Van 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 break down 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 van 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 van market:

1. Merchant Wholesalers
2. Furniture and Household Furnishing Wholesalers
3. Household Appliances, Electrical, and Electrical Goods Wholesalers
4. Advanced Retail Sales Categories

Demand: Van 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

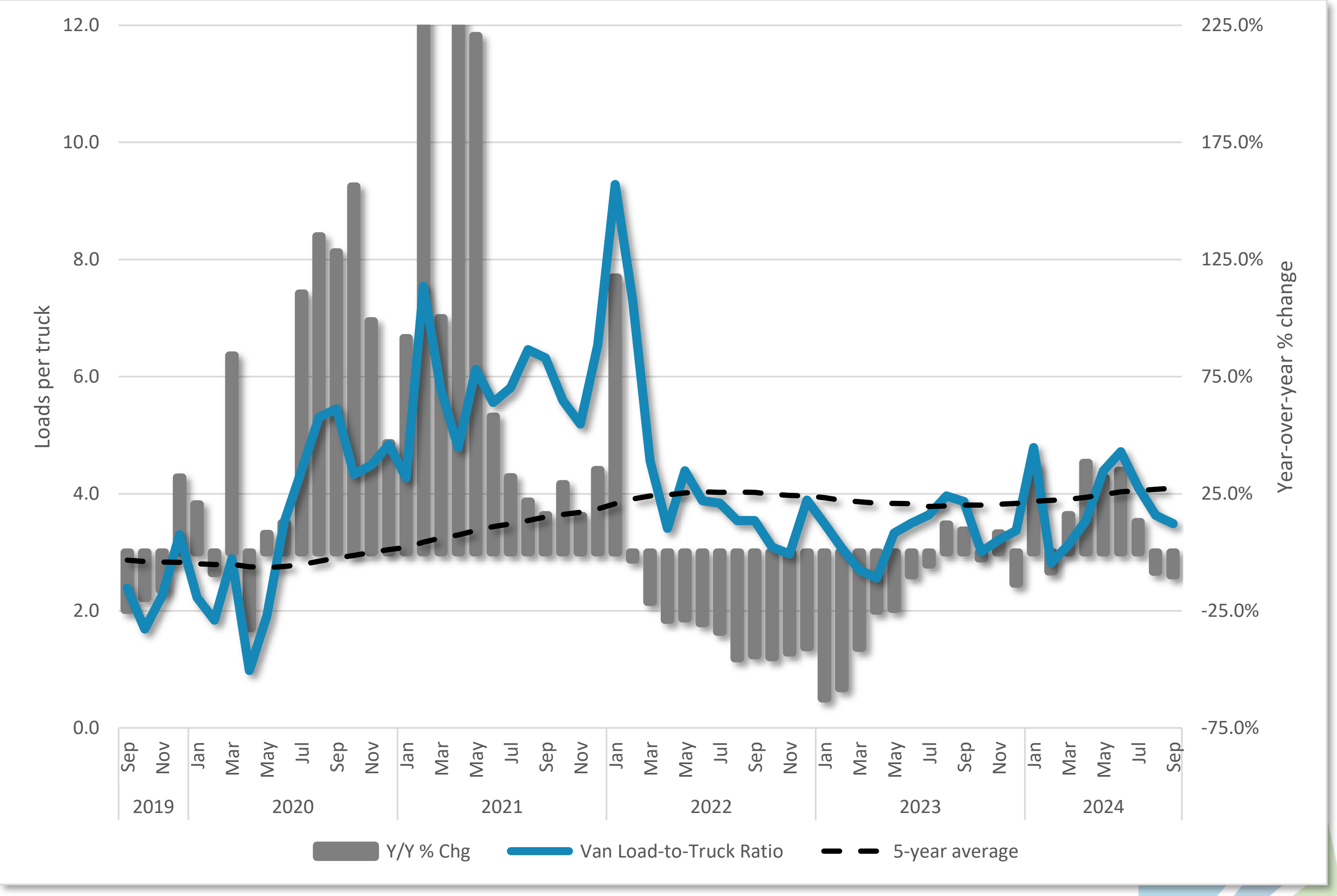
Why it matters: Fluctuations in the ratio often signal impending changes in rates.

Our thoughts: The Van Load-to-Truck ratio decreased in September, which is normal for this time of the year as we get ready to move into the holiday season.

- The Van Load-to-Truck Ratio dropped 3.9% month-over-month to 3.49, after declining 11.7% last month.
- The ratio is 9.8% lower than last year, and 14.8% below the 5-year trend. This is the third year-over-year decrease this year.

Regionally speaking, ratios were more favorable for carriers operating in the Pacific Northwest (5.23), California (4.93), and Upper Atlantic regions (4.75), respectively, compared to other areas in the country.

- 9 of the 15 regions experienced decreases in demand. The greatest decrease was in the South Central region where ratios declined 23.5%, from 4.49 to 3.43, followed by the Upper Atlantic region where ratios dropped 15.2% from 5.61 to 4.75.



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

Rates: Van 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.

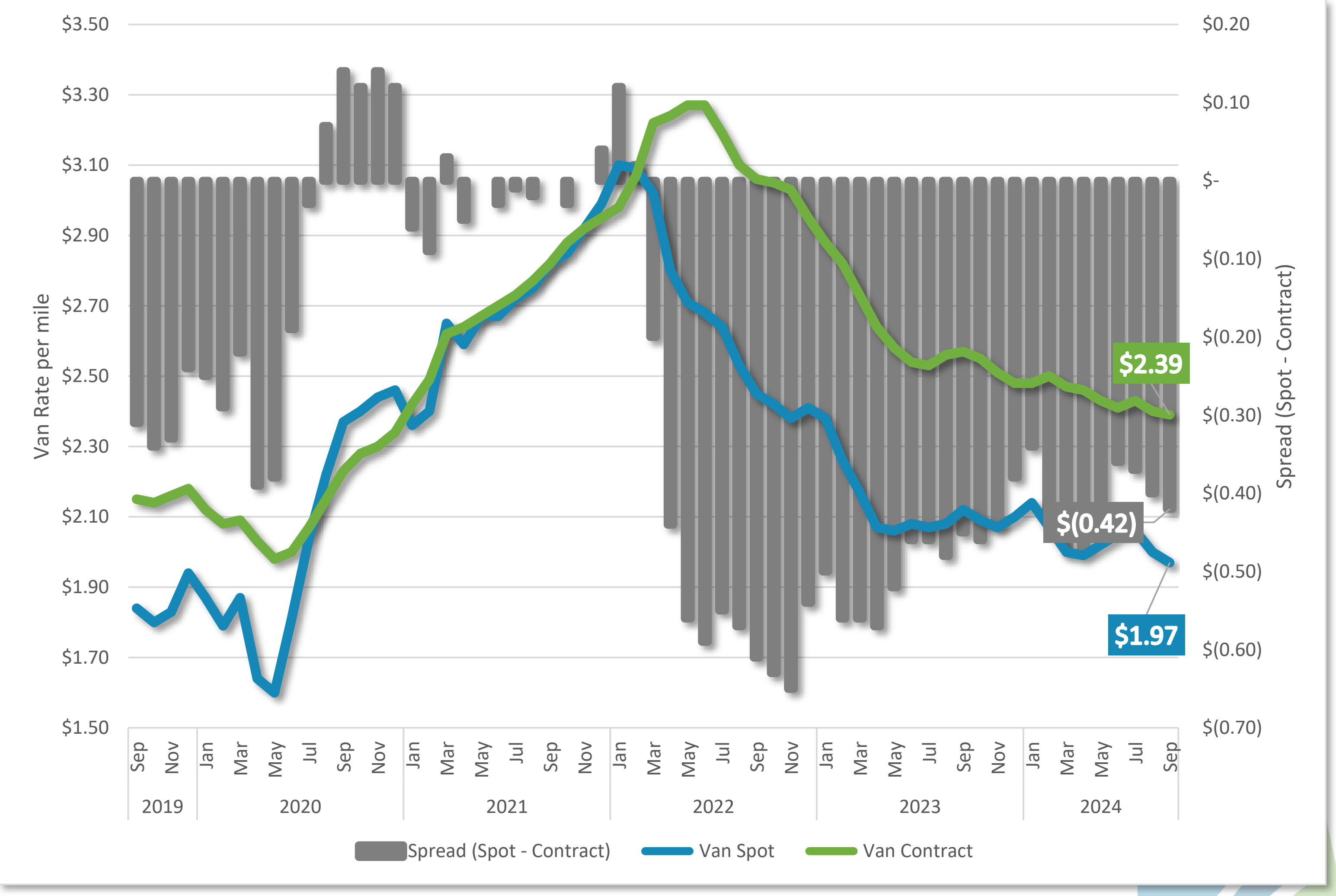
- RateView's database is comprised of more than $110 billion in freight bills in over 68,000 lanes

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

Our thoughts: Both spot rates and contract rates declined month-over-month (M/M) in September.

- Spot rates for vans declined $0.03 M/M to $1.97, marking three consecutive months of declines, and are $0.15 per mile lower than last year.
- Contract rates decreased by $0.01 to $2.39 per mile following adjustments, which means the spread between contract and spot increased to $0.42, which is 6.7% better Y/Y when the spread was $0.45

Bottom line: DAT's extended forecast has van spot rates excluding fuel declining $0.01 per mile between October and November. DAT predicts rates will be $1.735 per mile one year from now.



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

Wholesale Trade: Sales and Inventories

The big picture: Wholesalers act as intermediaries between manufacturers and retailers, purchasing products in bulk and then reselling them to other businesses.

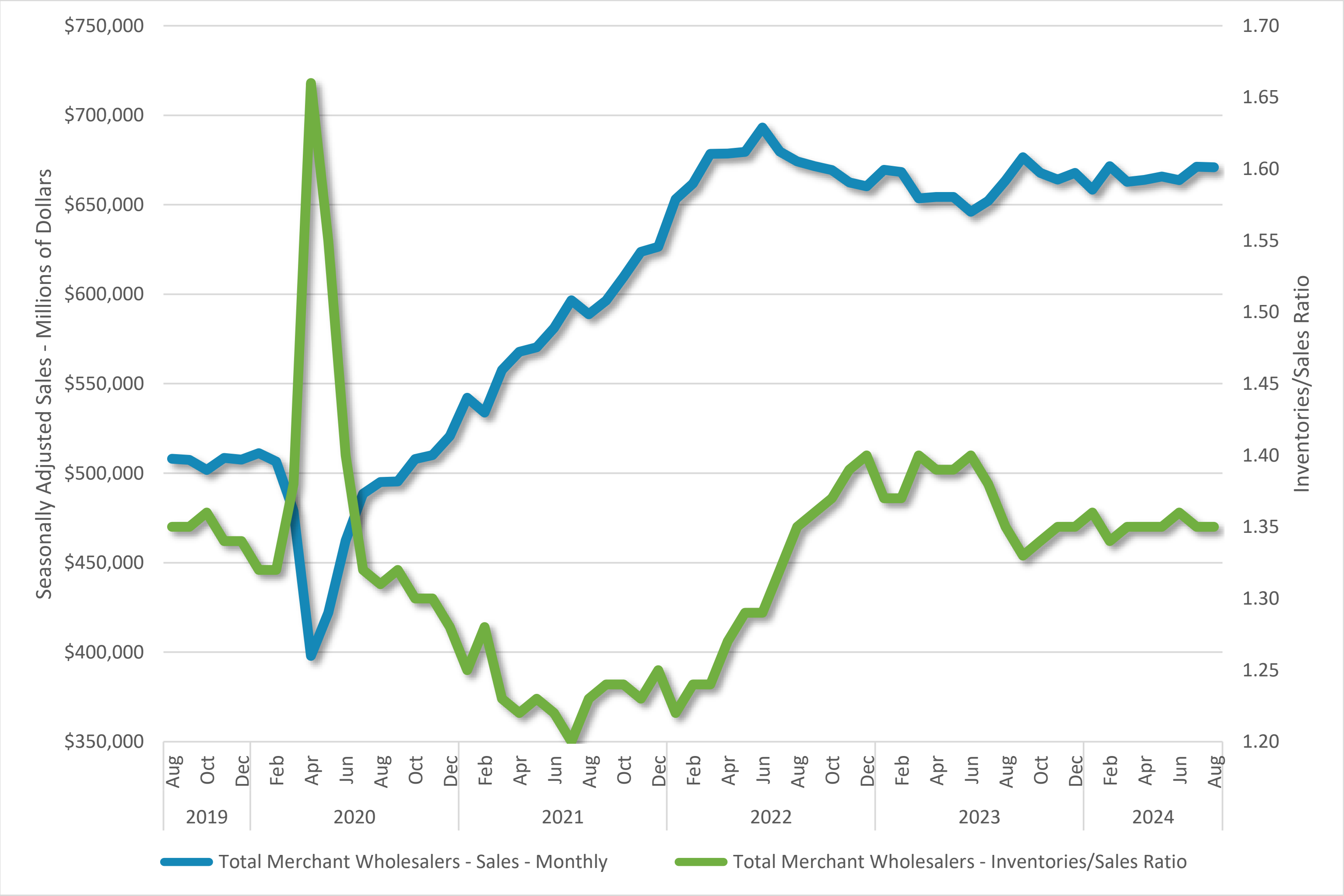
- The U.S Census Bureau reports monthly sales data and inventory-to-sale ratios for different types of industries.

Why it matters: Wholesalers account for 30% of for-hire trucking ton-miles and 43% of parcel ton-miles according to the 2017 Commodity Flow Survey.

- Wholesalers' sales and inventory data help us to see which direction freight markets are headed.
- And the lower the inventory that businesses have on hand, the greater their need for freight transportation to restock their goods.

Our thoughts: Inventory-to-sales ratio remained flat, while monthly sales decreased slightly in August. The inventory-to-sales ratio are mostly in line with 2019 levels, but demand still hasn't increased overall, which explains why the current freight downcycle is continuing even despite inventory rightsizing. We need to see more Y/Y increases.

- Sales decreased $453 million to $670.87 billion, but are 1.1%, or $7.25 billion, higher year-over-year. This is the 7th consecutive Y/Y increase. Sales are 4.0% higher than their most recent trough in June 2023.
- Ratios remained flat at 1.35, and are even with last year's ratio, ending 11 straight months of Y/Y decline. Ratios are just 0.1% higher than the 2019 average.



Source: U.S. Census Bureau | https://www.census.gov/econ/currentdata/ | Monthly

Wholesale Trade: Furniture and Appliances

The big picture: The U.S. Census Bureau reports monthly sales and inventory data for different types of industries, including:

- Furniture and Home Furnishings
- Household Appliances, Electrical, and Electrical Goods

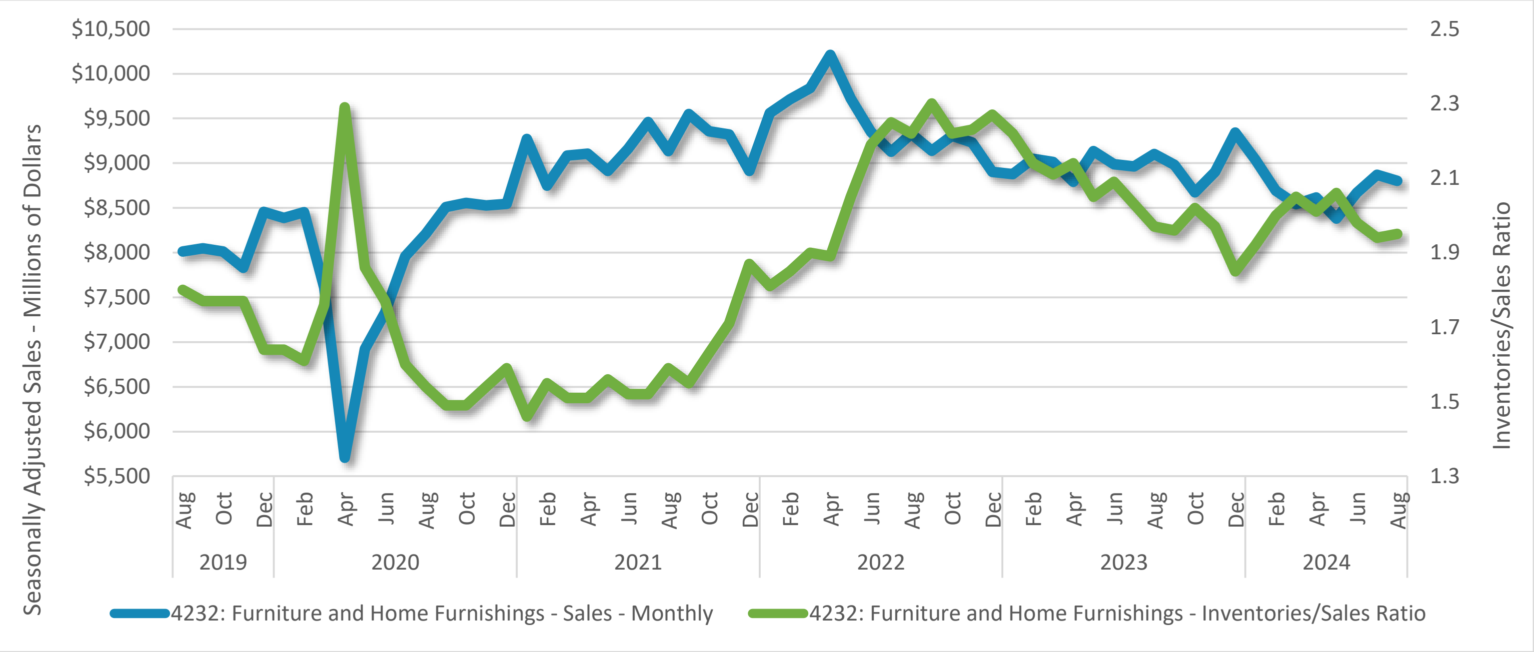
Why it matters: Large appliances and furniture generate freight for the dry van segment of the industry.

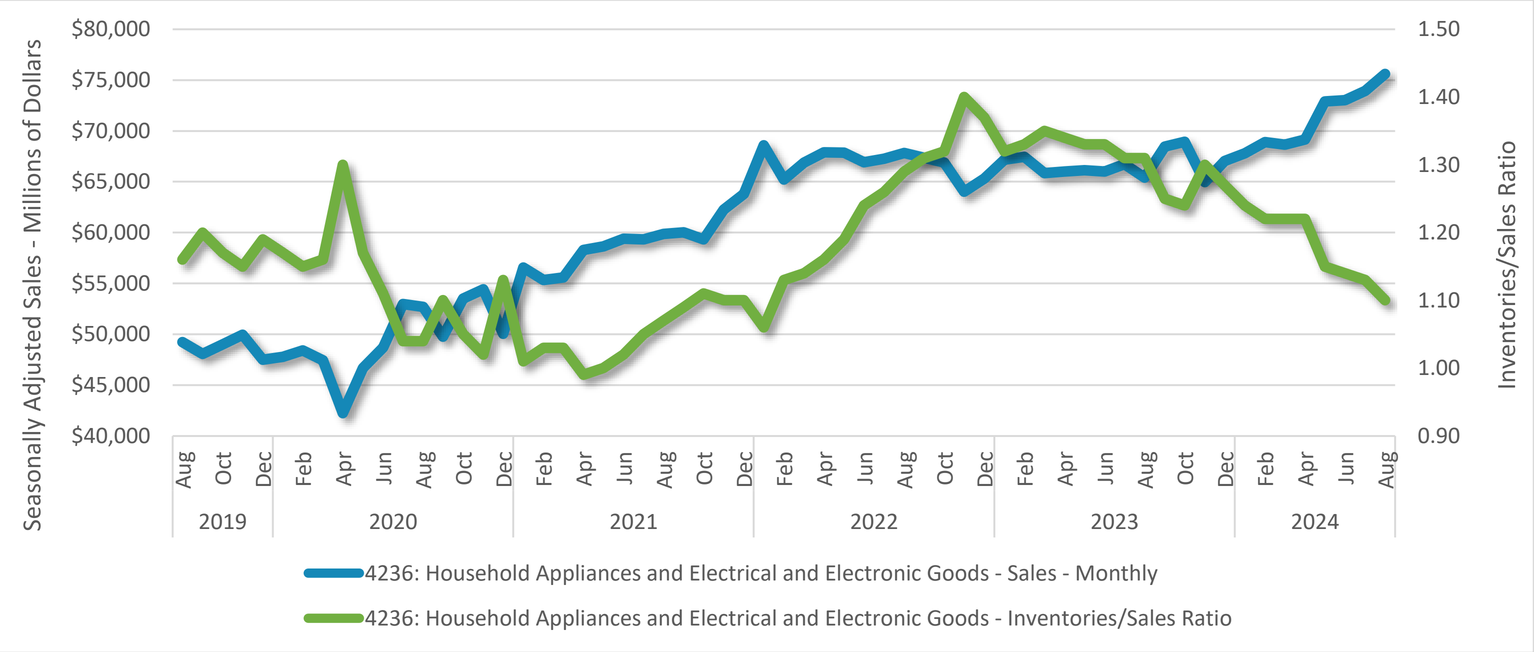
- Sales and inventories can help an owner-operator to see what direction freight demand is headed.

Our thoughts: Furniture wholesalers experienced a decrease in sales and an increase in inventories, while household appliance wholesalers saw a substantial increase in sales, and a subsequent decrease in inventories.

- Furniture Sales decreased 0.7% to $8.80 billion after increasing 2.3% in the previous month, while ratios increased 0.5% to 1.90. Ratios have fallen 14.4% from their peak in December 2022.
    - Sales are $300 million, or 3.3%, lower Y/Y, while ratios have decreased 1.0% Y/Y.
- Household appliances increased 2.3%, or $1.67 billion, to $75.6 billion. Ratios decreased 2.7% to 1.10, which is 5.8% below 2019 levels.
    - Sales are $10.18 billion higher than last year, marking 10 straight months of Y/Y increases, and ratios are 16.0% lower, marking 12 straight months of Y/Y decreases.

The bottom line: While furniture wholesalers continue to face headwinds, it appears that household appliance wholesalers have turned a corner. Household appliances have been performing exceptionally well, which is a tailwind for certain types of freight.





Source: U.S. Census Bureau | https://www.census.gov/econ/currentdata/ | Monthly

Advanced Retail Sales:
Electronics, Furniture, and General Merchandise

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:

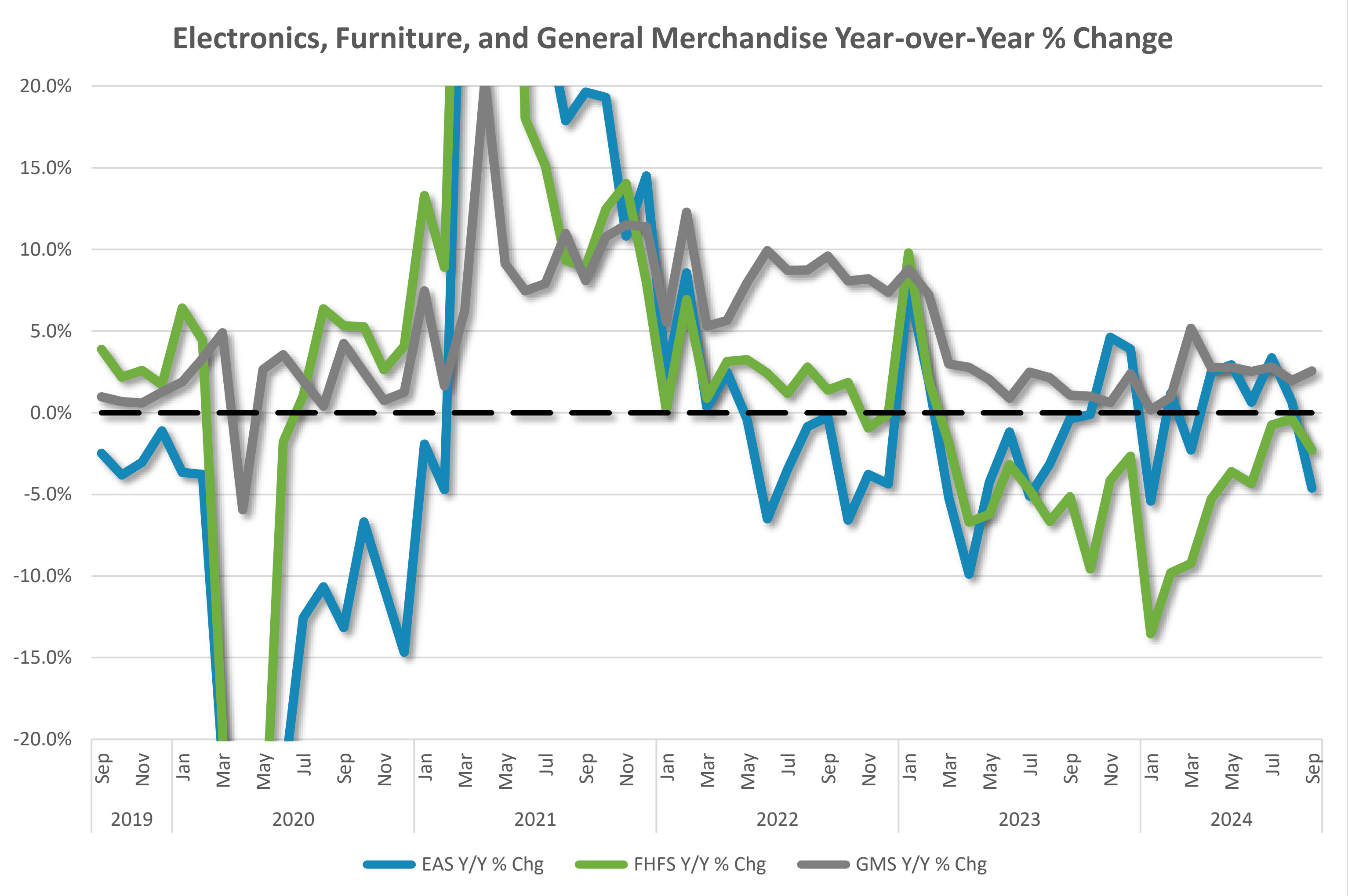
- Electronics and appliance stores (EAS)
- Furniture and home furnishing stores (FHFS)
- General merchandise stores (GMS), such as Walmart, Target, Costco, Kohl's, etc.

Why it matters: Retail sales can 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: Seasonally adjusted retail sales decreased for EAS and FHFS, but increased for GMS.

- EAS decreased 3.3%, or $251 million, M/M to $7.44 billion, after decreasing 1.7% the previous month. EAS is 4.6%, or $360 million, lower Y/Y.
- FHFS decreased 1.4% M/M to $11.06 billion, and is 2.3%, or $257 million, lower Y/Y. FS has declined Y/Y for 20 straight months.
- GMS increased 0.5% M/M, or $403 million, to $75.99 billion, and is up 2.6%, or $1.901 billion, Y/Y. GMS has increased Y/Y for an outstanding 52 straight months.



Source: FRED | https://fred.stlouisfed.org/series/RSEAS | https://fred.stlouisfed.org/series/RSFHFS | https://fred.stlouisfed.org/series/RSGMS | Monthly