Administration had contemplated a potential increase from 21% to as high as 28%. The Trump-Vance white house could cut rates to as low as 15% for companies who make their products in the US, with even a repeal of the 12% federal excise tax (FET) on new heavy trucks and trailers. This would be significant for domestic OEM's and sounds enticing on a lot of levels. This would have a short-term beneficial effect downstream through all levels of goods hauled throughout the US. A FET repeal would also encourage operators to invest in new and cleaner running trucks at a lower cost. How likely is it that the Federal Excise Tax is repealed? Encouraging but I am not holding my breath.

There are other areas where comparisons can be drawn between the last two regimes. For example, Tort reform, independent contractors (drivers) and whether they are viewed as either employees or true independent contractors, and oil production & diesel costs. In general, less regulation is expected from the Trump administration. There has been plenty of discussion about tariffs as bargaining chips as a means to an end or the actual intention to use tariffs long term. More than anything, the tariff discussion highlights the unpredictability of what exactly

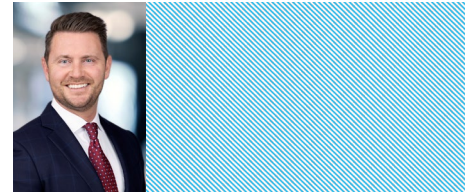
the new administration will do. There are plenty of mixed signals that can be interpreted as positives or negatives. The fundamentals of freight cycles, production, materials costs, supply & demand are expected to remain the dominant variables that will have an effect on Class 8 trucks and trailer pricing for the near and long term, more so than who is in office.

2025 should represent a marketplace improvement in the Class 8 used world as fleet operators gear up for EPA regulations going into effect on January 1, 2027. Downward pressure on the market for the past 30 months has been dramatic. There is optimism for 2025 with relatively stable order volumes, particularly for vocational trucks. Demand is likely to remain steady, especially in sectors linked to infrastructure and industrial activity. Long haul freight fleet sales should end their double-digit year-over-year used pricing declines for the first time since early 2022. It is important to note that over the past five years, the Class 8 trucking market has gone from pre-pandemic panic to a massive pricing bubble driven by freight demand and a lack of manufacturer production to a predictable correction overlapped by a brutal downcycle in used pricing - a negatively weighted bell curve in pricing trends we may not see again for decades, if at all. With used pricing perhaps coming out of the woods it is worth emphasizing that an improvement in the

market does NOT mean an appreciation of used asset values but a stabilization of depreciation schedules to which the industry is more accustomed.

Multiyear cycles require patience, persistence, and a commitment to operational efficiency. Hilco will keep an eye on market values as we round the corner into 2025 and check in again on the overall market at the end of Q1, '25. In the meantime, we are here to provide frank feedback on specific situations related to fleet assets or the market at large.

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Bryan is responsible for business development, sourcing and relationship management within Hilco's expanding transportation, energy services and heavy equipment sectors in both the valuation and asset acquisition/liquidation practices. He also serves as Chief Operating Officer at two of Hilco's operating companies within the commercial transportation space: H19 Capital headquartered in Indianapolis, IN and H19 Sutton Leasing in Detroit, MI with roughly \$200,000,000 in combined transportation lease portfolio currently under management. Bryan previously served as National Account Manager at Ritchie Bros. Auctioneers, with a focus on insolvency, restructuring and special situations within the construction and heavy equipment industry. He has deep knowledge and experience in equipment lending and asset management functions from a valuation, liquidation, banking and finance perspective and is an active member of the Turnaround Management Association, the Commercial Finance Association and the American Bankruptcy Institute.

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