Flatbed Market Outlook

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The trucking industry consists of several different types of operations and segments. While one size certainly doesn't fit all, market analysts typically breakdown the industry into three main sectors based on trailer type: Van, Flatbed, and Reefer.

It's good to know the current conditions of the freight market, but it's also important to understand what the future holds, especially for your segment of the industry.

To examine the Flatbed market outlook, we will look at:

1. **Demand** shows us how many trucks the market needs to move freight.
2. **Rates** illustrate how much the average owner-operator can expect to earn.

We will also examine four key economic indicators that directly impact the flatbed market:

1. Total Construction Spending
2. Highway and Street Construction Spending
3. Housing
4. Advanced Retail Sales: Building Materials

Demand: Flatbed Load-to-Truck Ratios

The big picture: Load-to-Truck Ratios represent the number of loads posted for every truck posted on DAT Load Boards.

- The Load-to-Truck Ratio is a sensitive, real-time indicator of the balance between spot market demand and capacity

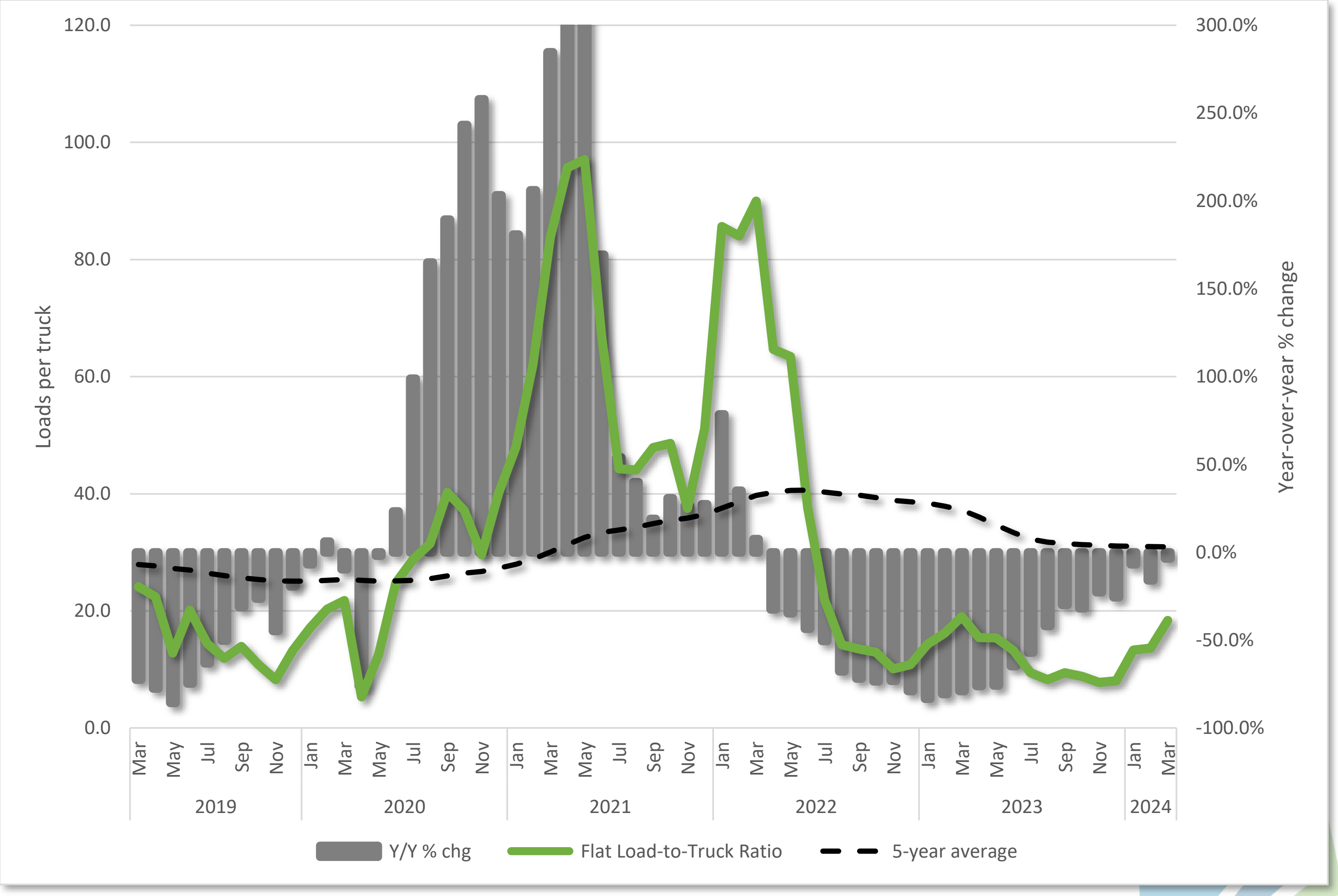
Why it matters: Changes in the ratio often signal impending changes in rates.

Our thoughts: Load posts increased again in March, which is typical for this time of year. The ratio is now 16.2% above 2019 levels.

- The Flatbed Load-to-Truck Ratio jumped 34.5% month-over-month to 18.35, after increasing 2.5% last month.
- The ratio is 3.5% lower than last year when there were 19.02 loads for every truck. The ratio has declined year-over-year for 24 straight months, but the rate of decline has slowed significantly.
- The ratio is 40.7% below the 5-year trend.

When looking at the different regions across the country, ratios were more favorable for carriers operating in the Southeast, Carolina, and Florida-Southern Georgia regions, respectively.

- 12 out of 16 regions experienced an increase in load-to-truck ratios for flatbed. The greatest being the California region, which jumped from 4.61 to 17.16.



Source: DAT Trendlines | https://www.dat.com/industry-trends/trendlines | Monthly

Rates: Flatbed Spot and Contract Rates

The big picture: Rates are market averages from DAT's RateView, which provides real-time reports on prevailing spot market and contract rates.

- RateView's database is comprised of more than $110 billion in freight bills in over 68,000 lanes

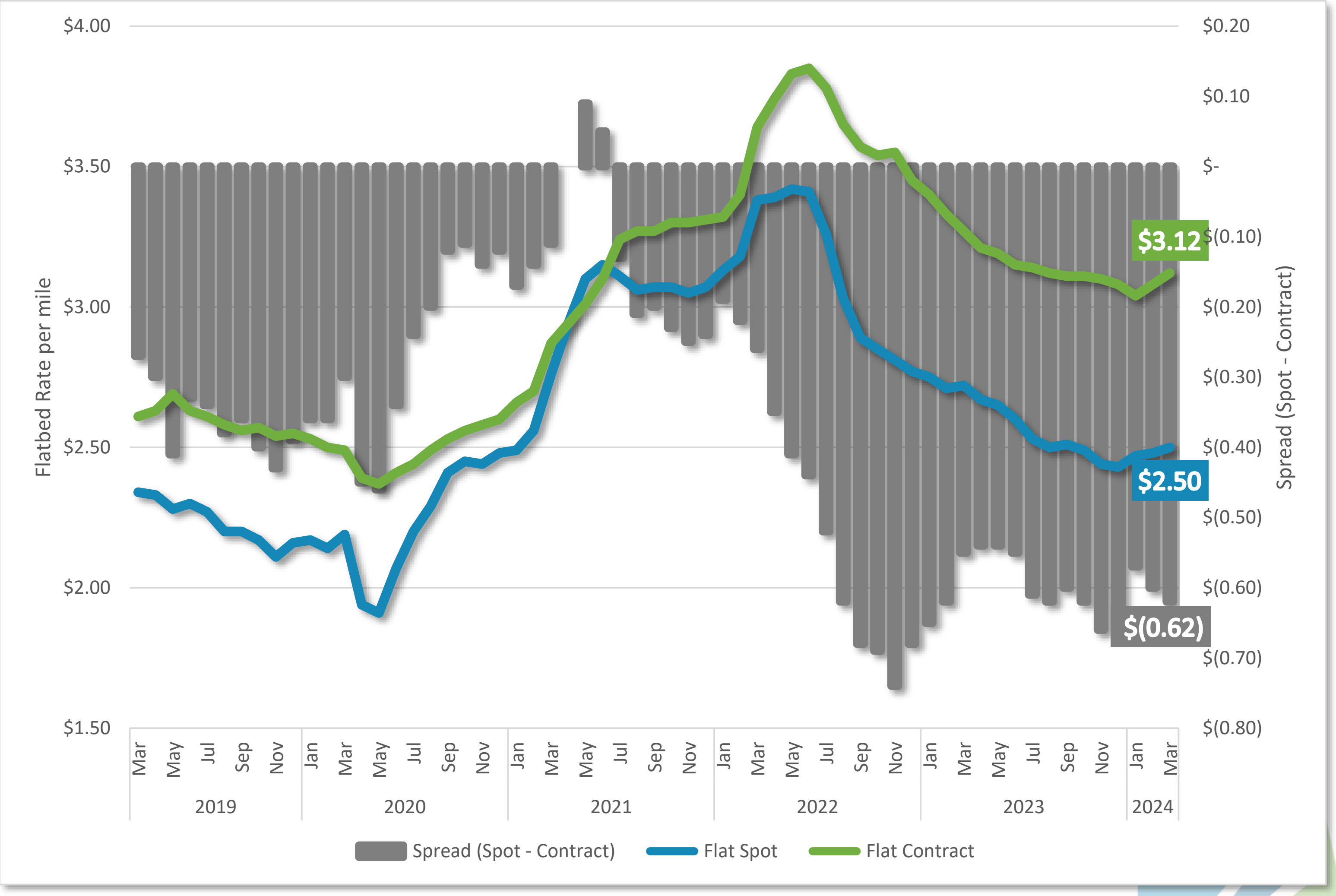
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Spot rates ticked upward again in March, after increasing $0.01 per mile last month.

- The spot market increased $0.02, or 0.8%, to $2.50 per mile month-over-month, and is $0.22 lower year-over-year when it was $2.72.
- The contract market increased $0.04 to $3.12 per mile following adjustments, which is $0.15 lower than last year.
- The spread between contract and spot grew $0.02 to $0.62, which is 12.7% better than a year ago when it was $0.55.

DAT's ratecast predicts that spot rates excluding fuel will continue to perform well, rising about $0.05 per mile as we head into the end of May.

- DAT's extended forecast predicts that flatbed spot rates excluding fuel will fall less than a penny in April and then steadily increase until June 2024.



Source: DAT Trendlines | https://www.dat.com/industry-trends/trendlines | Monthly

Construction: Overall and Streets

The big picture: The U.S. Census Bureau measures the amount of spending that goes toward new construction every month.

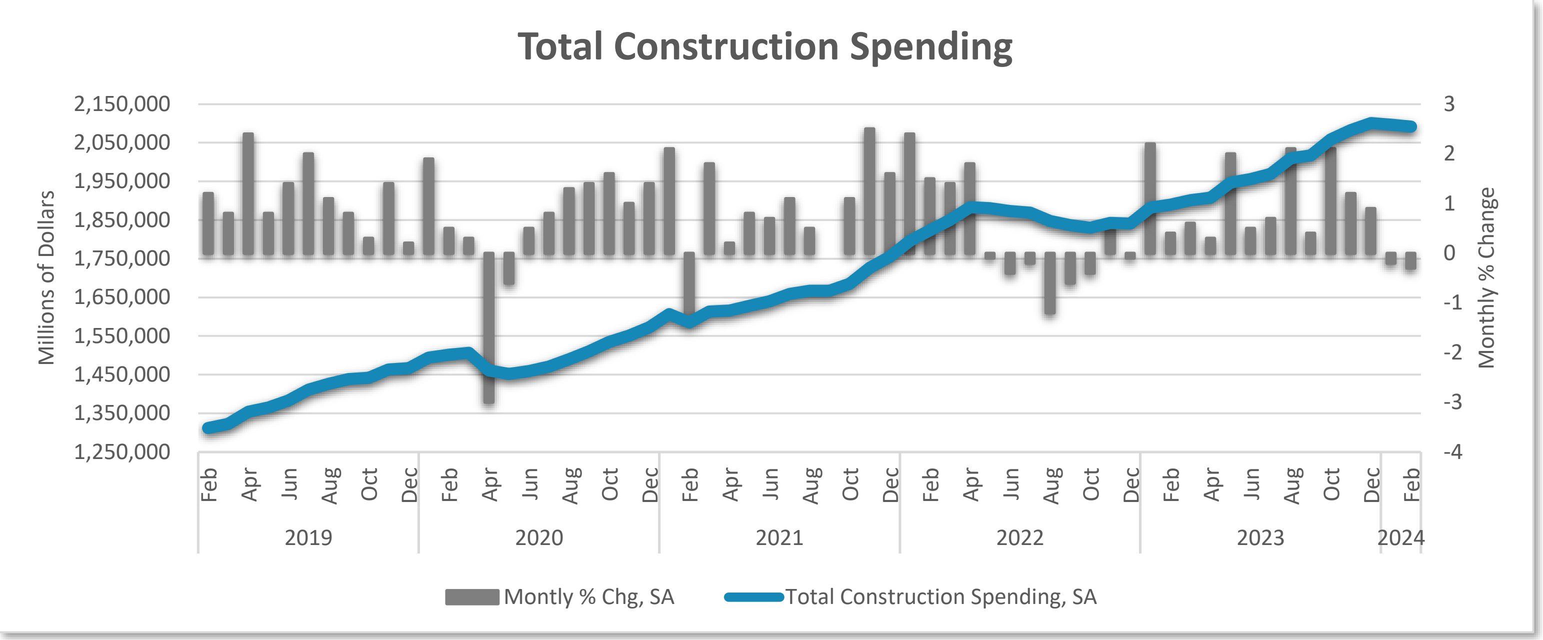
- Construction spending encompasses various expenses, such as labor and materials,
- and sectors, such as highway and street spending.

Why it matters: Construction spending helps boost the economy, especially spending that is dedicated to building roads and bridges.

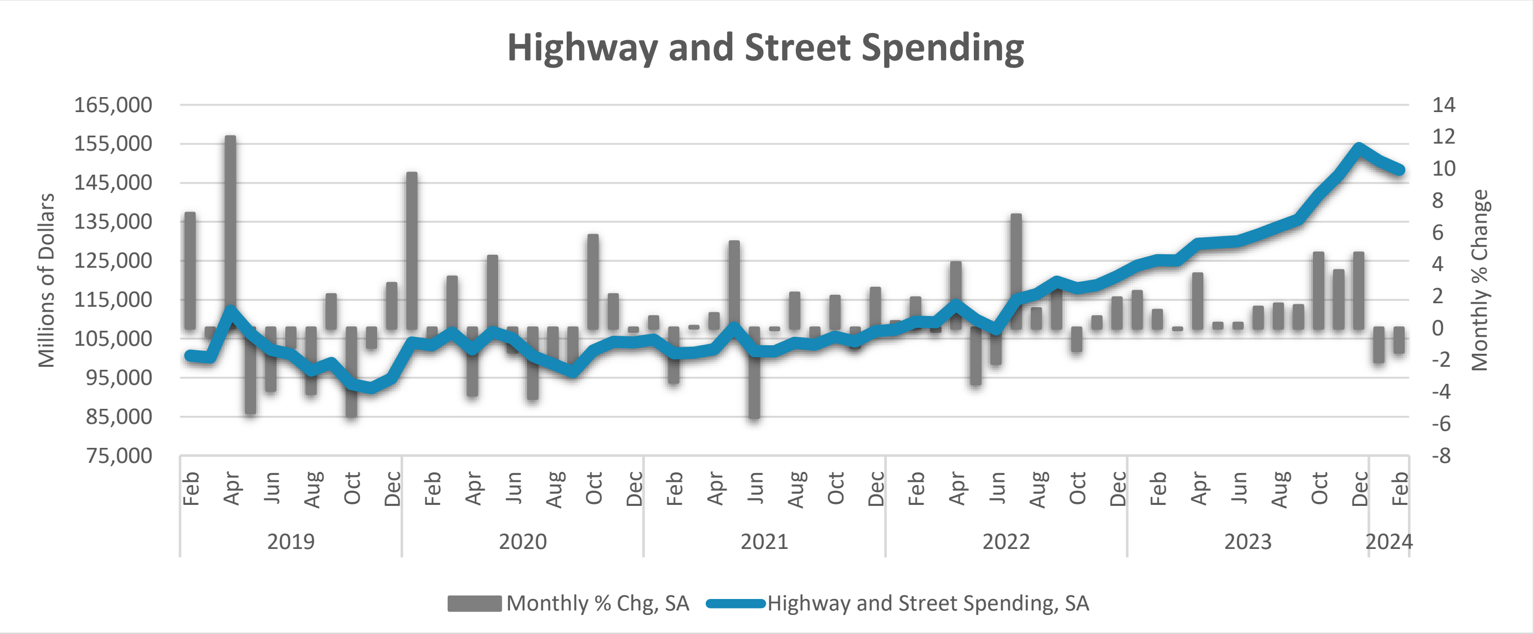
- It also is a good indicator of future demand for those owner-operators pulling flatbed trailers, as a variety of materials and goods are transported this way to construction sites.

Our thoughts: Total construction spending (TCS), highways and streets (HSS) spending, and non-residential spending (NRS) decreased again in February.

- TCS decreased for the second consecutive month by 0.3%, or $5.41 billion, to $2.09 trillion, which is $201.9 billion, or 10.7%, higher year-over year, and 23.5% above the 5-year trend.
- HSS also decreased for the second straight month. Decreasing 1.5% to $148.3 billion, but is up 18.5%, or $23.2 billion, year-over-year.
- NRS, not pictured, fell 1.0% to $1.18 trillion, marking two consecutive months of decreases. NRS is up 14.2% year-over-year, and 27.6% above the 5-year trend.



Source: FRED| https://fred.stlouisfed.org/graph/?id=TTLCONS,MPCTXXXXS, | Monthly



Source: FRED| https://fred.stlouisfed.org/graph/?id=TLHWYCONS,MPCT12XXS, | Monthly

Housing: Starts, Under Construction, Completed

The big picture: The U.S. Census Bureau publishes monthly estimates on the number:

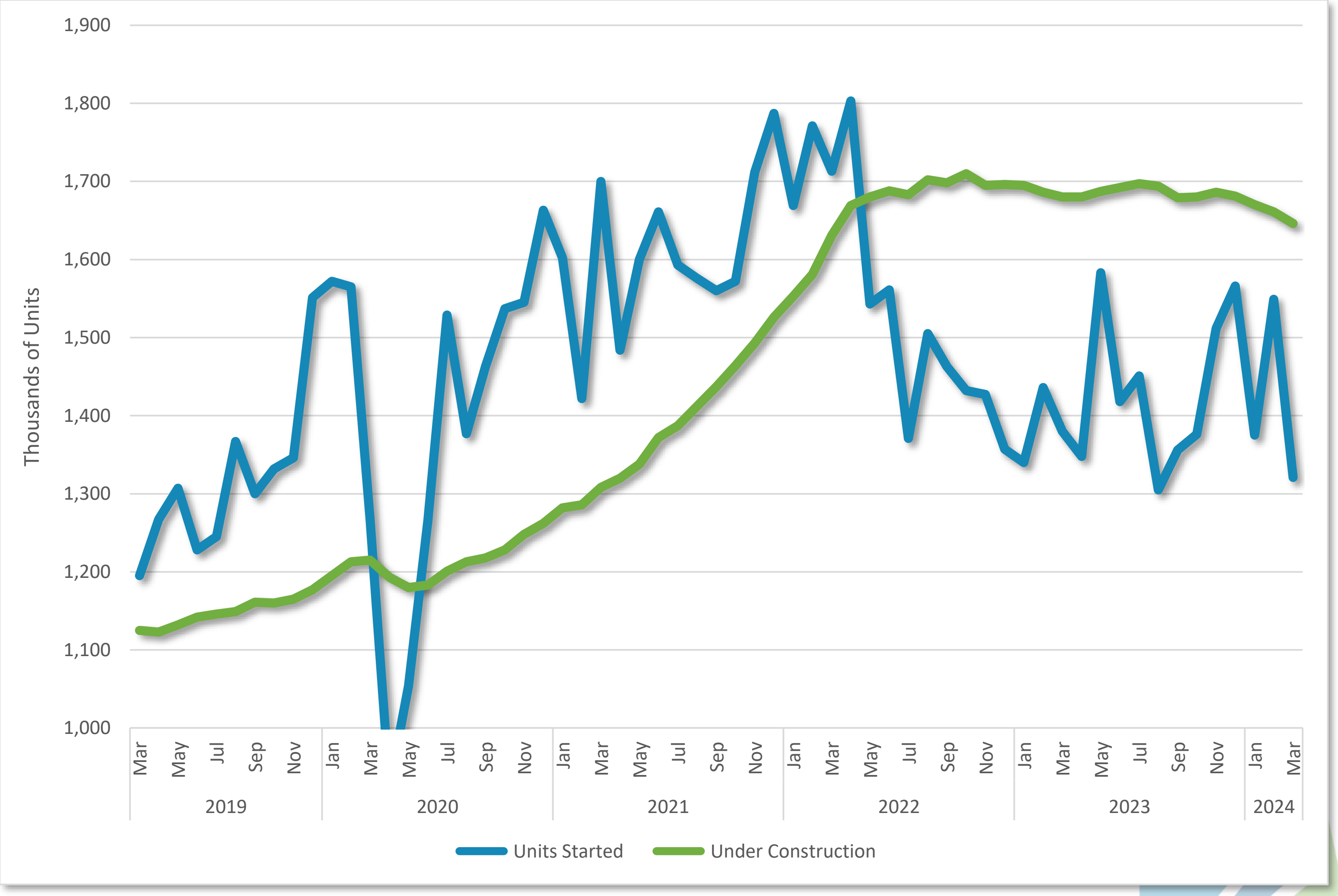
- Housing starts, and
- Housing under construction.

Why it matters: New housing is an important capital good that spurs additional consumer spending on appliances and furniture.

- It's a key economic indicator, especially for the flatbed trucking sector, which hauls a variety of building materials.

Our thoughts: Housing starts plummeted in March following a 12.7% jump in the previous month after adjustments. Housing has been resilient over the past few quarters because homeowners are reluctant to put their current homes on the market due to lower mortgage rates. This has created a scarcity of homes for sale, causing individuals to build instead of buy. However, inflation has yet to cool off, which may create future headwinds.

- New starts decreased 14.7%, or 228,000 houses, month-over-month to 1.321 million, and are down 4.3%, or 59,000 homes year-over-year (Y/Y), ending four consecutive months of increases.
- Houses under construction ticked downward 0.9% to 1.646 million, and are 2.0% lower Y/Y.
- Completed houses dropped 13.5% month-over-month and are down 3.9%, or 59,000 homes, Y/Y.



Source: FRED | https://fred.stlouisfed.org/series/HOUST and https://fred.stlouisfed.org/series/UNDCONTSA| Monthly

Advanced Retail Sales: Building Materials, Garden Equipment, Supplies Dealers

The big picture: Retail sales capture in-store, catalog, and out-of-store sales of both durable and non-durable goods.

- These are broken down into several categories, including building materials, garden equipment, and supplies dealers (BMGESD).

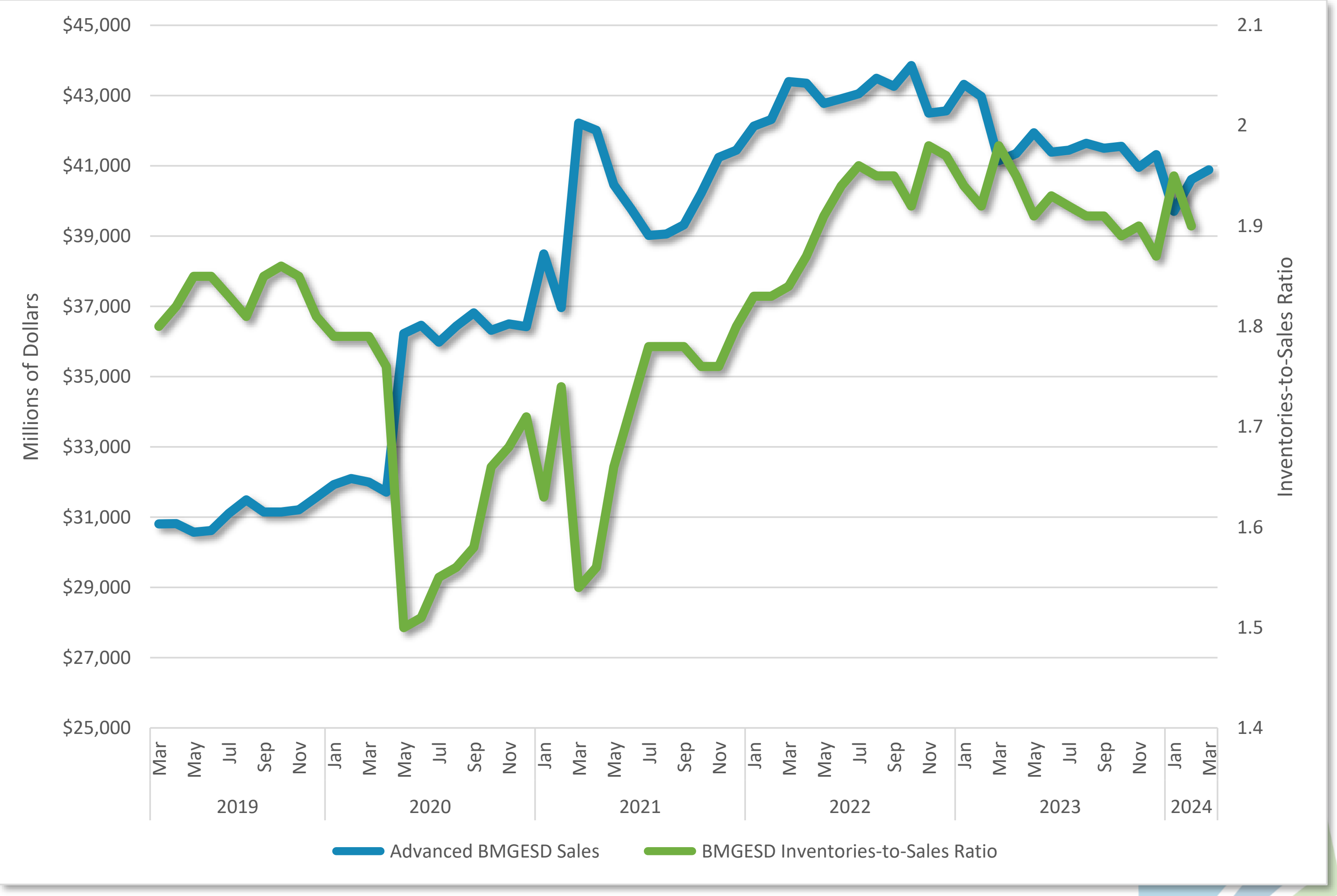
Why it matters: Retail sales give the owner-operator a pulse of the economy and its projected path toward expansion or contraction.

- **Advanced Sales** categories provide us an early snapshot from large retailers.

Our thoughts: BMGESD sales rose in March after increasing 2.3% in the previous month following adjustments, while inventories decreased in February as retailers continue to right-size their inventories.

- The BMGESD retail sales increased 0.7% month-over-month to $40.88 billion, but are 0.6%, or $260 million, lower year-over year.
- Sales are $2.4 billion higher than the 5-year average.
- Inventories-to-sales ratios dropped 2.6% to 1.90 in February, and are 4.0% lower year-over-year.

BMFESD retailers continue to struggle with high inventory levels. In fact, inventories are 4.1% above 2019 levels. This a significant headwind for future freight demand, as demand overall remains low.



Source: FRED | https://fred.stlouisfed.org/series/RSBMGESD | Monthly