EUROPEAN
RENTAL
ASSOCIATION

The European Equipment Rental Industry 2012 Report

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Foreword

Dear ERA member, dear reader,

The ERA is releasing its 2012 Report, showing that rental without operators in Europe in 2011 amounted to a total turnover of 21.45 billion Euros, representing an average increase of 4% over 2010.

The estimate for 2012 is showing an average increase of 0.1% over 2011 at 21.47 billion Euros.

After adding Poland to the 2011 report, Russia has been added this year. However, the lack of official data for Russia does not allow for a similar report like the other countries and it is rather presented as a qualitative analysis of this emerging rental market.

Thanks to the introduction of the revised NACE classification rev.2 in European statistics, the statistical basis on which future reports will rely has been established. For some statistical agencies detailed data on the new NACE codes has been available for the first time with this report. Data that has been available before has been revised and, as a consequence, market size estimates have in some cases been changed. Thus, absolute figures from this report can in general not be compared with the figures of the ERA 2011 report in order to obtain growth rates. In fact, the growth of rental turnover in 2009 has not changed compared to the previous report.

A new forecast approach was applied for the rental turnover for 2013 and 2014. Key drivers including Construction Output per segment (residential, non-residential, infrastructure), GDP and Industrial Production, have been defined for each country and the forecasts for these drivers have been applied to predict the development of rental volumes over 2013-2014.

An important change compared to previous reports has taken place in the calculation of Construction Industry Penetration. In order to improve the overall quality and consistency of data, this year's report uses the IHS Global Construction Outlook data, itself based upon official data, for its estimates of total construction output per country. This approach ensures that historical construction figures match the official data on construction from the national accounts. As a consequence, the size of the construction market and the figures for Construction Industry Penetration have changed and the 2012 report cannot be compared with the figures in 2011 report. This does not affect our view of trends expressed for former years.

We are bringing changes as they look necessary, always with respect to the consistency of our definitions and methodologies.

In wishing you an interesting read, I would like to thank the ERA statistics committee members for their dedication and participation in this project.

Michel Petitjean – ERA Secretary General

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1. Introduction

1.1 The European Rental Association (ERA)

The European Rental Association was created in 2006 to represent national rental associations and equipment rental companies in Europe. Today our membership includes over 4,600 rental companies, either directly or through 15 national rental associations. ERA is active through its working groups in the fields of Promotion, Safety and Sustainability, Statistics, Equipment Technology and Theft, General Rental Conditions. The next ERA convention is scheduled in Paris on May 15-16, 2013.

Extensive information on ERA's activities, reports and publications is available in our website at http://www.erarental.org.

1.2 IHS

IHS offers information and expert analysis in the pivotal areas that shape today's business landscape. That analysis, combined with extensive knowledge of customer requirements, challenges and business objectives, allows us to provide critical information and to design and develop solutions that help our customers make their most important decisions every day. IHS employs 5,500 people in more than 30 countries, speaking 50 languages.

Businesses and governments around the world rely on IHS for comprehensive content and information as well as our expert analysis and insight to develop strategies and make high-impact decisions with speed and confidence. Our key capabilities are focused on the areas of energy, economics, supply chain management, geopolitical risks and sustainability.

With over 125 office located in 30 countries around the globe, IHS aims to provide an integrated network for all IHS clients, creating a structure around insight and information that fosters collaboration and innovation, enabling and delivering service and success for our customers.

We offer an unmatched combination of deep industry expertise, a long history of analytics and forecasting, unique sources of critical information and data-based forecasts, along with a deep understanding of heavy industry operations and challenges.

1.3 Purpose of the Study

IHS and the ERA have together strived to develop the reference source for intelligence concerning the European equipment rental market; this study provides an update of the “The European Equipment Rental Industry Report”, published in 2011. Building a solid data foundation concerning the rental market is a long-term process; this report is a further step towards the goal of establishing comprehensive market intelligence allowing the development of market trends and international comparisons based on a common methodology. Both the methodology and the contents of the report are evolving over time and there are some changes to the statistical basis for the calculation of the market size of the equipment rental market (without operator) in Europe, which are explained in the Executive Summary, chapter 2, and the Methodological Overview provided in chapter 3 of the report. The geographical scope of the detailed analysis was extended last year to twelve countries to which we have added this year a special report on Russia. As for previous years’ reports, an estimate on the market size and penetration rates for total EU-27+EFTA countries is provided.

1.4 ERA/ IHS Expert interviews

The analyses presented utilise data from a variety of sources. Of particular importance were the key insights obtained from 18 extended interviews with senior industry experts from 10 countries. We would like to take the opportunity to thank these experts, as well as the members of the ERA Statistics Committee, for the time and effort they spent in supporting us in the production of this report.

2. Executive Summary

- The results for the European rental market in this report refer to renting of equipment without operator. The figures are based on official statistics for NACE rev. 2 code 77.32: “Renting of construction and civil engineering machinery and equipment without operator”. As ever we strive for continuous improvement in the quality of the market estimations. This year we have moved almost entirely to official data sourced from National Statistics Offices since they offer the most robust and reliable information on a transparent basis across all countries in the scope of the report and, eventually to global markets. An outcome of this approach is that, in some countries there has been a level-correction of market size. While this does not affect our historic growth estimates, it means that one cannot compare absolute figures of this report with the previous one in order to obtain growth rates.
- A further data source change impacts the calculation of Construction Industry Penetration. In order to improve the overall quality and consistency of data, this and subsequent reports uses the IHS Global Construction Outlook data (which is itself based upon official data) for its estimates of total construction output per country. As a consequence, the size of the construction market and the figures for Construction Industry Penetration have changed for all countries; once again the 2012 report cannot be compared with the figures in 2011 report but there is no impact upon our view of trends expressed for former years. The development of penetration rates, based on the new figures, is given in each country chapter for the whole period 2006-2014.
- Detailed market size estimates are presented for twelve European countries for the years 2009-2012 in local currency. In addition, an estimate in Euro is presented for the size of the total equipment rental market in the EU-27 and EFTA countries for 2011. For each of the twelve countries under investigation, forecasts of rental turnover are provided for 2013 and 2014. At the end of the report, a special chapter is provided on the equipment rental industry in Russia.
- For most countries, 2011, as well as the first half of 2012, was a period of recovery from the strong downturn experienced during the crisis. Because of reduced fleet sizes, a recovery in demand and improved fleet management, time utilisation of the rental fleet has been increasing in most areas.
- More recently, the economic environment has become cloudier. Some countries, like Italy, Spain and Poland will suffer from another market decline in 2013. As there are ongoing insecurities about how the European sovereign debt crisis evolves, rental companies remain cautious with respect to their investment strategy. Rental companies continue to keep a focus on profitability and are limiting their capital expenditure.
- Despite the risks stemming from a difficult economic and political context, there are indications that rental penetration rates will increase in the long-term. The rental concept has gained attractiveness in a context in which even financially healthy companies remain cautious in their investment policy. In addition some companies simply lack the credit for large fleet investments and will have to rely on the rental channel. Also worthy of note is the trend of contractors to outsource the management of their entire equipment fleet, another opportunity for rental companies.
- In Russia the rental industry is still in its infancy. Both renting with and without operator are expected to grow in the future, with an average growth rate of between 7% and 10%, a higher growth rate than for the other countries within the scope of the ERA Report. This growth is also related to a change in users’ mentality; a transition from owned equipment to rental equipment is observed in the market. Even though multinationals installed in Russia use rental equipment, national Russian companies continue to own equipment. However it is foreseen that some of the equipment which has not been renewed during the crisis will never be replaced and therefore increase the demand for rental equipment.

The key results of the study can be summarized as:

- In the EU-27 and EFTA countries, equipment rental companies, and other companies providing rental services, generated a total rental turnover (as defined in chapter 3.1) of € 21.5 billion, at 2011 exchange rates, in 2011, an increase of 4.0% compared to 2010[1].
- As with their national economies, the situation of the national rental markets across Europe remains quite heterogeneous. The picture shows strong growth in some mid-European and Nordic countries and for the young rental industries of Poland and Russia; while other countries like Spain, Italy, Denmark and the UK struggle to recover from previous losses.
- The strongest growth among countries within the scope of the 2012 report for 2011 was observed in Poland, with an increase of some 30%. Among the countries with more mature rental industries, growth in 2011 was strongest in Norway (+11.2%) and Finland (+10.2%), followed by Germany (+7.1%), France (+7.1%) and Sweden (+6.7%).
- Depressed economic conditions continue to cause decreasing revenues in Spain, as well as in Italy and the Netherlands, where difficult market conditions in 2011 led to decreasing rental turnover.
- A solid economic environment in 2011 enabled companies in some countries to achieve significant increases of rental rates, while the pricing environment in other countries allowed only very modest increases. However, price pressure generally increased again in 2012.
- A strong rental volume demand does not necessarily mean that prices recover from previous lower levels. Differences in the development of rental rates are caused by different national industry structures, economic and monetary policy as well as industry culture.
- The average construction industry penetration in the 12 countries in 2011 was 1.4%. For total EU27 + EFTA countries, the average penetration in 2011 was 1.3%. Construction industry penetration is highest in Sweden (3.1%) and in the United Kingdom (2.0%). These countries can be regarded as featuring the most mature rental markets
- Average Construction Industry Penetration in Europe recovered slightly in 2011 from the lows suffered during the economic crisis.
- Total investment continued to increase in 2011 (up 24%). The highest levels of investments were to be found in the UK, Germany, France, Sweden and Norway.
- In 2011 the rental fleet decreased in size in Spain, the Netherlands and Italy and increased most substantially in Norway and Poland. Among all countries considered, Germany continues to feature the youngest fleet.
- The strongest growth of rental revenue in 2012 is estimated to take place in Norway, followed by Germany. Overall, we expect only moderate growth of rental volumes in 2013 and 2014. Exceptionally high growth, as seen in some countries in 2011, is not likely to continue.
- For Europe in total, the estimate for 2012 is showing only a minor average increase of 0.1% over 2011 at 20.0 billion Euros.

[1] *Please note that the recalculated 2010 total rental turnover, at 2010 exchange rates, is € 20.6 billion.*

3. Methodological Overview

3.1 Key Concepts

For the following twelve European countries the respective national equipment rental markets are covered in detail, providing results for market sizes, penetration rates and forecasts until 2014.

Belgium	BE	France	FR	Netherlands	NL	Spain	ES
Denmark	DK	Germany	DE	Norway	NO	Sweden	SE
Finland	FI	Italy	IT	Poland	PL	United Kingdom	UK

At the end of the report, a special chapter is provided on the equipment rental industry in Russia.

Rental Market Coverage

The indicators on market size and penetration rate presented in this report cover rental companies classified as providing "Renting of construction and civil engineering machinery and equipment **without operator**" (code 77.32 according to NACE rev.2) and – for some indicators – other companies providing rental services as a secondary business.

Time Horizon and Basic Concepts

The Market Sizing results cover the period 2009-2012. Forecasts of rental turnover are provided for the years 2013 and 2014. Three different concepts have been applied, depending on the availability of data. Throughout the report, a colour code has been assigned for each concept in order to facilitate the understanding of the underlying data basis for each year:

Years	*Concept*	*Colour Code*
2009-2010	**Actual data** *based on official statistics*	dark blue
2011-2012	**Estimates** *based on interviews and field research*	lighter blue
2013-2014	**Forecast Values** *based on IHS Global Insight driver forecasts*	light blue

Definition of Rental Turnover

Market Sizing for equipment rental companies refers to the concept of rental turnover, including rental-related revenues, merchandise as well as sales of used equipment. For other companies providing rental services as a secondary business, estimates for their share of turnover generated by rental activities have been applied.

Country Results are presented in Local Currency

Detailed results per country in chapter 5 of the report are presented in local currency. The figures in the European overview of results for the year 2011 presented in chapter 4 are expressed in Euro. While the transfer from local currency to Euro is done by applying the average exchange rate of 2011, the European growth rates presented are calculated at constant currency and thus represent market developments without exchange rate effects.

3.2 Consistency of Approach

Introduction of NACE classification Rev.2

With the introduction of the revised NACE classification rev.2 in European statistics for data from 2008 onwards, the statistical basis on which future reports will rely has been established.

For some statistical agencies detailed data on the new NACE codes have been available for the first time with this report. In some cases, data that has been available before has been revised.

Also, as we continue to increase the quality of the market size estimates, some of the data presented in last year's report has been revised. As a consequence, market size estimates have in some cases been changed.

Thus, absolute figures from this report can in general not be compared with the figures of the ERA 2011 report in order to obtain growth rates. In fact, the growth of rental turnover in 2009 has not changed compared to the previous report.

Amadeus Database

In addition to official statistics and market monitoring, an effort has been made to use information from the comprehensive European company database Amadeus. It was used

- to ensure that the largest rental actors in Europe are included in the analysis, even if they have been classified into other NACE codes. The availability of Amadeus enabled us in particular to include large rental companies classified in NACE code 77.39 and 77.29 in some countries. The figures from these companies on turnover, employee, investment etc. have been added to the official figures on NACE code 77.32.
- to increase the reliability of the market size estimates to 2011 by using the available data on the number of rental companies, revenue, employees and tangible assets.
- to provide a more thorough analysis of companies who provide rental solutions (without operator) as a secondary business in eight of the countries.

3.3 Equipment Rental Market Indicators

For each country, the following indicators are provided in the country sections of the report:

Indicator	Time Period	Breakout per company size class*
Market Sizing		
Rental Turnover (rental & other companies providing rental services)	2009-2014	yes (2009)
Investments in Rental Equipment	2009-2012	-
Value of the Rental Fleet *(at original costs)*	2009-2012	-
Number of Rental Companies *(without operator)*	2009	yes (2009)
Persons Employed	2009	yes (2009)
Penetration Rates		
Construction Industry Penetration	2009-2014	-
Country Population Penetration	2009-2014	-

For the time period 2009-2010 a common approach to calculate market size and distribution across company size classes was applied relying to a large degree on official statistics.

Estimations of growth rates in 2011 and 2012 for rental turnover, investments in rental equipment and value of the rental fleet depend upon a thorough analysis of companies providing financial estimation in the Amadeus database as well as upon data from field research and expert interviews, taking into account the following major types of source of information:

- General trends for time utilisation, financial utilisation and rental rates
- Insights from the analysis of balance sheets.
- Insights gained from expert interviews, industry newsletters and web research.

3.4 Key Data sources

The following key data sources of data have been used for the analysis of the rental markets:

Key Data Sources
Eurostat and National Statistical Agencies
AMADEUS company database for Europe
Set of 18 structured interviews with rental industry experts in nine countries
IHS Global Construction Outlook, IHS World Economic Service
Field data from additional web-research, industry newsletters and association reports

3.5 Forecast

A common forecast approach was applied for the rental turnover outlook for 2013 and 2014. Based on the estimation of rental demand elasticity with respect to construction output per segment (residential, non-residential, infrastructure), GDP and Industrial Production, the IHS forecasts for these drivers have been applied to predict the development of rental volumes over 2013-2014. These forecasts have then been corrected for national rental rates trends in order to come up with a nominal forecast on the development of rental revenues per country.

The weights of the respective drivers vary between countries. The assignment of the weights of GDP and Industrial Production in the forecast equation is based on information and estimates on the share of rental revenue from other demand segments than construction. The weights given to the respective construction sub-segments are the shares of these segments in total construction activity.

3.6 Penetration Rates

Two penetration rates have been calculated and forecasted for each country for 2006-2014:

- Construction Industry Penetration
- Country Population Penetration

$$\textbf{Construction Industry Penetration} = \frac{\textbf{Rental Turnover (country, year)}}{\textbf{Total Output of the Construction Sector (country, year)}}$$

$$\textbf{Construction Population Penetration} = \frac{\textbf{Rental Turnover (country, year)}}{\textbf{Number of Inhabitants (country, year)}}$$

An important change compared to previous reports has taken place in the calculation of Construction Industry Penetration. In order to improve the overall quality and consistency of data, this year's report uses official statistics data, provided by the IHS Global Construction Outlook product, for its estimates of total construction output per country. This approach ensures that historical construction figures match the official data on construction from the national accounts.

Forecasts of construction activity until 2014 are also taken from the IHS Global Construction Outlook.

As a consequence, the size of the construction market and the figures for Construction Industry Penetration have changed for all countries; in this respect the 2012 report cannot be compared with the figures in 2011 report. This does not affect our view of trends expressed for former years. The development of penetration rates, based on the new figures, is given in each country chapter for the whole period 2006-2014.

4. European Overview

4.1 Scope of the study

- The results for the European rental market in this report refer to renting of equipment without operator. The figures are based on official statistics for NACE rev. 2 code 77.32: "Renting of construction and civil engineering machinery and equipment without operator". As with every new report, we aim to improve the quality of the market estimations by taking into account new statistics and sources of information when they become available. This has been particularly important for this year's report and has led, for some countries, to a level correction of the market size. This has not affected our historic growth estimates, but it does mean that one cannot compare absolute figures of this report, with the previous one, to obtain growth rates.
- In order to increase the comparability of market penetration rates both within Europe but also globally, we have changed our base for the size of the national construction market by switching from our own estimates to the official statistical figures on the construction market as available worldwide through UN statistics. For some countries, this means an important correction of construction figures and consequently a changed level of construction industry penetration compared to previous reports.
- Detailed market size estimates are presented for twelve European countries for the years 2009-2012 in local currency. In addition, an estimate in Euro is presented for the size of the total equipment rental market in the EU-27 and EFTA countries for 2011. For each of the countries under investigation, forecasts of rental turnover are also provided for 2013-2014.
- In addition, this report features a special chapter on the construction and rental markets of Russia. The chapter combines quantitative facts and forecasts on the Russian construction market with a more qualitative review of the equipment rental market, its current state and future potential.

4.2 Market Size

- In the EU-27 and EFTA countries, equipment rental companies and other companies providing rental services generated a total rental turnover (as defined in chapter 3.1) of € 21.5 billion in 2011, at 2011 exchange rates, an increase of 4.0% compared to 2010. Thus the revenue growth in 2011 was slightly weaker than estimated in the previous report (which had estimated a 5.5% growth).
- As for the overall economy, the situation of national rental markets across Europe remains quite heterogeneous. The picture shows strong growth in some mid-European and Nordic countries, as well as for the young rental industries in Poland and Russia, while other countries, like Spain, Italy, Denmark or the UK struggle to recover from previous losses.
- The strongest growth among the countries under investigation in 2011 was observed in Poland, with an increase of some 30%. In Poland, the rental industry is still in its infancy. However, even in Poland we believe that rental turnover peaked in 2012.
- Among the countries with more mature rental industries, growth in 2011 was strongest in Norway (+11.2%) and Finland (+10.2%), followed by Germany (+7.1%), France (+7.1%) and Sweden (+6.7%).
- Apart from Spain, in which the depressed economic conditions continue to cause a reduction in revenues, difficult market conditions in 2011 led to decreasing rental turnover in Italy and the Netherlands.
- Based on 2009 statistics, and for the 12 countries covered under the study, the structure of the European equipment rental industry (without operators) is as follows:
    - # of rental companies (without operators): 13,800
    - # of employed persons in rental companies (without operators): 106,000

Key figures on the European Construction Equipment Rental Industry for 2011

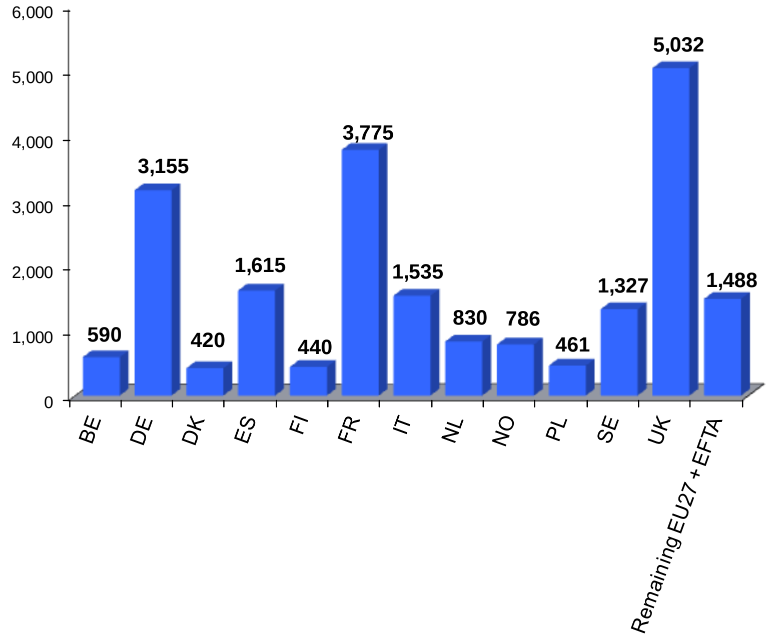
2011	BE	DE	DK	ES	FI	FR	IT	NL	NO	PL	SE	UK	Total / Average 12 countries	Remaining EU27 + EFTA	Total / Average
Total Turnover [million Euro]	590	3,155	420	1,615	440	3,775	1,535	830	786	461	1,327	5,032	19,966	1,488	21,454
Rental Companies *	570	2,510	419	1,530	420	3,610	785	765	588	456	1,307	4,830	17,789	N/A	N/A
Other Comp. Providing Rental Services (only rental)	20	645	1	85	20	165	750	65	199	5	20	202	2,177	N/A	N/A
Investment in Rental Equipment * [million Euro]	140	540	58	100	90	540	200	160	180	146	255	692	3,099	N/A	N/A
Value of Rental Fleet ** [million Euro]	945	4,820	833	2,900	755	5,350	2,480	1,220	1,180	873	1,927	8,530	31,813	N/A	N/A
Ratio: Investment in Rental Equipment / Value of the Rental Fleet	15%	11%	7%	3%	12%	10%	8%	13%	15%	17%	13%	8%	10%	N/A	N/A
Total Construction Output [million Euro]	58,434	238,748	25,582	159,554	35,003	250,937	184,337	77,818	48,336	81,676	42,777	255,773	1,458,974	221,518	1,680,492
Construction Industry Penetration	1.00%	1.30%	1.65%	1.00%	1.25%	1.50%	0.85%	1.05%	1.65%	0.55%	3.10%	1.95%	1.35%	0.65%	1.30%
Country Population [million]	10.75	81.78	5.57	47.57	5.38	63.28	60.79	16.67	4.92	38.30	9.44	62.74	407	107.57	515
Country Population Penetration [Euro per person]	55	39	75	34	82	60	25	50	160	12	141	80	49	14	42
2011 year-on-year percent change															
Turnover	1.5%	7.1%	2.9%	-7.7%	9.7%	7.1%	-4.7%	0.0%	11.2%	30.6%	6.7%	4.0%	4.0%	N/A	N/A
Investment	-2.8%	4.4%	33.1%	-16.7%	80.0%	61.2%	-9.1%	23.1%	105.9%	650.0%	21.7%	10.7%	24.0%	N/A	N/A
Rental Fleet	0.5%	1.9%	0.0%	-13.2%	4.9%	2.9%	-0.8%	-3.2%	12.6%	11.5%	6.7%	0.5%	0.5%	N/A	N/A
Exchange rate 2011, aop*** [Euro/ LCU]	-	-	0.134	-	-	-	-	-	0.128	0.243	0.111	1.153			

** Equipment rental without operator only*

*** At original costs, equipment rental fleet without operator only*

****average of period*

Total turnover 2011 [million Euro]

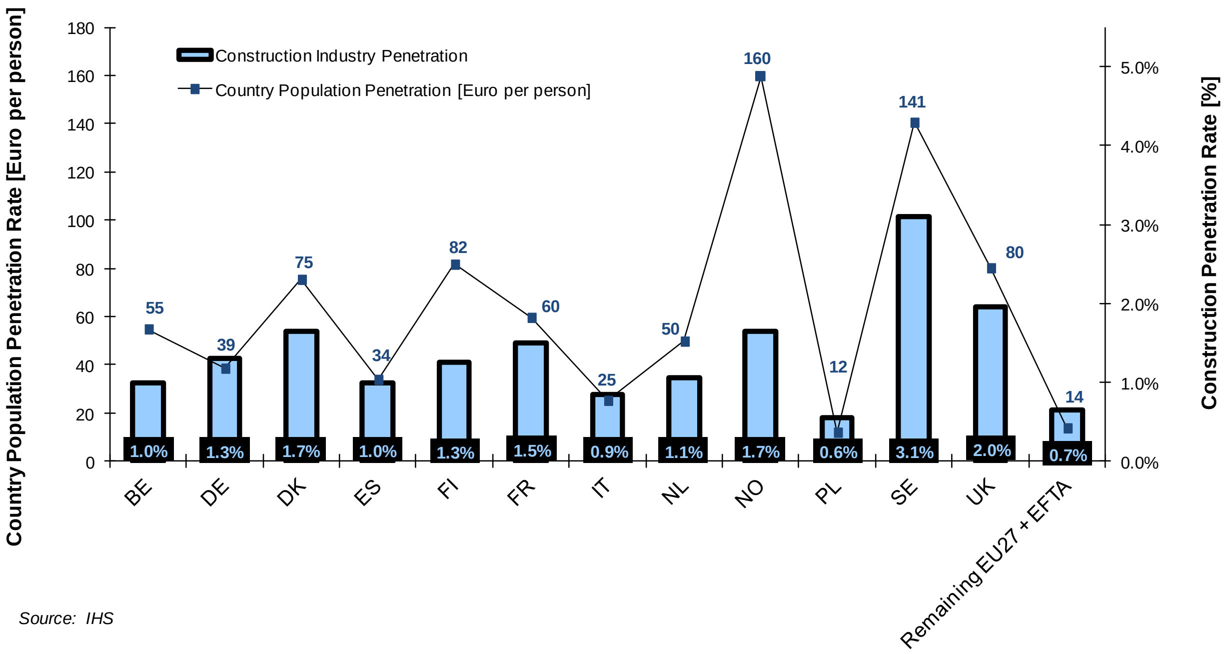


Source: IHS

4.3 Competitive Environment

- The degree of competition remained high in most countries. However, diverse national industry structures and economic policies caused heterogeneous developments of rental rates.
- A relatively solid economic environment in 2011 enabled companies in some countries to achieve significant increases in rental rates, while the pricing environment in other countries allowed only very modest increases. Price pressure generally increased again in 2012.
- A strong rental volume demand does not necessarily mean that prices recover from previous downward corrections. While the German economy has been strong since 2010, the rental industry did not see a substantial increase of rental rates. In the UK, on the other hand, quite strong price increases have been observed, despite a sluggish recovery, partly because of a more inflationary economic environment in the UK.
- Differences in the development of rental rates are caused by different national industry structures, economic and monetary policy as well as industry culture.
- Competitive pressure varies strongly between equipment types. In most countries, powered access is still one of the most competitive segments, since legacy over-investment has prevented a substantial recovery of rental rates. Earthmoving equipment has been hit recently, in some countries, by a reduction of governmental infrastructure expenditure. More generally rental companies have benefitted from the trend to outsource equipment to rental companies and rental companies have also managed to increase revenue from non-construction segments like communal services.
- In some countries, especially in Spain and Italy, but also in the UK, the financial health of contractor companies, affected by spending cuts from the government and weak private demand, is causing concern.
- Moderate M&A activities continue in most countries as market consolidation continues.

Penetration Rates (2011)

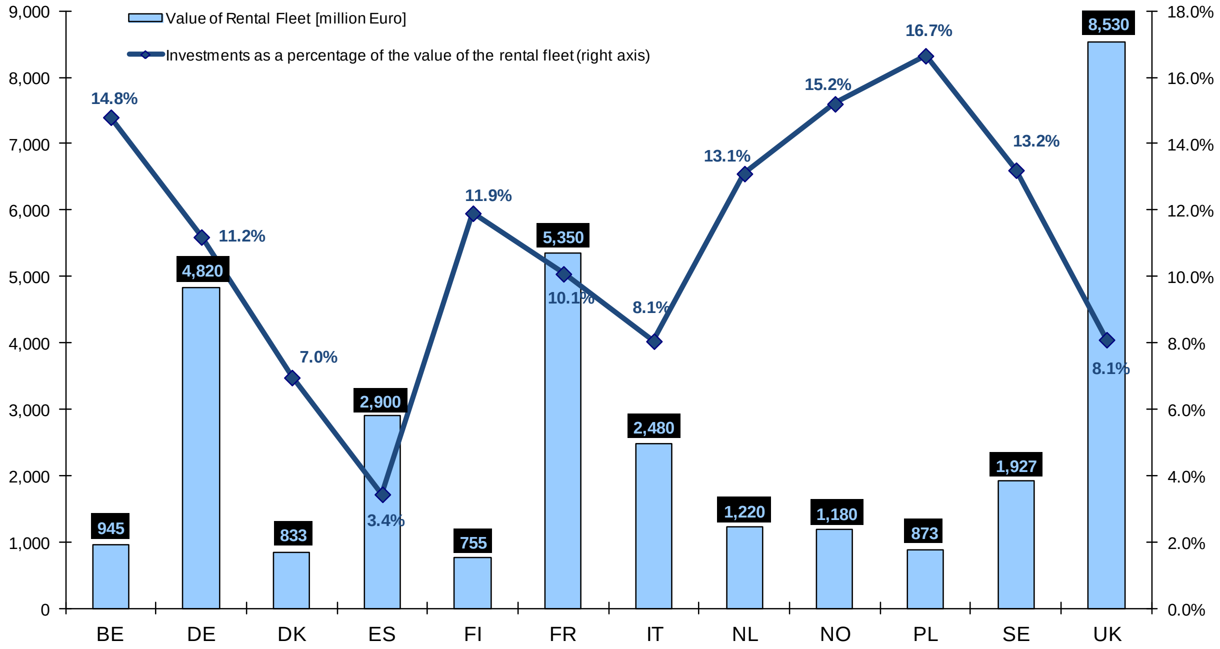


Source: IHS

4.4 Penetration Rates

- Because of the improved data underpinning our market estimates for the size of the national construction markets, as well as corrections to the rental market volumes for some countries, construction industry and country population penetration have changed: These changes in absolute values do not, however, affect the trend development of penetration rates over time.
- Average construction industry penetration in the 12 countries in the report in 2011 averaged 1.4%. For EU27 + EFTA countries, the average penetration in 2011 was 1.3%.
- Country population penetration in 2011 averaged 49 Euro per inhabitant in the 12 countries in the report and 42 Euro per inhabitant in the EU27 + EFTA.
- Construction Industry Penetration is highest in Sweden (3.1%) and in the United Kingdom (2.0%). These countries can be regarded as featuring the most mature rental markets in Europe.
- For Europe as a whole, there has been no substantial increase in construction industry penetration since 2006. However, country population penetration has increased in most countries (exceptions: Denmark, Spain and Italy).
- Average Construction Industry Penetration in Europe recovered slightly in 2011 from the performance levels realised during the economic crisis.
- Country Population Penetration is highest in Norway (and note that Construction Output per capita in Norway is significantly higher than in all other countries). After Norway, country population penetration is highest in Sweden, Finland and the United Kingdom.

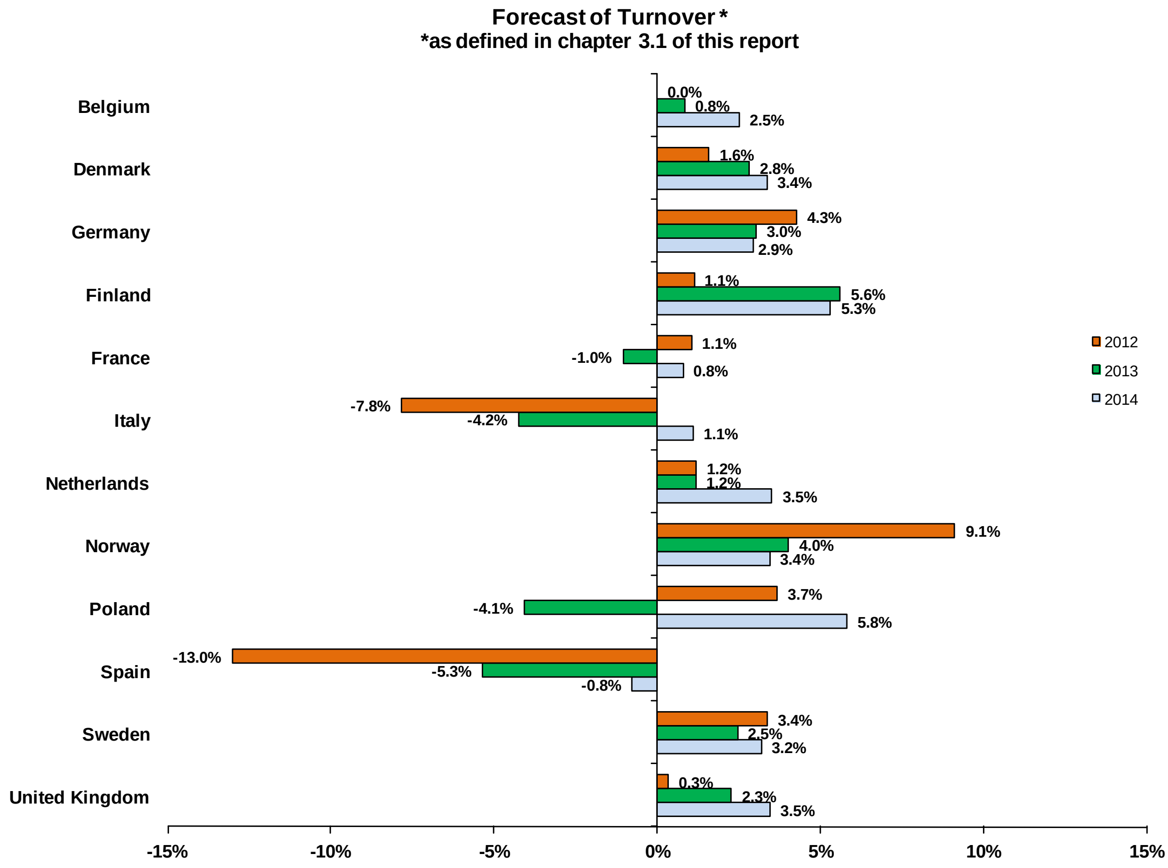
Investment and Value of the Rental Fleet at original cost (2011)



Source: IHS

4.5 Investments and Rental Fleet Size

- After the gentle recovery in total investment in 2010, capital expenditure continued to grow modestly in 2011 with a 24% increase.
- Investment levels in 2010 in Europe remain mixed in the aftermath of the crisis. Some countries, including Norway, Poland, Finland, France and Sweden, experienced a strong rebound or at least a solid growth in expenditure: investment activity in other countries remained at previous year's low levels or even declined further.
- In 2011 the highest investment was observed in the UK, Germany, France, followed by the smaller Nordic countries of Sweden and Norway.
- The buoyancy of fleet investment can best be compared by calculating the level of expenditure for new equipment as a percentage of the original purchase cost of the rental fleet (investment ratio). If the replacement rate is known, this value indicates the net rental fleet growth in a given country.
- The investment ratio in 2012 was highest in Poland, followed by Norway, Belgium, Sweden, the Netherlands and Germany. In these countries capital expenditure accounted for more than 11% of the cost of the rental fleet. The lowest level of investment was seen in Spain. Investment activity has also been relatively weak in Denmark, Italy and the UK
- The size of the rental fleet 2011 decreased in Spain, the Netherlands and Italy and increased most substantially in Norway and Poland.
- Among all countries considered, Germany continues to feature the youngest fleet. Average fleet age increased slightly in the countries with low investment activities while it remained fairly constant or decreased slightly in the remaining countries.



4.6 Forecast

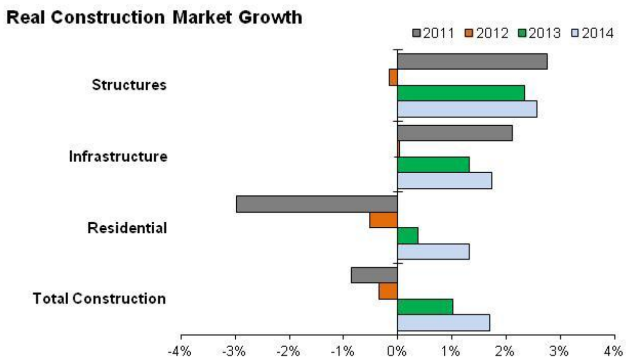
- The strongest growth in 2012 is estimated to take place in Norway, followed by Germany.
- Overall, we expect only moderate growth of rental volumes in 2013 and 2014. Exceptionally high growth, as seen in some countries in 2011, is not likely to be repeated. In addition the economic outlook has become cloudy for some countries with a likely downward impact upon rental volumes.
- The Spanish equipment rental market is not forecast to bottom out before the end of 2014.
- Italy has fallen into a recession affecting rental turnover. We expect that revenues in Italy will not start to increase again before 2014.
- After substantial growth has taken place in 2010 and 2011, the young Polish rental market will experience another decline in 2013 because of significant decreases in public infrastructure spending and weak private demand.
- While rental revenues are forecast to increase to some extent in the United Kingdom throughout 2013 and 2014, they do so from a strongly decreased base level.
- The nominal forecasts of rental revenue development presented in the graph are driven by a combination of the developments of rental volume demand and rental rates.

5. Country Overview

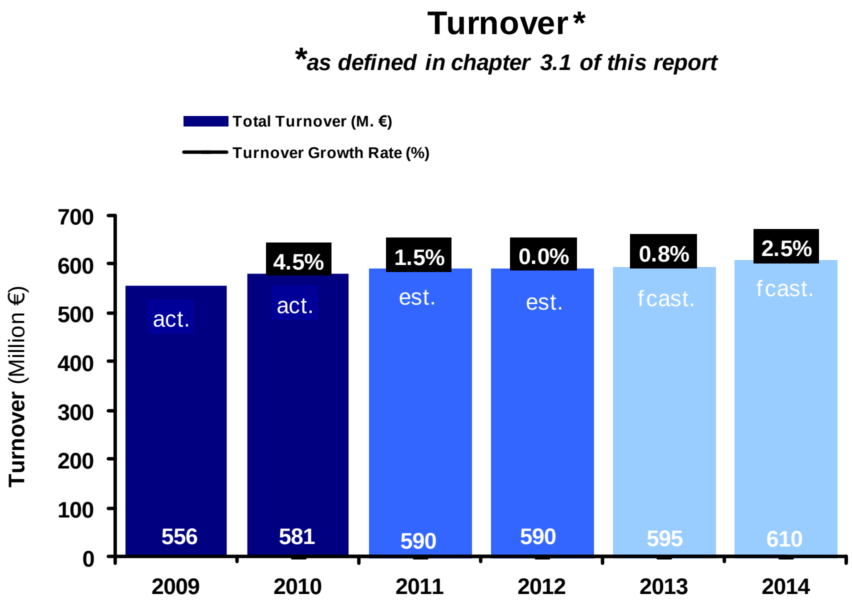
5.1 Belgium (BE)

1. Economic and Construction Context for the Equipment Rental Industry

- Belgium has one of the highest debt-to-output ratios in the Eurozone. Encouragingly, the Belgian government plans to lower the budget deficit to less than 3.0% of GDP by 2012 from 3.7% of GDP in 2011. IHS projects Belgium's GDP to contract 0.3% in 2012 and 0.2% in 2013.
- In 2011, real total construction in Belgium declined 1.0% year-on-year (y/y). In 2012, total construction spending is expected to be essentially flat, posting a minor 0.4% y/y loss.
- Moving forward, total construction spending is expected to pick up 1.1% y/y (2013) and 1.7% y/y (2014).
- **Residential Construction**: In 2011, residential construction accounted for 60% of total construction spending. The segment experienced a decrease of 3% in 2011 and an estimated decrease of 0.5% in 2012. A modest growth is forecast for 2013 (+0.4%) and 2014 (+1.3%).
- **Infrastructure**: Accounted for approximately 14% of total construction spending in 2011. Infrastructure construction has increased in 2011 by 2.1% y/y and is expected to remain stable in 2012 (0% y/y). A modest growth of 1.3% and 1.7% respectively is forecast for 2013 and 2014.
- **Non-residential Structures**: In 2011 accounted for approximately 26% of total construction spending. Y/y spending for structures has experienced a 2.8% increase in 2011, followed by an estimated drop of 0.2% this year. A growing trend is forecast for 2013 (2.4%) and 2014 (2.6%).



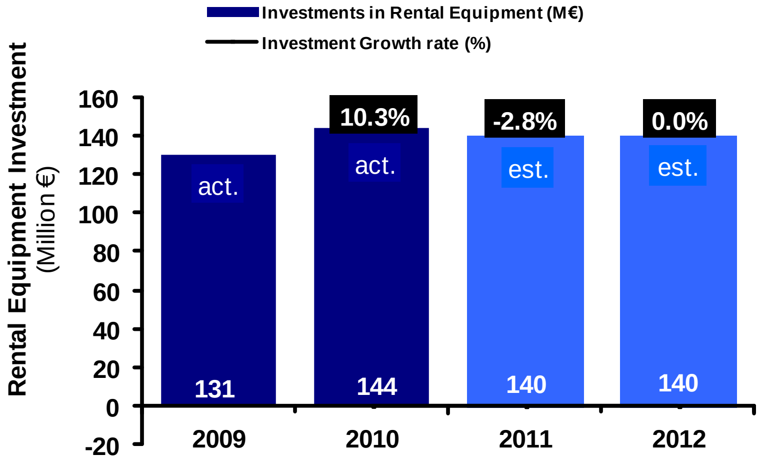
2. Detailed Results per Country



Source: IHS

- Investments recovered by some 10% in 2010 after the economic crisis hit in 2009, and remained at a stable level of about € 140 million in the years 2011 and 2012.

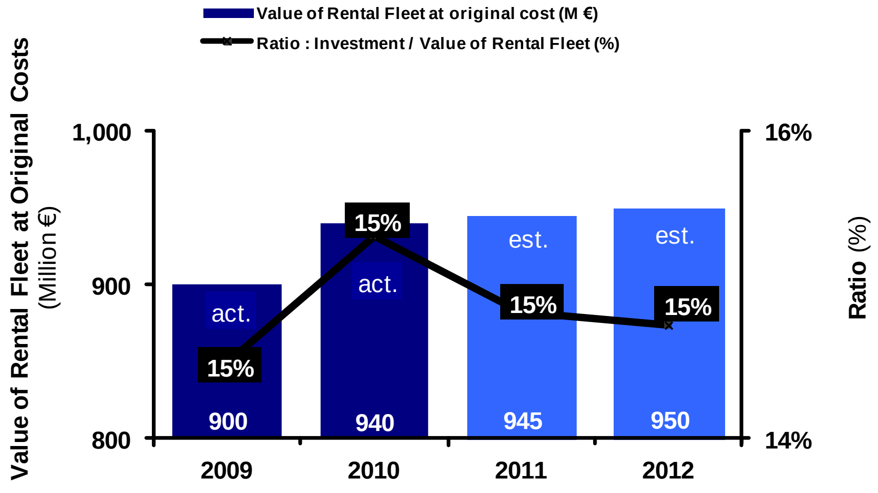
Investment in Rental Equipment of Rental Companies (without operator)



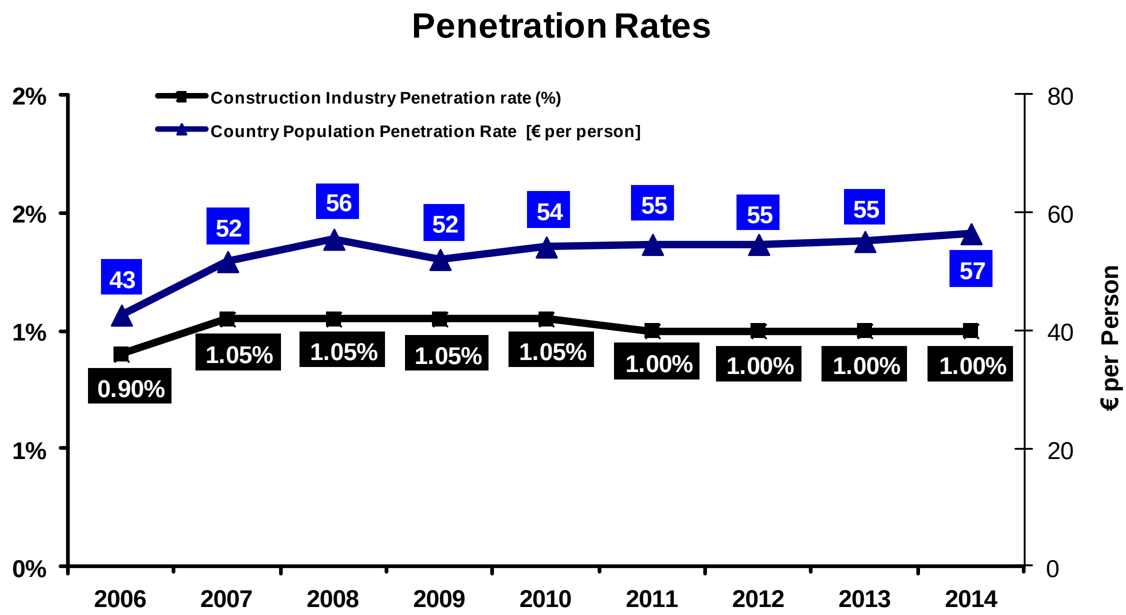
Source: IHS

- In line with increased investments in 2011, the fleet size started to increase again but will not recover completely from the previous periods of low investment.
- Average fleet age across all equipment types is estimated to have remained stable at 4.5 years in 2012.

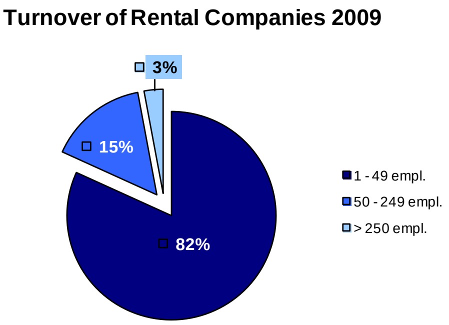
Rental Fleet Size



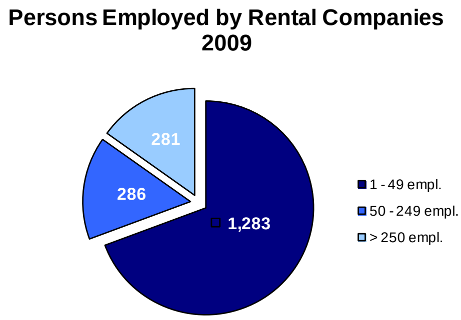
Source: IHS



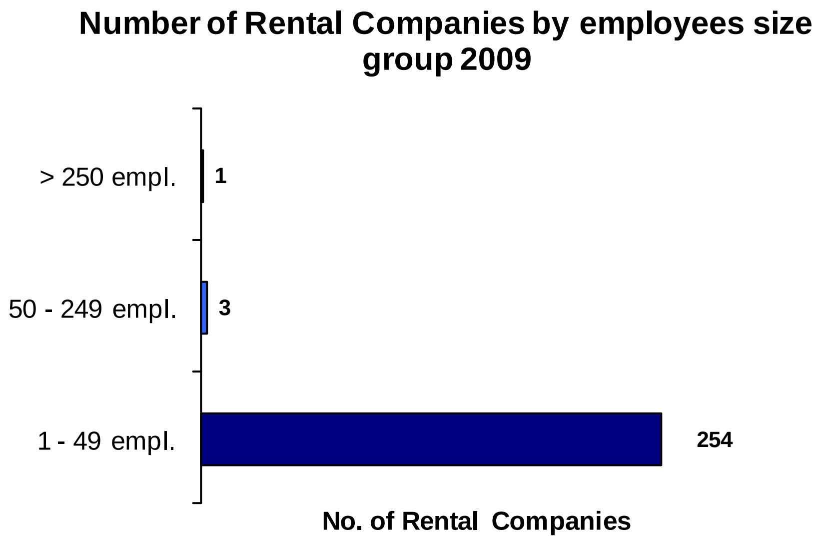
Source: IHS



Source: IHS



Source: IHS



Source: IHS

- The Belgian equipment rental market is more fragmented than most other Western European countries. More than 80% of the rental industry turnover is generated by firms with fewer than fifty employees.
- After hitting their lowest level in the second quarter of 2010, rental rates started to increase again in the second half of 2010 and showed a very moderate upwards trend during 2011 and 2012. Time utilisation increased in 2011 and remained stable in the first half of 2012.
- Rental turnover recovered by 4.5% in 2010, and grew only modestly (estimate of 1.5%) in 2011 and basically remained at a constant level in 2012.
- The share of rental revenue stemming from demand in the construction sector is estimated to average 60%.
- Rental revenues are forecast to grow modestly throughout 2013 and 2014, in line with the development of the overall economy. Rental penetration is expected to increase only slightly.

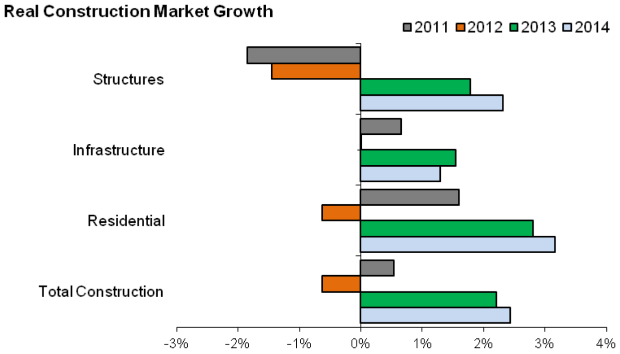
BELGIUM (BE), EURO	Actual		Estimates		Forecast	
	2009	2010	2011	2012	2013	2014
Market Size						
Total turnover [million €]	556	581	590	590	595	610
Rental Companies (without operator)	538	561	570	570	575	590
Other Comp. Providing Rental Services (only rental)	18	20	20	20	20	20
# Rental Companies (without operator)	258	n.a.	n.a.	n.a.		
# Employed Persons of Rental Companies (without operator)	1,850	n.a.	n.a.	n.a.		
Investments in Rental Equipment [million €] (without operator)	131	144	140	140		
Value of Rental Fleet at all companies [million €] (without operator)	900	940	945	950		
Ratio: Investments in Rental Equipment / Value of the Rental Fleet	*15%*	*15%*	*15%*	*15%*		
Penetration Rates						
Total Construction Output [million €]	54,078	54,217	58,434	60,331	59,100	60,900
Construction Industry Penetration Rate	*1.05%*	*1.05%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*
Country Population [million]	10.66	10.71	10.75	10.76	10.78	10.79
Country Population Penetration Rate [€ per person]	*52*	*54*	*55*	*55*	*55*	*57*

Source : IHS and Official Statistics data

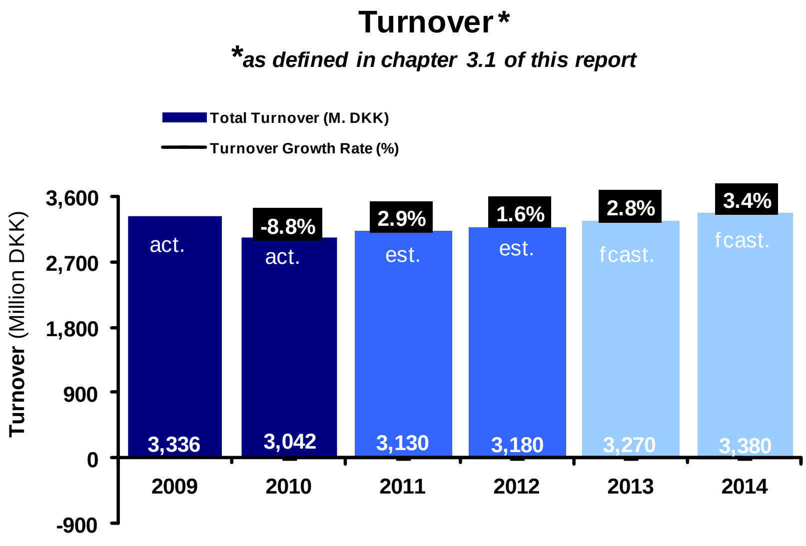
5.2 Denmark (DK)

1. Economic and Construction Context for the Equipment Rental Industry

- The Danish economy is projected to contract 0.2% in 2012, and increase a modest 0.3% in 2013 and 0.8% in 2014, following 0.8% growth in 2011. A DKK10-billion stimulus package is planned for 2012, focusing on education and infrastructure spending to create new jobs.
- The Danish parliament approved binding budget ceilings for the country as a means of controlling spending and meeting the requirements of new EU regulations. The proposals were passed with a majority in parliament. According to the new rules, national and local government will be forced to remain within strict spending criteria or face sanctions.
- In 2011, real total construction in Denmark increased 0.5% year-on-year (y/y). Moving forward, total construction spending in 2013 is expected to increase 2.2% and 2.4% in 2014.
- **Residential Construction:** Residential construction is the largest component of total construction in Demark. In 2011, residential construction spending accounted for 49% of total construction. Spending on residential construction rose by 1.6% y/y in 2011 and is expected to decline in 2012 by 0.6%. 2013 and 2014 will push towards a recovery with a forecasted growth of 2.8% and 3.2%, respectively.
- **Infrastructure**: Infrastructure construction spending represented 29% of total spending in 2011. The y/y growth in infrastructure spending was 0.7% in 2011 and it is estimated to be 0% in 2012. The forecast for 2013 and 2014 announces a growth rate of 1.5% and 1.3%, respectively.
- **Non-Residential Structures**: Non-residential structures represented 22% of total construction spending in 2011. Spending for non-residential structures was hit again in 2011, experiencing a decline of 1.8%. The decline is expected to continue this year with a 1.5% decrease. A rebound is foreseen for 2013 and 2014 at a growth rate of 1.8% and 2.3%, respectively.



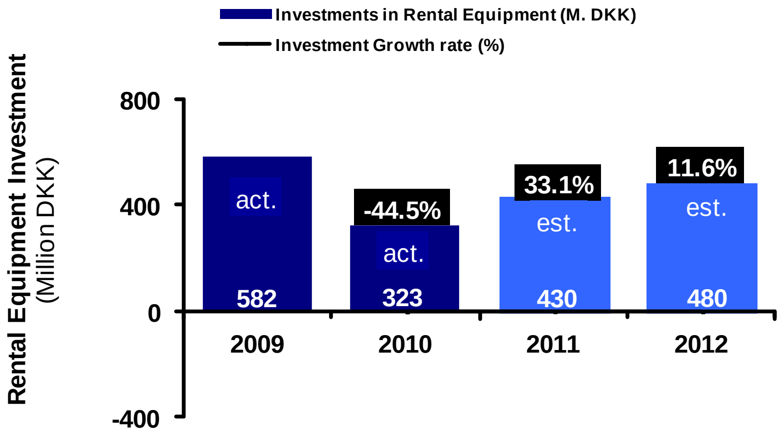
2. Detailed Results per Country



Source: IHS

- New official data shows that investments in Denmark did not decrease as severely in 2009 as previously estimated but continued to decrease in 2010 falling by -44.5%, due to the very difficult market conditions. While investment increased substantially during 2011, estimated at 33%, and by some 12% in 2012, it is still well behind the levels enjoyed in 2009.

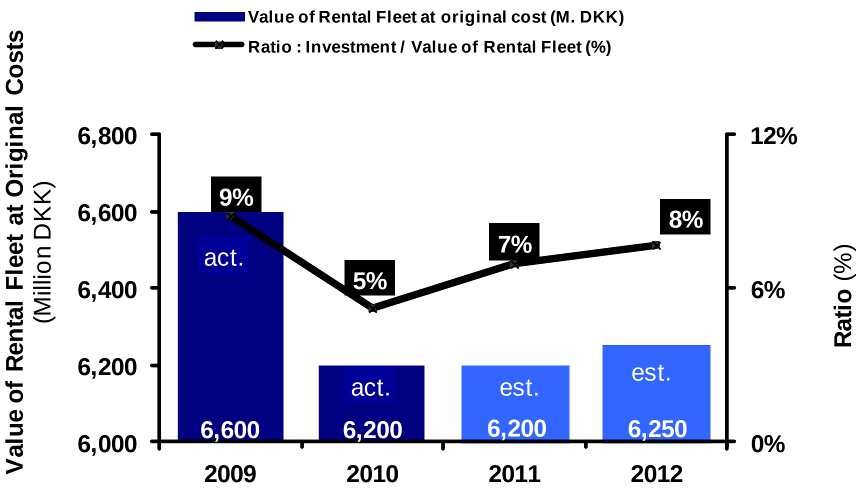
Investment in Rental Equipment of Rental Companies (without operator)



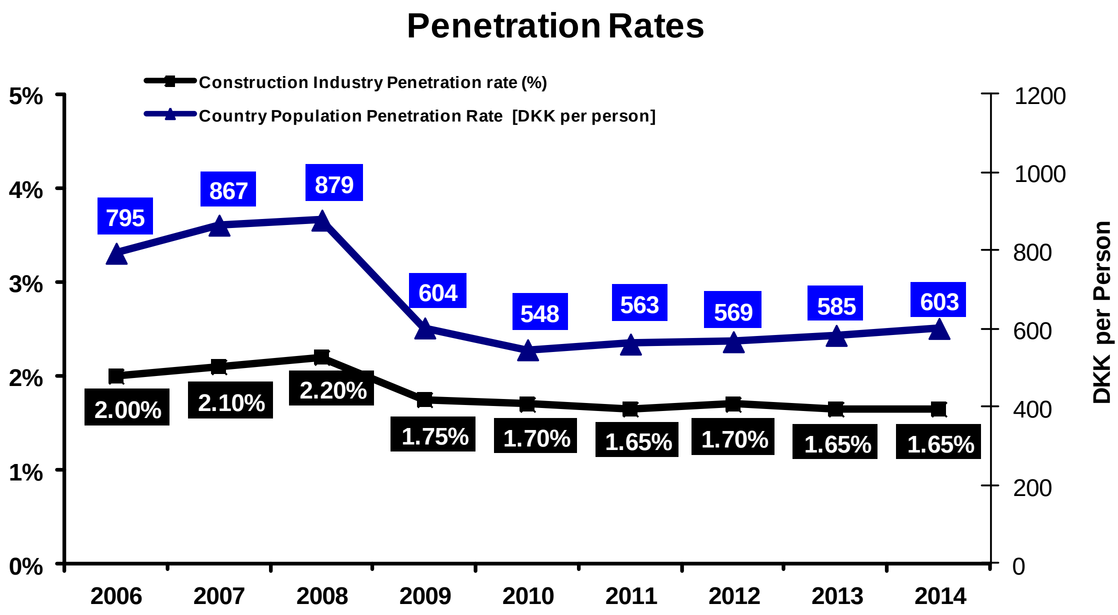
Source: IHS

- It is estimated that the rental fleet size reduced by some 6% in 2011. Since the moderate investment levels of 2011 and 2012 served mainly to replace old equipment, the rental fleet value remained fairly constant at DKK 6.2 billion through to 2012.

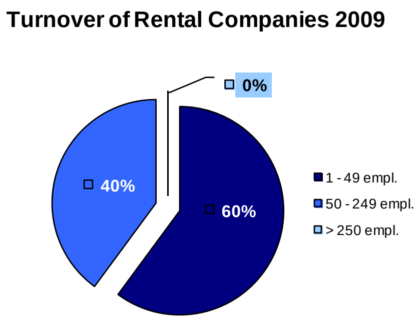
Rental Fleet Size



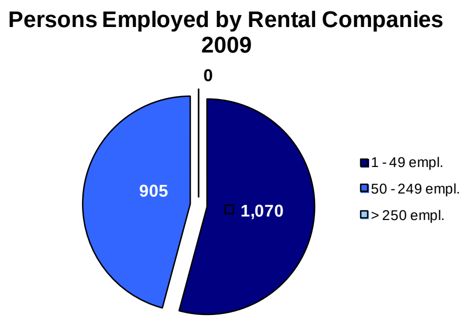
Source: IHS



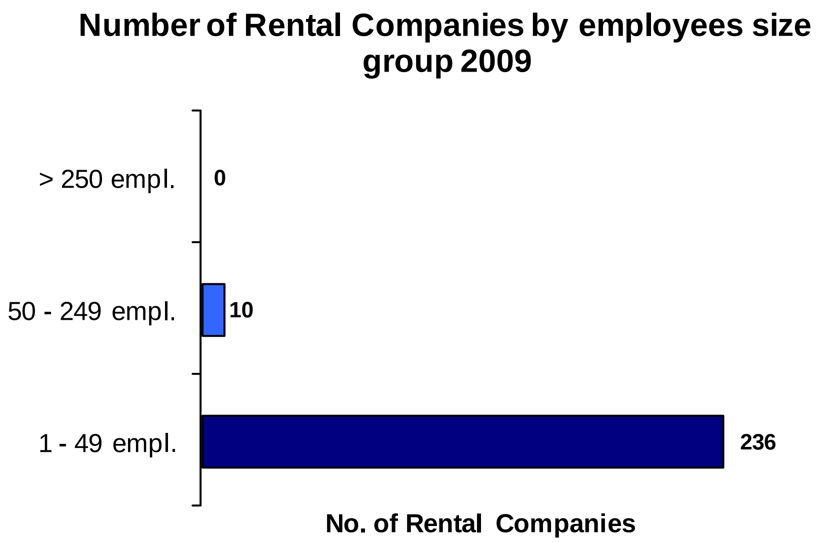
Source: IHS



Source: IHS



Source: IHS



Source: IHS

- Among the Nordic countries, Denmark has experienced the longest construction industry decline in the economic crisis and continues to experience the most difficult pricing environment among those countries.
- Rental turnover in 2011 and 2012 recovered only slightly from the substantial decreases in the previous years. However, newest information from official statistics indicates that the overall market size is some 16% higher than estimated previously. The overall rental turnover in 2010 is estimated to average DKK 3 billion.
- The substantial slump in rental demand combined with fleet overcapacity caused a strong decline in rental rates until 2010 when rental rates recovered very slightly (and less than expected previously) in 2011 and 2012.
- While there are some large rental actors active on the Danish market, no Danish rental company has more than 250 employees. However, some ten companies, with more than 50 employees, generate about 40% of the overall turnover from equipment rental without operator.
- The share of rental demand from the construction sector in Denmark is estimated at 70%.
- For 2013 and 2014 we estimate a moderate growth of rental turnover by 2.8% and 3.4% respectively.

DENMARK (DK), LOCAL CURRENCY	Actual		Estimates		Forecast	
	2009	2010	2011	2012	2013	2014
Market Size						
Total turnover [million DKK]	3,336	3,042	3,130	3,180	3,270	3,380
Rental Companies (without operator)	3,321	3,032	3,120	3,170	3,260	3,370
Other Comp. Providing Rental Services (only rental)	15	10	10	10	10	10
# Rental Companies (without operator)	246	n.a.	n.a.	n.a.		
# Employed Persons of Rental Companies (without operator)	1,975	n.a.	n.a.	n.a.		
Investments in Rental Equipment [million DKK] (without operator)	582	323	430	480		
Value of Rental Fleet at all companies [million DKK] (without operator)	6,600	6,200	6,200	6,250		
Ratio: Investments in Rental Equipment / Value of the Rental Fleet	*9%*	*5%*	*7%*	*8%*		
Penetration Rates						
Total Construction Output [million DKK]	189,912	179,053	190,492	188,262	195,800	205,800
Construction Industry Penetration Rate	*1.75%*	*1.70%*	*1.65%*	*1.70%*	*1.65%*	*1.65%*
Country Population [million]	5.53	5.55	5.57	5.59	5.60	5.61
Country Population Penetration Rate [DKK per person]	*604*	*548*	*563*	*569*	*585*	*603*

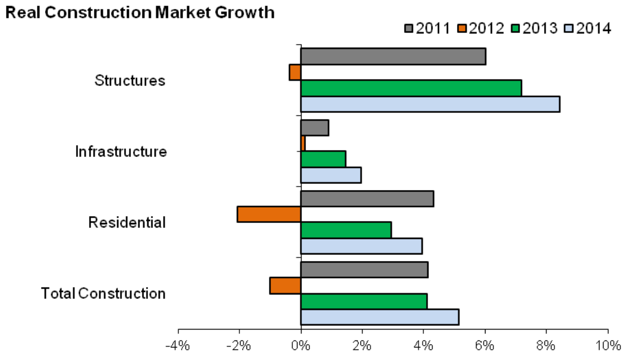
Source : IHS and Official Statistics data

With the availability of new statistics it has become clear that there is a substantial number of very small companies reporting to NACE code 77.32 that have no employees. In line with this information our newest estimates show the total number of rental companies in Denmark at some 250 firms.

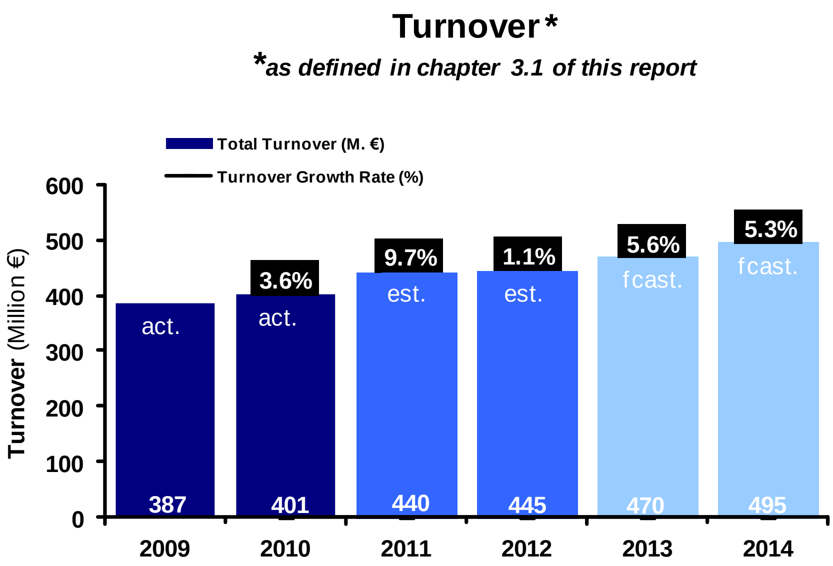
5.3 Finland (FI)

1. Economic and Construction Context for the Equipment Rental Industry

- Maintaining and cutting the budget deficit is a key priority for the government. Finland's economy has been gaining steam after being hit during the global recession. GDP increased 2.7% year-on-year (y/y) in 2011 and is expected to increase by 0.2% in 2012, 1.4% in 2013 and 2.3% in 2014.
- Construction spending grew 4.1% in 2011, largely because of spending increases in non-residential structures. In 2012, total construction spending is expected to post a 1% decline as residential sees lower spending and spending on structures is pulled back. Total construction spending is expected to increase 4.1% in 2013 and 5.1% in 2014.
- **Residential Construction:** Residential construction spending, which accounted for 43% of total construction in 2011, grew by 4.3% in 2011 but is expected to drop by 2.1% this year. The forecast shows a growth for the following years: 2.9% in 2013 and 3.9% in 2014.
- **Infrastructure**: Infrastructure construction accounts for 22% of total spending. This is the only construction segment showing a positive growth trend for the 2011-2014 period; 0.9% growth was experienced last year but a frailer growth (0.1%) is expected in 2012. The forecasted rates for 2013 and 2014 are 1.5% and 2%, respectively.
- **Non-Residential Structures**: Non-Residential Structures accounted for 35% of total construction spending in 2011. Spending increased by 6% in 2011 which will be followed by an expected loss of 0.4% this year. Spending on non-residential structures will pick up again in the future: 7.2% in 2013 and 8.4% in 2014.



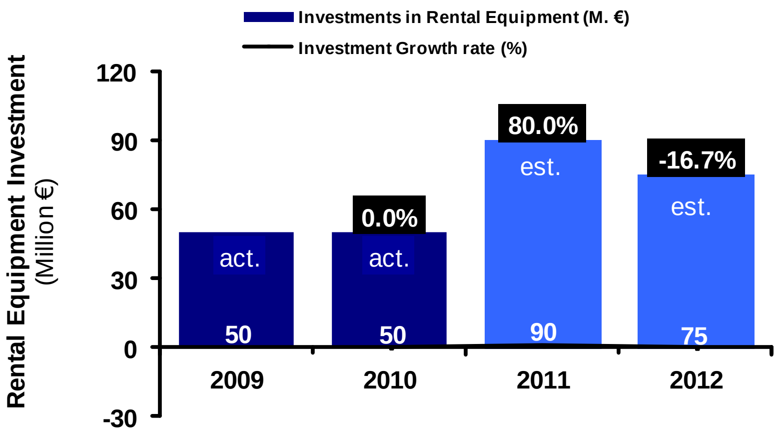
2. Detailed Results per Country



Source: IHS

- Companies were forced to cut their fleet investments significantly in 2009 and fleet investment remained at a low level in 2010. In the context of the slightly improved business environment, investments in the rental fleet increased significantly by an estimated 80% in 2011 to average some 12% of the original value of the rental fleet.

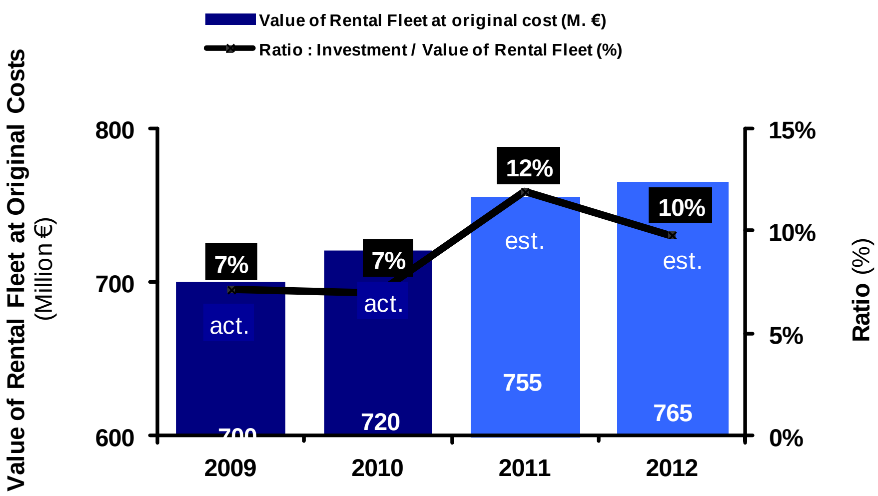
Investment in Rental Equipment of Rental Companies (without operator)



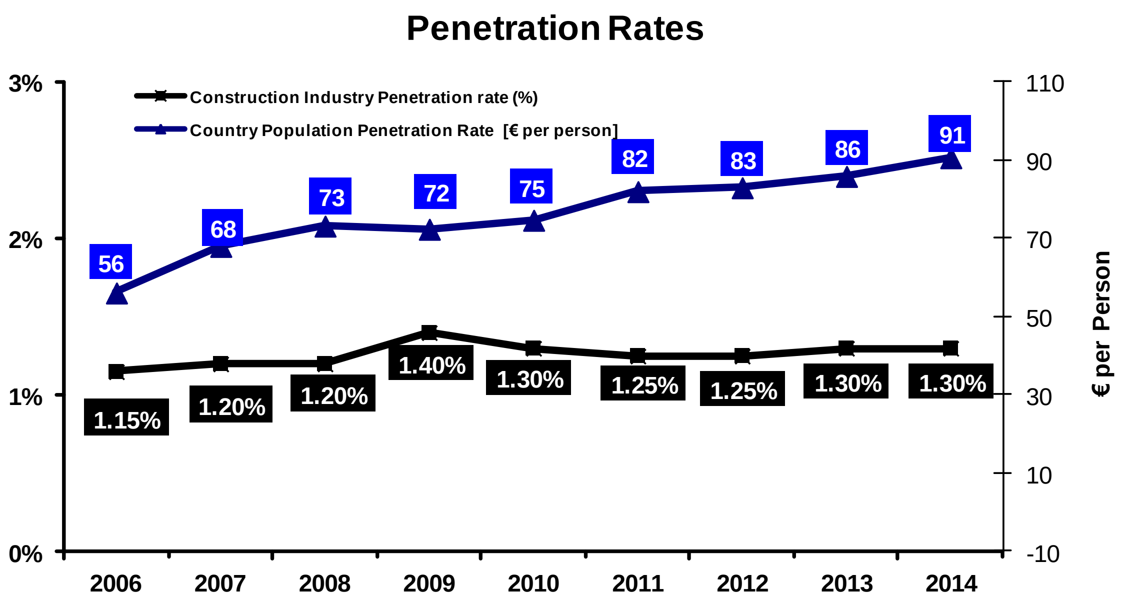
Source: IHS

- Companies continued to age their fleet in 2011 and 2012. It is estimated that the average fleet age has increased to 6 years in 2012.
- The total fleet size continued to increase and is estimated to have reached € 755 million (at original cost) in 2011.
- It is expected that investments will decrease in 2012 and 2013.

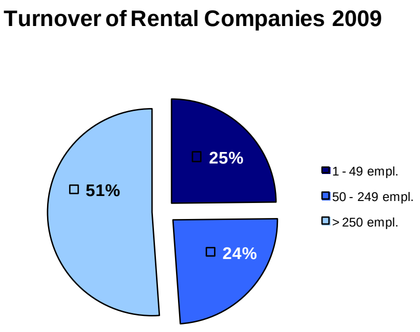
Rental Fleet Size



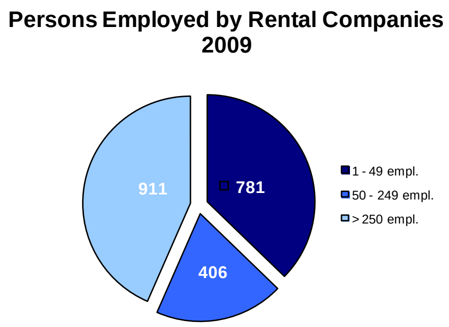
Source: IHS



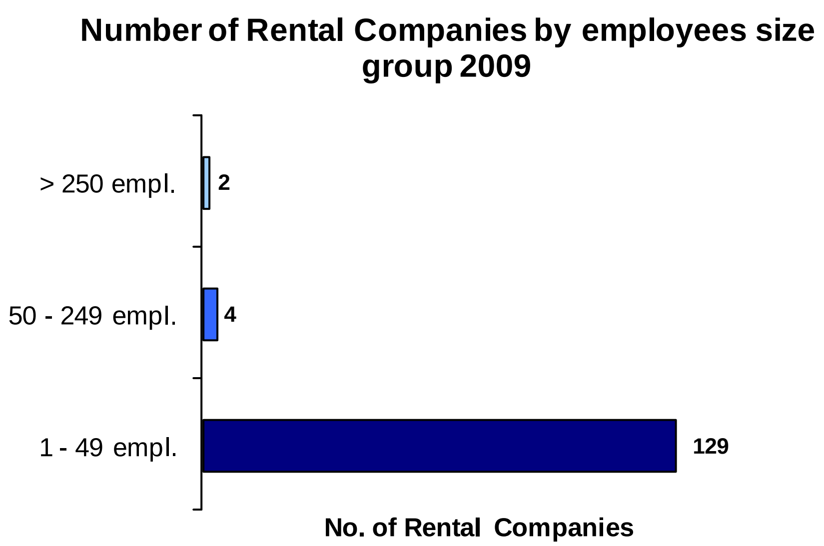
Source: IHS



Source: IHS



Source: IHS



Source: IHS

- Rental turnover grew strongly by some 10% in 2011, but is expected to remain virtually flat in 2012.
- While demand from infrastructure construction was important during the crisis years, the key drivers for rental growth continue to be commercial and residential construction.
- Since mid 2010, rental volumes, time utilisation and rental tariffs have increased moderately. Time utilisation has increased more strongly than rental rates.
- Rental rates in Finland have come under pressure recently because of a greater supply of equipment. For 2012 it is expected that, on average, rental rates remain constant at best. However, there are differences between equipment types; for instance powered access equipment has seen slight increases in rental rates.
- The large companies managed to increase time utilisation slightly during 2011 and 2012 despite the recent tougher market conditions. Financial utilisation increased in 2011 and remained virtually constant during 2012.
- Highest time utilisation rates are achieved by accommodation modules at approximately 80%. Time utilisation for small equipment, on the other hand, is at about 40%.
- Despite the current pressure on rental rates we expect the Finnish rental market to grow modestly throughout 2013 and 2014 based on our forecast of the macroeconomic drivers.
- The share of rental demand from the construction sector in Finland is estimated at 70%.
- A main source for future rental revenue growth is the continuing trend of construction companies to outsource their fleets to the rental industry. This is also the main reason why we expect construction industry penetration to show modest growth from 1.25% in 2011 to 1.30% in 2014.

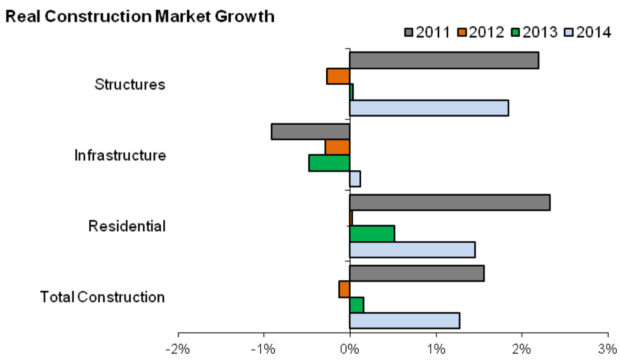
FINLAND (FI), EURO	Actual		Estimates		Forecast	
	2009	2010	2011	2012	2013	2014
Market Size						
Total turnover [million €]	387	401	440	445	470	495
Rental Companies (without operator)	367	381	420	425	445	470
Other Comp. Providing Rental Services (only rental)	20	20	20	20	25	25
# Rental Companies (without operator)	135	n.a.	n.a.	n.a.		
# Employed Persons of Rental Companies (without operator)	2,098	n.a.	n.a.	n.a.		
Investments in Rental Equipment [million €] (without operator)	50	50	90	75		
Value of Rental Fleet at all companies [million €] (without operator)	700	720	755	765		
Ratio: Investments in Rental Equipment / Value of the Rental Fleet	*7%*	*7%*	*12%*	*10%*		
Penetration Rates						
Total Construction Output [million €]	27,629	30,754	35,003	35,789	36,200	37,400
Construction Industry Penetration Rate	*1.40%*	*1.30%*	*1.25%*	*1.25%*	*1.30%*	*1.30%*
Country Population [million]	5.34	5.36	5.38	5.40	5.42	5.43
Country Population Penetration Rate [€ per person]	*72*	*75*	*82*	*83*	*86*	*91*

Source : IHS and Official Statistics data

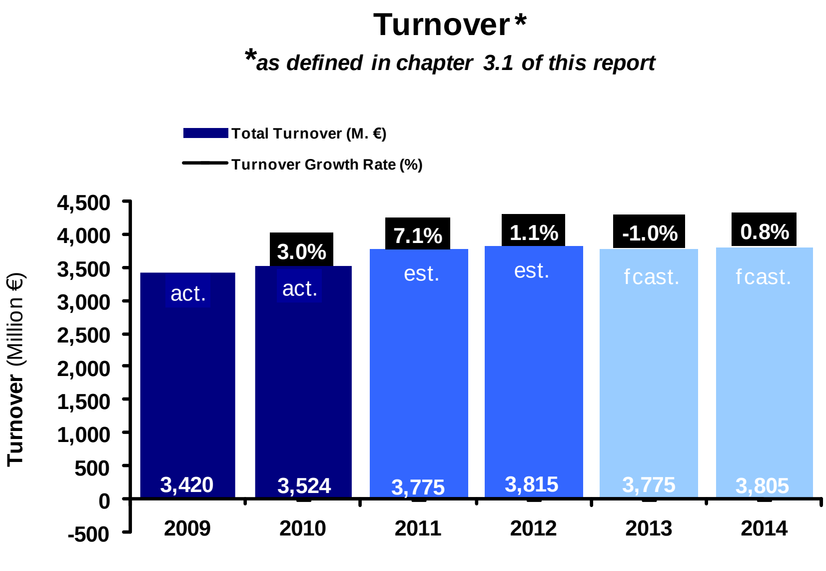
5.4 France (FR)

1. Economic and Construction Context for the Equipment Rental Industry

- GDP increased by 1.7% year-on-year (y/y) in 2010, this level of growth continuing in 2011: however the economy is under significant pressure in 2012 and GDP is expected to be at 0.7%. The forecast shows a drop to 0.2% in 2013 and a slight increase to 0.5% in 2014.
- The recently appointed socialist government is attempting to combine both austerity and growth in its actions; however it is still early days.
- The French economy faces significant structural problems, which will constrain strong economic growth. The two main challenges being the labour market and public finances.
- Labour-market conditions have deteriorated and unemployment currently stands at its highest level since 1999, significantly breaking the psychological barrier of 10%.
- In 2011, real total construction in France increased 1.6% y/y. In 2012, total construction spending is expected to post a 0.1% y/y loss. Moving forward, total construction spending in 2013 is expected to increase 0.2% y/y and 1.3% in 2014.
- **Residential Construction:** Residential construction is the largest component of total construction. In 2011, residential spending accounted for 49% of the total construction spending. The residential segment turned around with a posted gain of 2.3% y/y in 2011. Going forward, growth will be more subdued: flat in 2012, 0.5% for 2013 and 1.5% for 2014.
- **Infrastructure**: In 2011, infrastructure represented 22% of total construction spend. In 2011, infrastructure spending dropped 0.9% and this decline is expected to continue: 0.3% in 2012, 0.5% in 2013. A slight recovery of 0.1% is forecast in 2014.
- **Non-Residential Structures**: In 2011, non-residential structures' share was 29% of total construction spending. Non-residential structure spending increased 2.2% y/y in 2011 but it is expected to drop by 0.3% this year. Stable spending is foreseen for 2013 (0%), followed by a 1.8% growth in 2014.



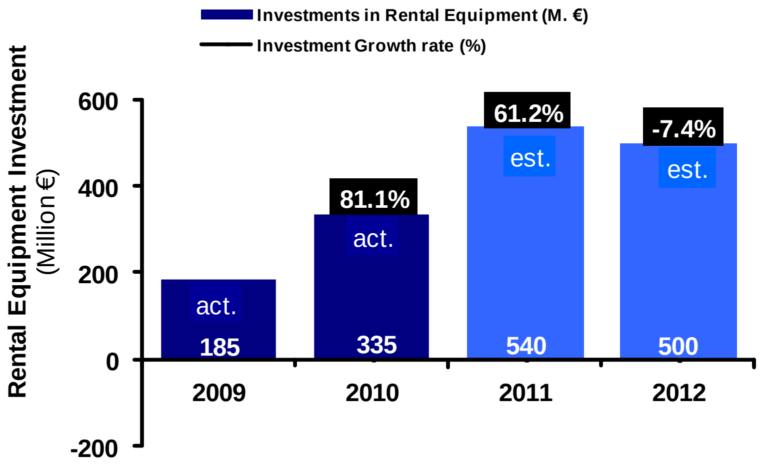
2. Detailed Results per Country



Source: IHS

- After investments into the rental fleet dropped strongly, to only 185 million Euros in 2009, there was a recovery to 335 million Euros in 2010, mostly because companies were catching up on replacing old equipment and slightly diversifying their range (tools, for instance).
- A more stable 2011, has seen an increase in investments. Also, investment funds have been more accessible to big companies. But as uncertainty grows in the French economy, 2012 investments have slowed down and will probably continue to slow down in 2013. A return to 2007/2008 investment levels is not foreseen in the forecast period.

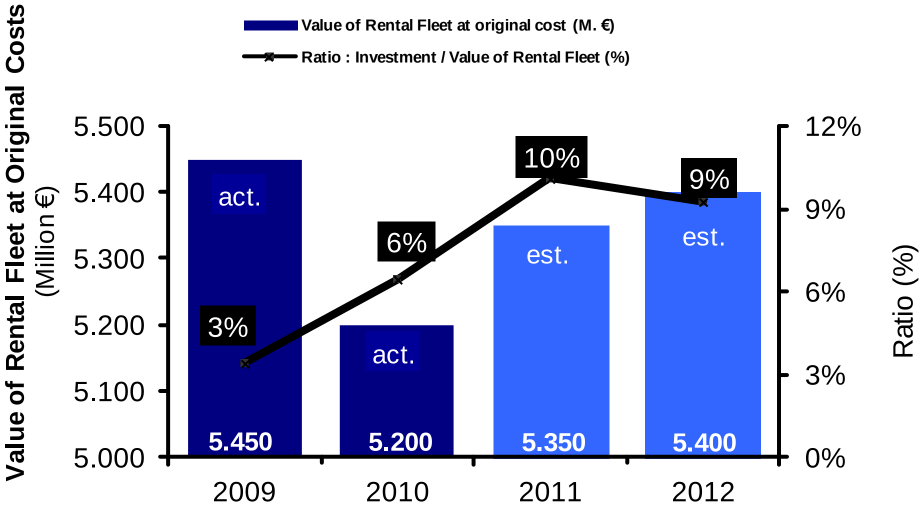
Investment in Rental Equipment of Rental Companies (without operator)



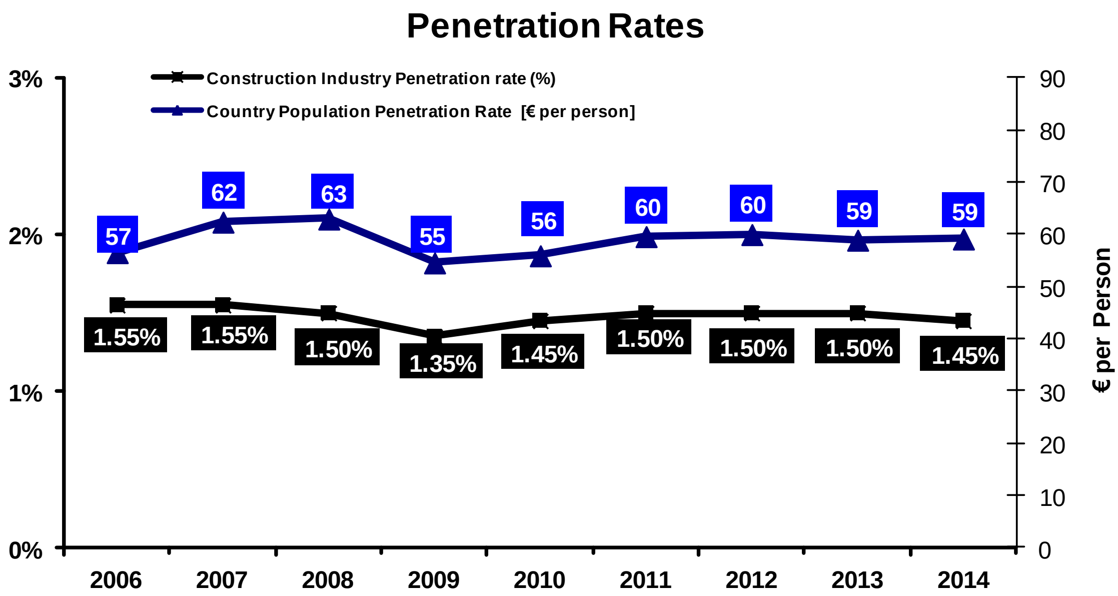
Source: IHS

- The fleet size in France remained more or less stable, but on average it has aged by around a quarter each year of the 2009 – 2012 period. Overall the age of the fleet is estimated to be around 5 years in 2012.

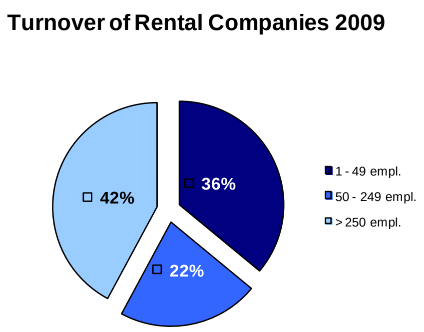
Rental Fleet Size



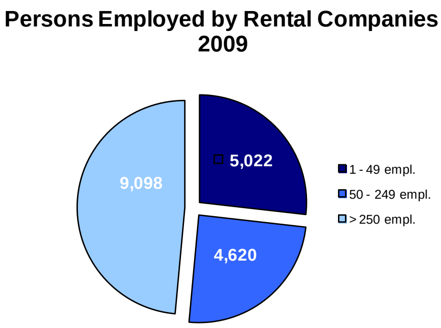
Source: IHS



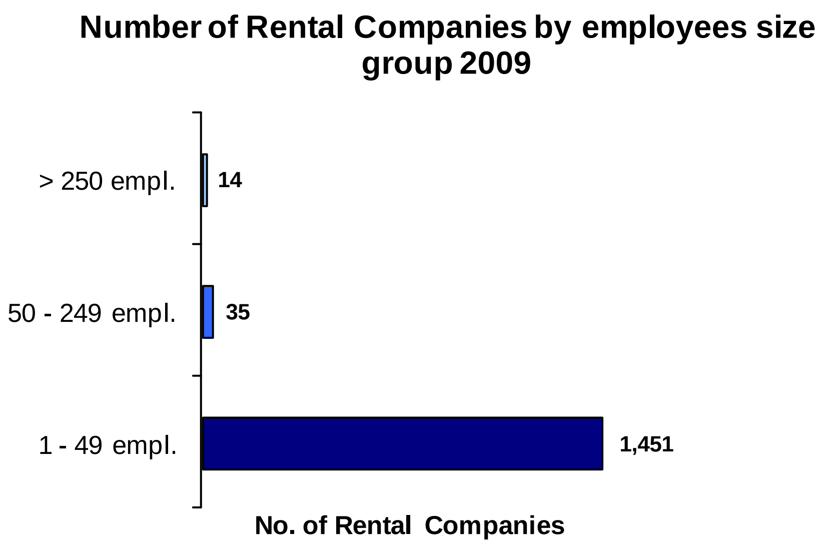
Source: IHS



Source: IHS



Source: IHS



Source: IHS

- Market consolidation has continued to be observed on the French market, 2011 being a more active year than 2012. Bigger rental companies can be more competitive, important during this period where pressure on prices continued to be felt.
- The bigger companies have also continued international expansion while smaller rental companies have turned to the international markets to sell old equipment.
- Even though rental rates have not reached the level before the crisis, a slight recovery has been observed since 2010. However, as uncertainty grows, a drop is feared for 2012 continuing into 2013.
- From a financial point of view, 2011 is likely to be better than 2012. A gradual improvement of equipment utilisation during the 2010 – 2011 period, slowed down in the second half of 2012; 2011 saw a 2-3% improvement in financial utilisation, with an improvement in EBITDA suggesting a better control of costs.
- The share of the construction sector in the rental demand in France is estimated at 70%.
- Uncertainty in the rental industry in France is linked mainly to the change in government, with resultant delays in approving infrastructure and social housing projects, a decrease in construction permits, and difficulties to access finance for construction projects.
- Despite the clouding of the overall economic horizon in the second half of 2012, we still expect a slight increase in industry turnover compared with 2011. However, the forecast for 2013 shows a decline of 1% compared to 2012.

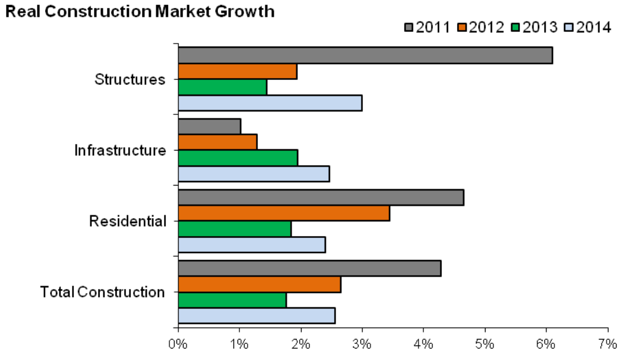
FRANCE (FR), EURO	Actual		Estimates		Forecast	
	2009	2010	2011	2012	2013	2014
Market Size						
Total turnover [million €]	3,420	3,524	3,775	3,815	3,775	3,805
Rental Companies (without operator)	3,240	3,364	3,610	3,650	3,610	3,640
Other Comp. Providing Rental Services (only rental)	180	160	165	165	165	165
# Rental Companies (without operator)	1,500	n.a.	n.a.	n.a.		
# Employed Persons of Rental Companies (without operator)	18,740	n.a.	n.a.	n.a.		
Investments in Rental Equipment [million €] (without operator)	185	335	540	500		
Value of Rental Fleet at all companies [million €] (without operator)	5,450	5,200	5,350	5,400		
Ratio: Investments in Rental Equipment / Value of the Rental Fleet	*3%*	*6%*	*10%*	*9%*		
Penetration Rates						
Total Construction Output [million €]	252,619	242,400	250,937	251,057	255,300	262,800
Construction Industry Penetration Rate	*1.35%*	*1.45%*	*1.50%*	*1.50%*	*1.50%*	*1.45%*
Country Population [million]	62.61	62.95	63.28	63.61	63.94	64.26
Country Population Penetration Rate [€ per person]	*55*	*56*	*60*	*60*	*59*	*59*

Source : IHS and Official Statistics data

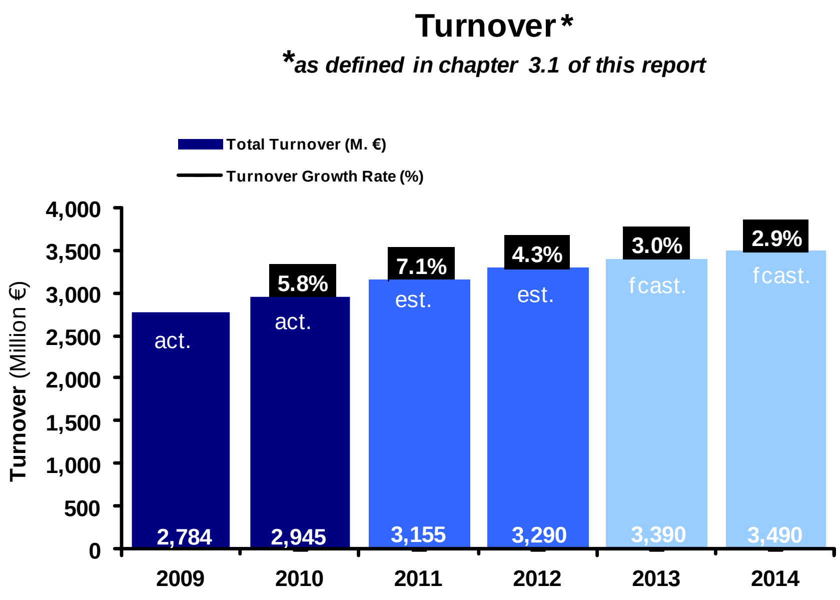
5.5 Germany (DE)

1. Economic and Construction Context for the Equipment Rental Industry

- The ramifications of the Eurozone sovereign debt crisis and associated European banking-sector risks are expected to limit the momentum of German economic growth during 2012 but not prevent renewed recovery. GDP growth will slow from 3.1% in 2011 to 0.9% in 2012 and 0.7% in 2013 and rebound again in 2014 (1.3%). Germany has strong international competitiveness and fairly healthy domestic fundamentals, including sizable income increases for consumers and improving public finances.
- In 2011, real total construction in Germany increased 4.3% year-on-year (y/y). Total construction spending is expected to post a 2.6% y/y gain in 2012, with an anticipated 1.8% increase in 2013 and 2.6% in 2014. The increases reflect a brighter economic outlook, particularly for residential construction, which will see gains brought on by low interest rates and pent-up demand.
- **Residential:** Residential construction accounted for 56% of total construction spending in 2011. The segment increased 4.6% in 2011 and is expected to experience another 3.4% increase in 2012.Growth will start to slow in the medium term: 1.8% (2013) and 2.4% (2014).
- **Infrastructure:** Infrastructure represented 19% of total German construction spending in 2011. The segment has experienced a weak increase of 1% y/y in 2011 which is expected to go up slightly in 2012 reaching 1.3%. The medium-term outlook for infrastructure construction is further growth, 1.9% in 2013 and 2.5% in 2014.
- **Non-Residential Structures:** Non-residential structures represented 25% of total construction spending in 2011. After a rough 2009, the segment has recovered in 2011 posting 6.1% y/y growth. This will moderate over the next years: 1.9% in 2012, 1.4% in 2013 and 3% in 2014.



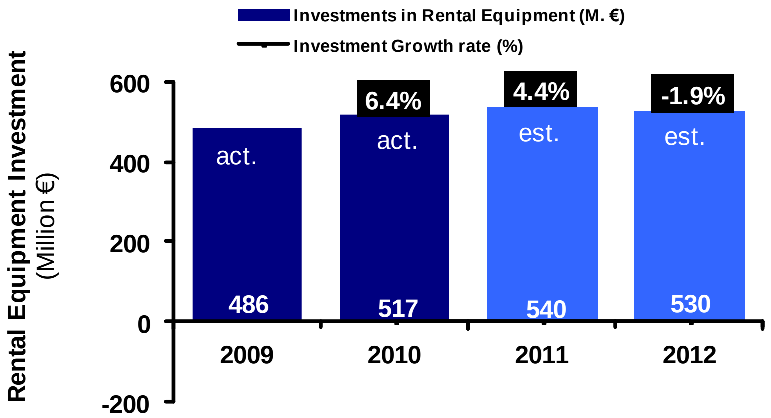
2. Detailed Results per Country



Source: IHS

- After the strong decrease in fleet investment in 2009, capital expenditure started to increase again in 2010 and, in an overall still strong business environment, continued to grow in 2011. Because of increasing uncertainties about the development of the European debt crisis, companies invested only cautiously in 2012 with a clear focus on replacement.

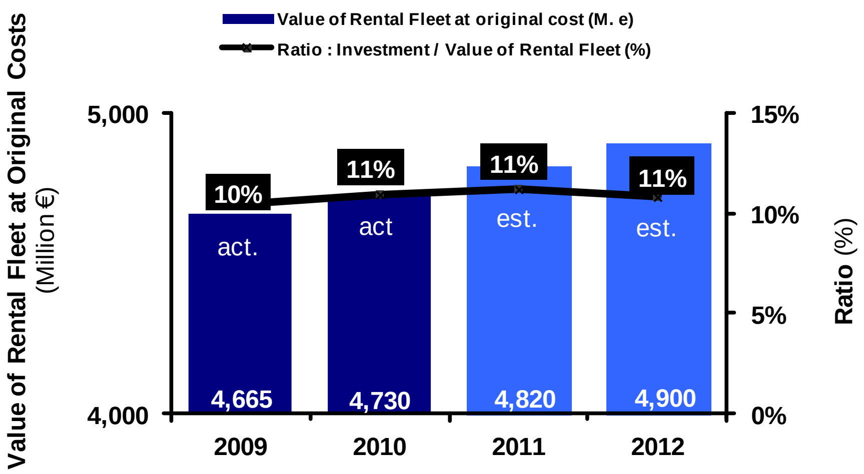
Investment in Rental Equipment of Rental Companies (without operator)



Source: IHS

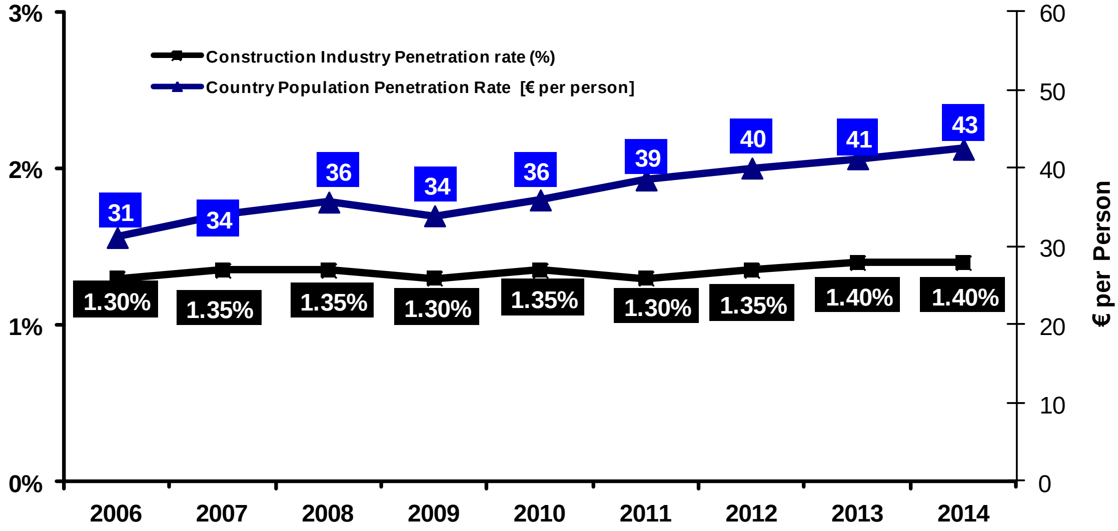
- In conjunction with increased rental equipment investment, the size of the German rental fleet continued to increase moderately; in 2012 it is estimated at €4.9 billion (at original cost).
- The average age of the German rental fleet remains among the lowest in Europe, estimated to be virtually unchanged at 3.3 years in 2012.

Rental Fleet Size



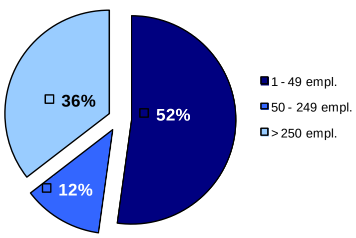
Source: IHS

Penetration Rates



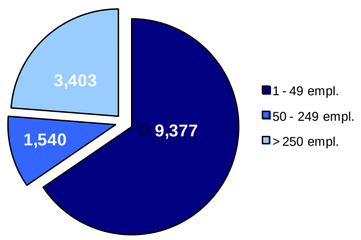
Source: IHS

Turnover of Rental Companies 2009



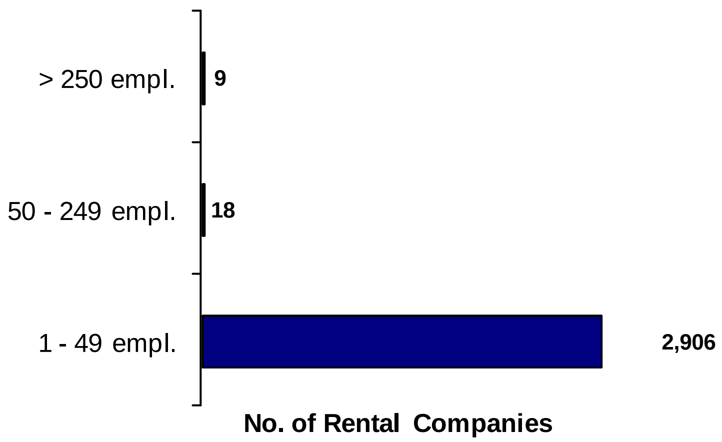
Source: IHS

Persons Employed by Rental Companies 2009



Source: IHS

Number of Rental Companies by employees size group 2009



Source: IHS

- The German rental market remains regional in nature. Smaller rental companies, with fewer than 50 employees, still account for some 60% of rental turnover.
- Equipment dealers play an important role in the German equipment rental market. It is estimated that equipment dealers, and other companies providing rental services, generated rental revenue of some € 645 million in 2011. Equipment dealers have the advantage of being able to react in a flexible manner to construction companies' needs by increasing their rental activity and offering flexible rental contracts to such customers.
- A strong market environment led to an upturn of rental revenues of 5.8% in 2010 and estimated 7.1% in the year 2011.
- Because of the high level of competition, rental rates in Germany have remained at a relatively low level in 2011 and increased only slightly in 2012.
- While the speed of growth is decreasing, we forecast the rental market to remain strong through most of 2012, with an increase of revenues of some 5%.
- As the economic outlook for Germany in 2013 has become cloudier, we expect only a modest growth of rental turnover, by some 3%, in 2013 and 2014.
- The share of the construction sector in the rental demand in Germany is estimated at 70%.
- Time utilisation in Germany has remained at high levels during 2011 and 2012. Since rental companies remain cautious with future investment, it can be expected that time utilisation will remain at high levels in the near future.
- It is expected that rental penetration will - after a small drop in 2011 - increase slightly to 1.40% in 2013. Because of a re-estimation of the overall size of the construction market, the reported construction industry penetration is higher than in the previous report.

Germany (DE), EURO	Actual		Estimates		Forecast	
	2009	2010	2011	2012	2013	2014
Market Size						
Total turnover [million €]	2,784	2,945	3,155	3,290	3,390	3,490
Rental Companies (without operator)	2,216	2,345	2,510	2,620	2,700	2,780
Other Comp. Providing Rental Services (only rental)	567	600	645	670	690	710
# Rental Companies (without operator)	2,933	n.a.	n.a.	n.a.		
# Employed Persons of Rental Companies (without operator)	14,320	n.a.	n.a.	n.a.		
Investments in Rental Equipment [million €] (without operator)	486	517	540	530		
Value of Rental Fleet at all companies [million €] (without operator)	4,665	4,730	4,820	4,900		
Ratio: Investments in Rental Equipment / Value of the Rental Fleet	*10%*	*11%*	*11%*	*11%*		
Penetration Rates						
Total Construction Output [million €]	217,910	219,727	238,748	243,281	244,800	250,500
Construction Industry Penetration Rate	*1.30%*	*1.35%*	*1.30%*	*1.35%*	*1.40%*	*1.40%*
Country Population [million]	81.88	81.76	81.78	81.93	82.02	82.02
Country Population Penetration Rate [€ per person]	*34*	*36*	*39*	*40*	*41*	*43*

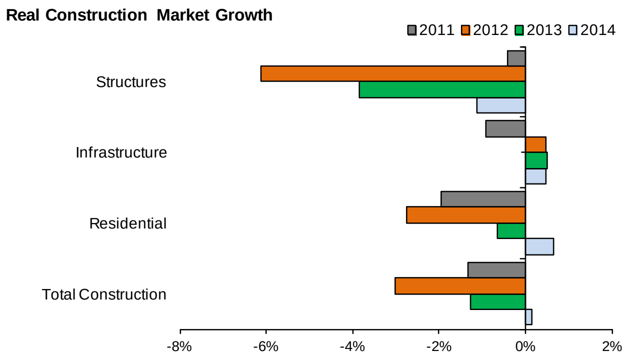
Source : IHS and Official Statistics data

- The statistical basis for historical market figures on the equipment rental industry without operator (NACE 77.32) in Germany is the publication "Strukturerhebung im Dienstleistungsbereich" of the German Statistical Agency, which is based on a structured sample of companies in Germany.

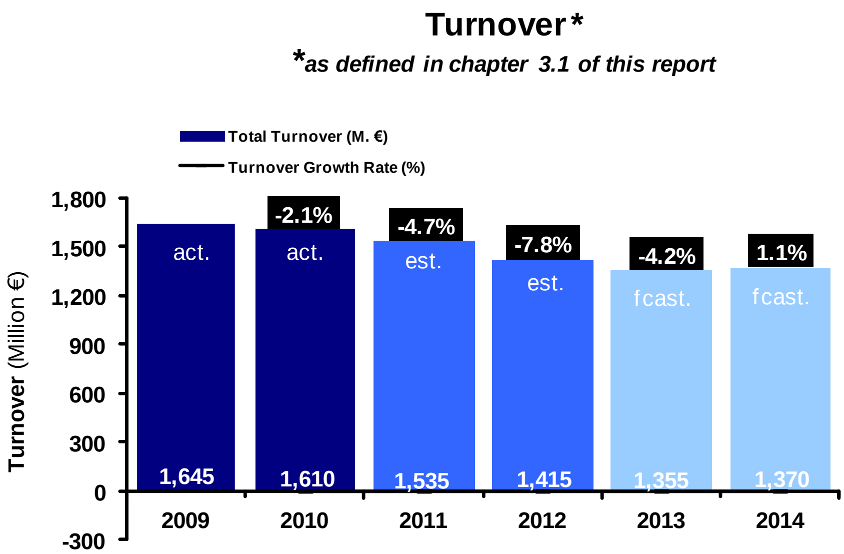
5.6 Italy (IT)

1. Economic and Construction Context for the Equipment Rental Industry

- With government spending being curbed by ever-tougher budget-deficit consolidation measures, the poor consumer spending outlook, the recent increase in VAT and rising unemployment are all fuelling pessimism in the country. Nevertheless, Italy remains confident that it will not need financial support from the Eurozone rescue funds to unlock the revamped ECB bond-buying program, and continues to believe it still has domestic policy options to help lower its borrowing costs.
- After a positive increase of 0.5% in 2011, real GDP is expected to be negative 2.3% in 2012 and negative 1.2% in 2013. GDP is forecast to return to 0% in 2014.
- Real total construction in Italy decreased 1.3% year-on-year (y/y) in 2011. Total construction spending is expected to post another 3% loss in 2012. At a slower rate, the decrease is expected to continue in 2013 (1.3%) and in 2014 (0.2%).
- **Residential Construction:** In 2011, residential spending accounted for 51% of all construction spending. The residential construction market in Italy has been weak for several years. A decline of 1.9% in 2011 will be followed by negative growth of 2.7% in 2012 and 0.6% in 2013. In 2014, a recovery to positive 0.7% is forecast.
- **Infrastructure**: In 2011, infrastructure accounted for 21% of all construction spending. After a 0.9% decrease in 2011, the infrastructure segment is expected to increase annually by 0.5% over the 2012-2014 period.
- **Non-Residential Structures:** In 2011, non-residential accounted for 28% of all construction spending. After a decrease of 0.4% in 2011, a new decrease of 6.1% is expected for 2012. The downward trend will continue with a forecast decline of 3.8% in 2013 and 1.1% in 2014.



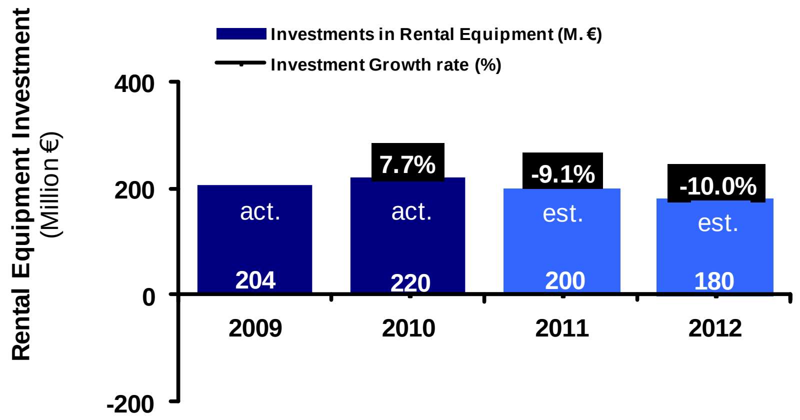
2. Detailed Results per Country



Source: IHS

- After capital expenditure in the Italian rental fleet recovered modestly in 2010 (from the reductions in 2009), investment fell again by some 9% in 2011 and by an estimated 10% in 2012 as the worsening economic outlook leaves little room for fleet expansion.

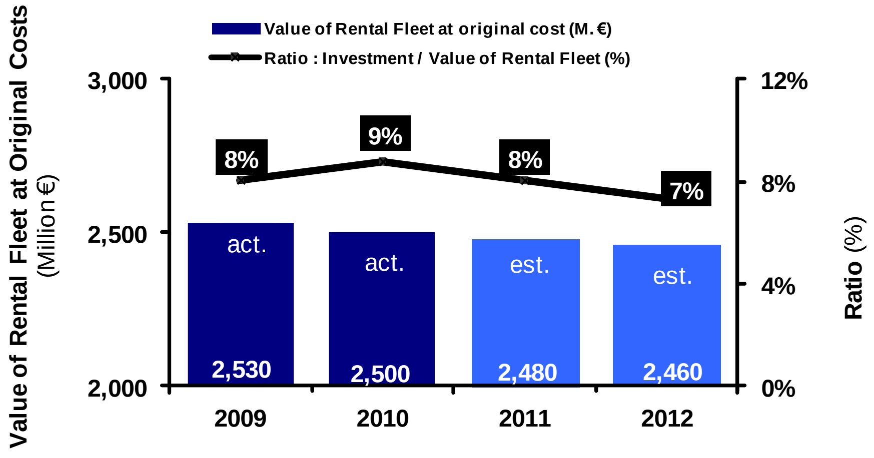
Investment in Rental Equipment of Rental Companies (without operator)



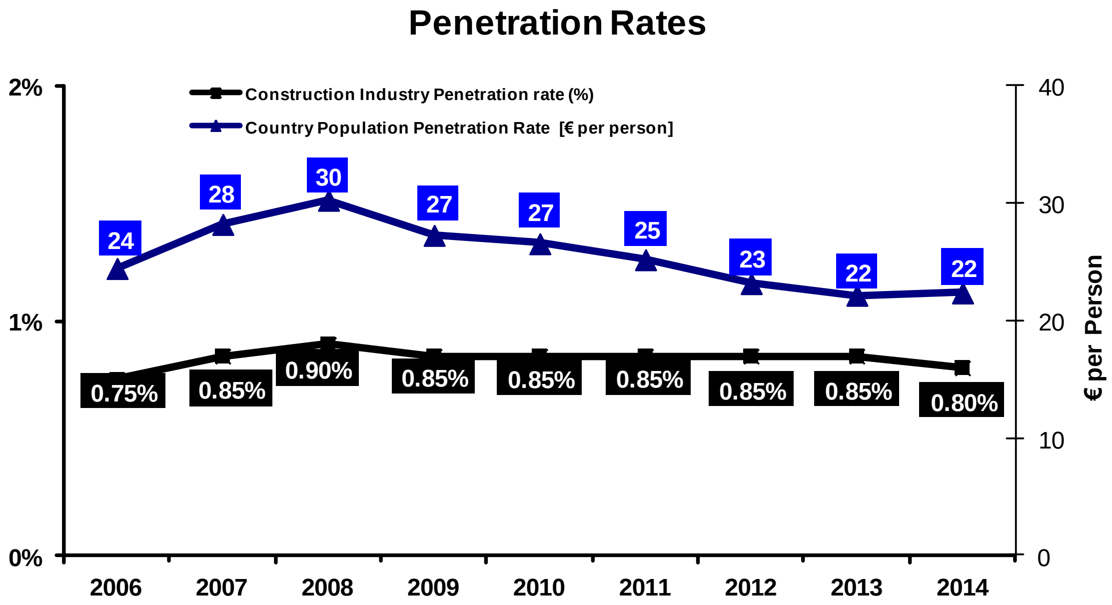
Source: IHS

- In line with the contraction of rental demand from virtually all economic sectors, the overall size of the rental fleet has been shrinking modestly throughout 2011 and 2012 operators concentrating on essential replacement investments. The level of investment has decreased to some 7% of the original value of the rental fleet.
- Because of the focus on replacement investment and the overall shrinkage of the fleet, it is estimated that the average fleet age has declined slightly in 2012

Rental Fleet Size



Source: IHS



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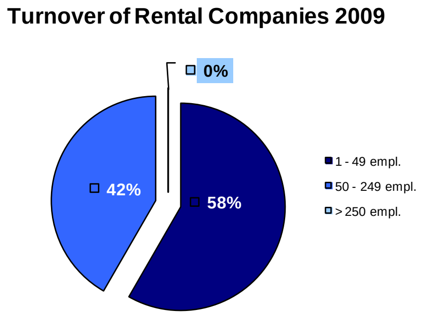

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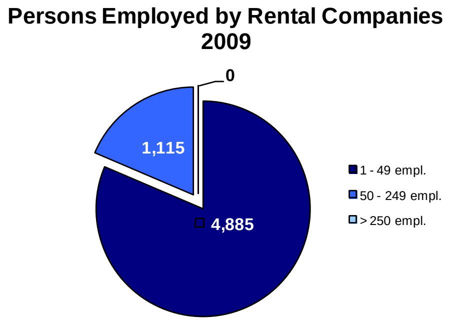

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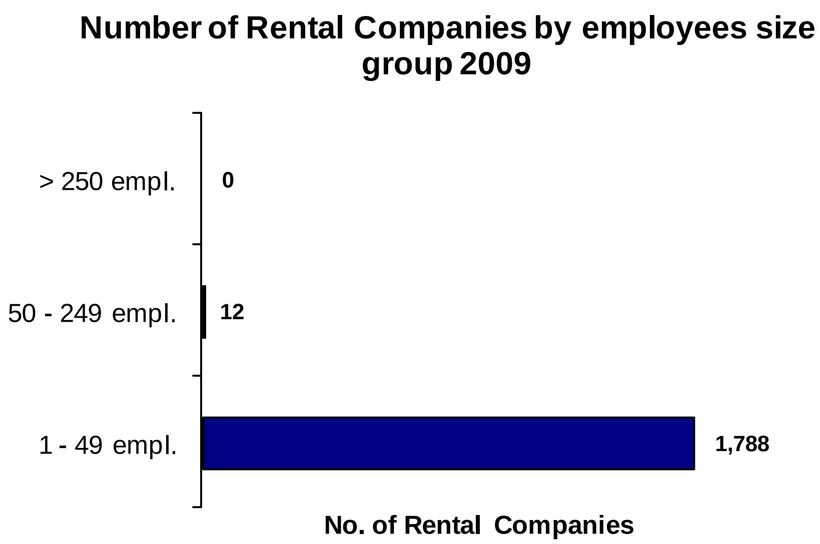


Source: IHS

- Based on new statistical information available we estimate the number of equipment rental companies providing rental without operator in Italy at approximately 1800 companies. It is estimated that there are some 3600 companies in total providing rental services, many of them equipment dealers. However, some of these dealers concentrate their rental offer on rental services with operator.
- There are about 12 larger pure rental companies with more than 50 employees operating on the Italian market, with 4 of these companies being the market leaders with depots throughout the country. Because the number of small rental firms varies from region to region, there is a commensurate effect upon the level of price competition regionally.
- Based on new market insight we have increased our estimate of the size of the Italian market compared to the previous report to € 1.6 billion in 2010.
- Because of the troubled economic environment, rental turnover decreased by an estimate of 4.7% in 2011 and by probably almost 8% in 2012.
- Rental rates continued to decrease in 2011 and 2012, albeit at lower rates than the fall experienced in 2010. Prices in regions with significant competition from both local dealers and rental companies generally have lower rates. However, some of the larger rental actors have managed to increase their rates for some equipment types in 2011.
- Despite our higher estimate of total market size construction industry penetration in Italy is, at 0.85% still low compared to most other European countries. We expect that the penetration rate will remain virtually constant in the near future.
- In the context of a difficult economic environment, the rental market is experiencing an ongoing consolidation process, medium-sized company taking over small players.
- The share of rental demand from the construction sector in Italy is estimated at 60%.
- Rental turnover is forecast to decrease by 4% in 2013 but it is expected that the crisis will bottom out and that there will be a slight increase of revenues in 2014. In the short term, economic insecurity and the timing of future economic recovery restrict the will to invest, but, in the long term, there is potential for increased rental penetration.

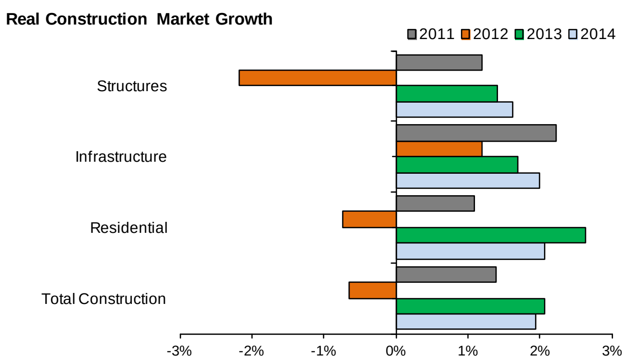
ITALY (IT), EURO	Actual		Estimates		Forecast	
	2009	2010	2011	2012	2013	2014
Market Size						
Total turnover [million €]	1,645	1,610	1,535	1,415	1,355	1,370
Rental Companies (without operator)	860	825	785	725	695	700
Other Comp. Providing Rental Services (only rental)	785	785	750	690	660	670
# Rental Companies (without operator)	1,800	n.a.	n.a.	n.a.		
# Employed Persons of Rental Companies (without operator)	6,000	n.a.	n.a.	n.a.		
Investments in Rental Equipment [million €] (without operator)	204	220	200	180		
Value of Rental Fleet at all companies [million €] (without operator)	2,530	2,500	2,480	2,460		
Ratio: Investments in Rental Equipment / Value of the Rental Fleet	*8%*	*9%*	*8%*	*7%*		
Penetration Rates						
Total Construction Output [million €]	192,348	186,697	184,337	163,071	163,800	166,200
Construction Industry Penetration Rate	*0.85%*	*0.85%*	*0.85%*	*0.85%*	*0.85%*	*0.80%*
Country Population [million]	60.25	60.55	60.79	60.96	61.09	61.18
Country Population Penetration Rate [€ per person]	*27*	*27*	*25*	*23*	*22*	*22*

Source : IHS

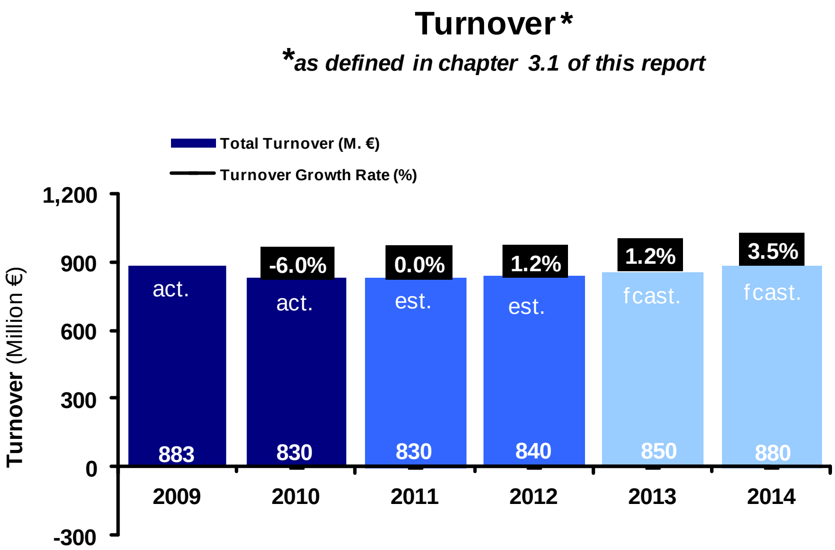
5.7 Netherlands (NL)

1. Economic and Construction Context for the Equipment Rental Industry

- The Dutch government unveiled the 2012 budget agenda in September. The budget calls for a further 5.8 billion Euros in spending cuts in 2012 following 3.2 billion Euros of cuts in 2011. More cuts are expected during the following years, for a total of 18 billion Euros by 2015. Substantial cutbacks will be made in all policy areas.
- This reflects an overall weaker macroeconomic outlook for 2012 (drop of 0.6% in real GDP) but positive growth will again be expected in 2013 (0.3%) and 2014(1%).
- Real total construction in the Netherlands increased 1.4% year-on-year (y/y) in 2011. In 2012, total construction spending is expected to post a slight 0.7% y/y loss reflecting the weakened European economic outlook. In the 2013-2014 period, total construction spending is expected to recover, increasing 2.1% and 1.9%, respectively.
- **Residential Construction:** Residential construction is the largest component of total construction accounting for 48% of total spending in 2011. Residential construction spending posted a recovery of 1.1% in 2011. A minor drop (0.7%) is expected in 2012, followed by growth in the medium term: 2.6% in 2013 and 2.1% in 2014.
- **Infrastructure**: Infrastructure represented 25% of total construction spending in 2011. In 2011, infrastructure experienced a 2.2% increase. For 2012-2014, infrastructure can expect annual growth of 1.2% in 2012, 1.7% in 2013 and 2% in 2014.
- **Non-Residential Structures:** 27% of total construction spending went to non-residential structures in 2011. After a 1.2% increase in 2011, a drop of 2.2% is expected this year. The sector will then improve with growth of 1.4% in 2013 and 1.6% in 2014.



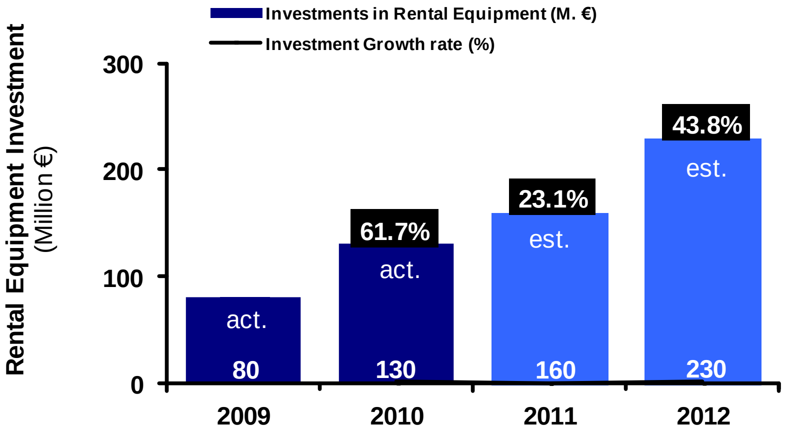
2. Detailed Results per Country



Source: IHS

- After the substantial decrease in 2009, fleet investments recovered partially in 2010 and 2011, but are still clearly below the 2008 record levels. Capital expenditure predominately served to replace old machines.

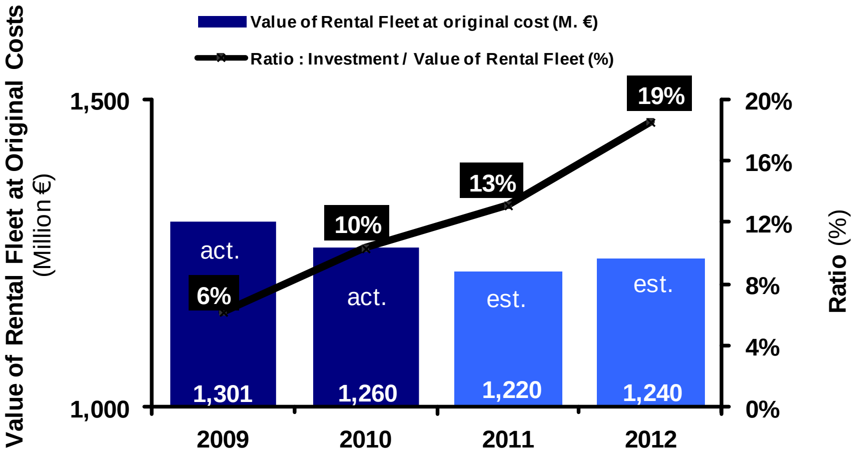
Investment in Rental Equipment of Rental Companies (without operator)



Source: IHS

- Despite the increased capital expenditure of rental companies, the size of the rental fleet has decreased through to 2011. In the context of a troubled economic outlook and reduced public infrastructure investment, international rental companies have tended to ship older equipment to other countries while at the same time renewing their national fleet. Investment levels of local companies have been particularly low resulting in an aging of their fleets.
- The average fleet age is estimated at 6 years.

Rental Fleet Size



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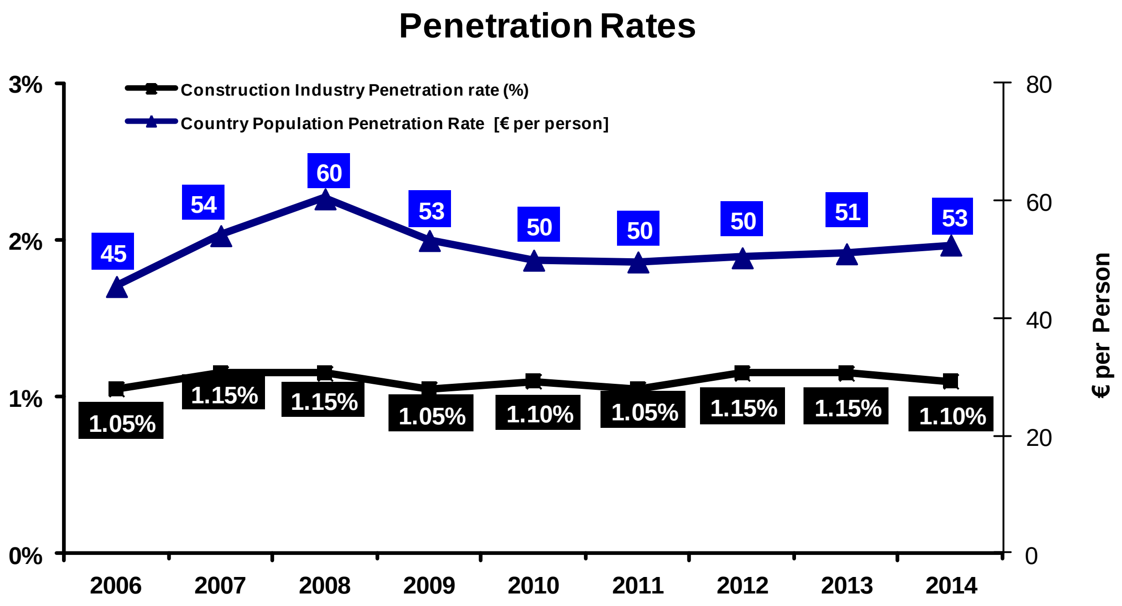

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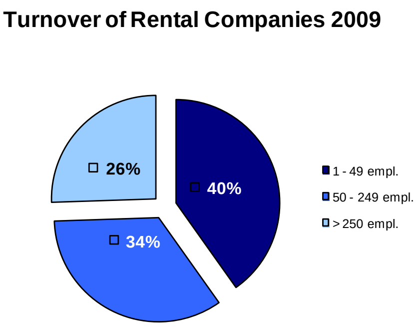

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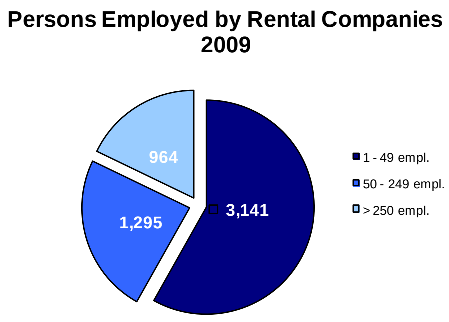

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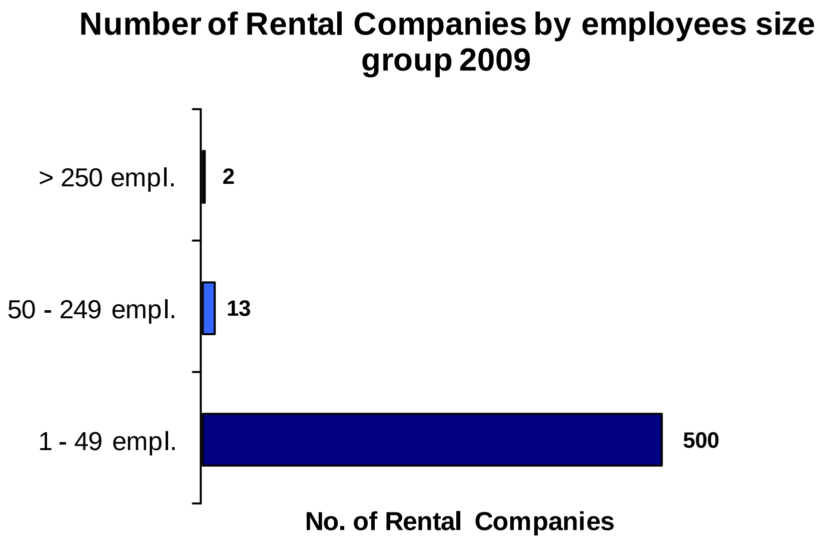


Source: IHS

- In the Netherlands, there are fifteen rental companies with more than 50 employees active on the market. Together, these companies generate more than 60% of the total revenue of rental companies. According to official statistics, there is a relatively large number of very small rental companies active on the market, higher than believed by country experts. However, most of them generate only small rental revenues.
- Total rental turnover remained flat in 2011 and 2012. However, there have been significant differences between equipment types. While building construction has been weak, since 2011, demand from infrastructure construction has been stronger. As a consequence, demand for powered access has suffered more than, for instance, earthmoving equipment and tool hire.
- The construction segment is still very important for rental companies. The rental demand stemming from construction is estimated at 80%.
- In the context of a difficult construction sector, rental companies are trying to increase rental penetration in other areas like communal services and industry.
- In 2011, rental rates in the Netherlands recovered slightly from the strong decrease in previous years; this however has proved short-lived since rental rates are, once again, under pressure in 2012. For national companies, the increasing maintenance cost from older equipment has contributed to price pressure.
- With the reduction of the fleet size, attractive prices and better fleet management, time utilisation started to increase again as early as mid 2010 and remained at relatively high levels in 2012.
- Rental revenue is forecast to grow slightly (1.2%) in 2013 and to grow by 3.5% in 2014

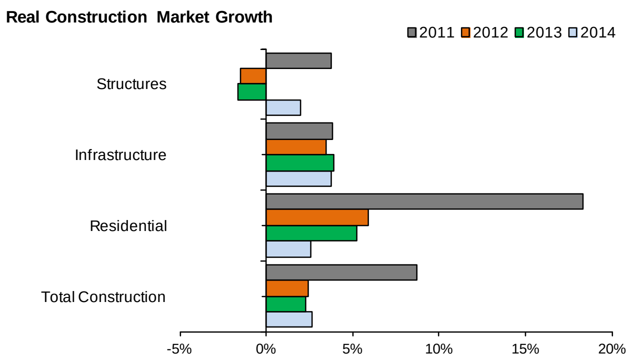
NETHERLANDS (NL), EURO	Actual		Estimates		Forecast	
	2009	2010	2011	2012	2013	2014
Market Size						
Total turnover [million €]	883	830	830	840	850	880
Rental Companies (without operator)	812	765	765	775	785	810
Other Comp. Providing Rental Services (only rental)	71	65	65	65	65	70
# Rental Companies (without operator)	515	n.a.	n.a.	n.a.		
# Employed Persons of Rental Companies (without operator)	5,400	n.a.	n.a.	n.a.		
Investments in Rental Equipment [million €] (without operator)	80	130	160	230		
Value of Rental Fleet at all companies [million €] (without operator)	1,301	1,260	1,220	1,240		
Ratio: Investments in Rental Equipment / Value of the Rental Fleet	*6%*	*10%*	*13%*	*19%*		
Penetration Rates						
Total Construction Output [million €]	82,777	74,356	77,818	72,724	75,700	79,000
Construction Industry Penetration Rate	*1.05%*	*1.10%*	*1.05%*	*1.15%*	*1.15%*	*1.10%*
Country Population [million]	16.56	16.61	16.67	16.71	16.73	16.75
Country Population Penetration Rate [€ per person]	*53*	*50*	*50*	*50*	*51*	*53*

Source : IHS

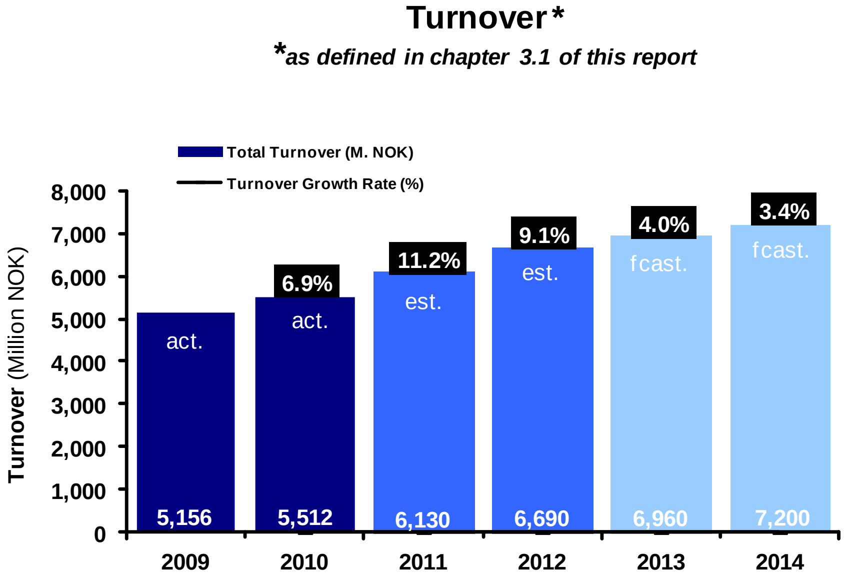
5.8 Norway (NO)

1. Economic and Construction Context for the Equipment Rental Industry

- After a 1.5% increase in real GDP in 2011 and an expected increase of 3.7% in 2012, the Norwegian economy is projected to lose some momentum in 2013 and 2014 showing an increase of only 1.4% and 1.8%, respectively. Despite these relatively optimistic growth forecasts, the Norwegian economy still faces significant challenges in the near future.
- Real construction spending increased 8.7% year-on-year (y/y). In 2012, total construction spending is expected to post a 2.4% gain as the general economy is expected to slow because of uncertainty in the Eurozone and a slowing of oil exports. Moving forward, total construction spending is expected to go up by 2.3% in 2013 and by 2.7% in 2014.
- **Residential Construction:** Residential sector accounted for 37% of total construction spend in 2011. The residential market has benefitted from low interest rates, high wage growth, and strong population growth, which helps to keep demand healthy. Residential construction spending increased by 18.3% y/y in 2011 and the outlook is for continued improvements in this segment: 5.9% in 2012, 5.2% in 2013 and 2.6% in 2014.
- **Infrastructure**: Infrastructure accounted for 24% of total construction spending in 2011, when it increased by 3.8%. Infrastructure construction is expected to grow by 3.5% in 2012, 3.9% in 2013 and 3.8% in 2014.
- **Non-Residential Structures:** Structures represented 39% of total construction in 2011 ending the year up 3.8% y/y. A decline of 1.5% in 2012 and 1.6% in 2013 is forecasted. On a positive note, 2014 shows a growth of 2% in infrastructure spending.



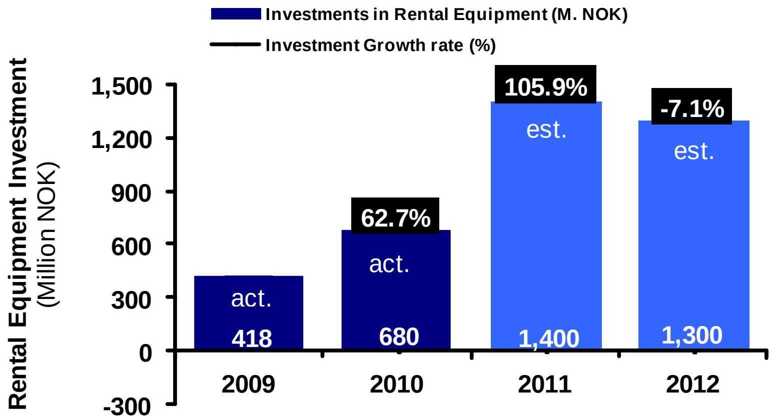
2. Detailed Results per Country



Source: IHS

- After being cut substantially by some 70% in 2009, investment in the rental fleet has rebounded strongly in 2010 (+ 63%) and 2011 (+ 106%) to equal as much as 15% of the original cost of the fleet in 2011. For 2012, a moderate decrease of investment activity is expected.

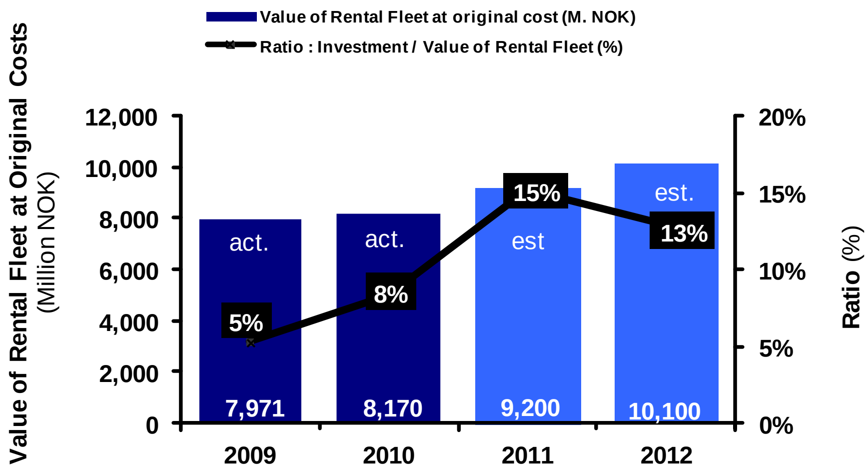
Investment in Rental Equipment of Rental Companies (without operator)



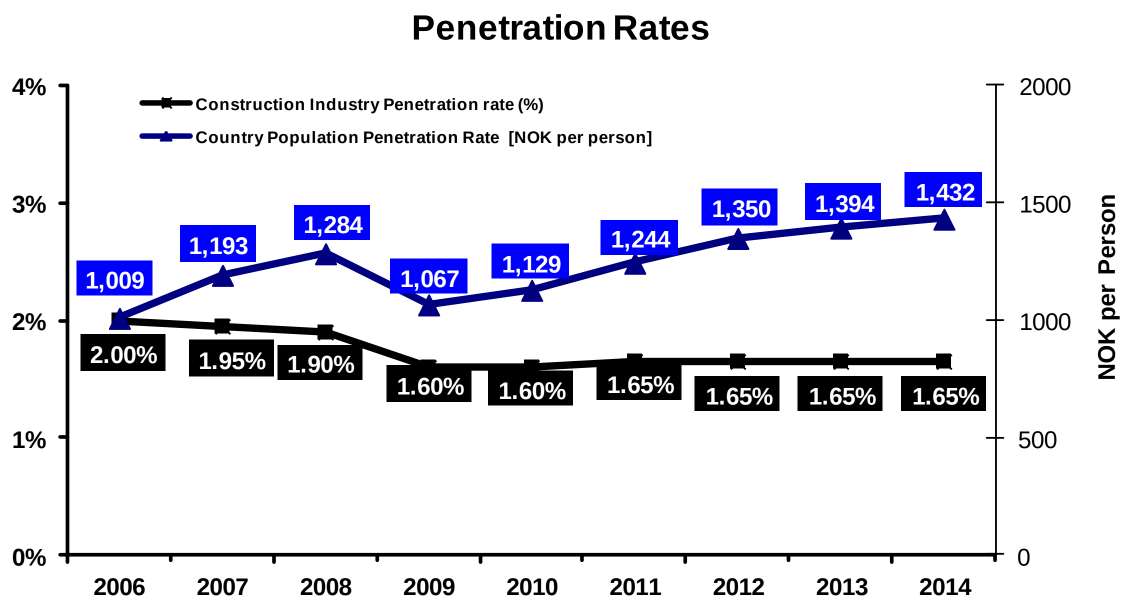
Source: IHS

- Due to the heavy investment activity particularly of new equipment in the context of a strong economic environment the rental fleet size in 2011 exceeded the 2008 figures; fleet size is expected to break the NOK 10 billion mark in 2012 (at original cost).
- Average fleet age in Norway is estimated to have decreased moderately due to the strong level of investment noted above to an average of 5.7 years in 2012.

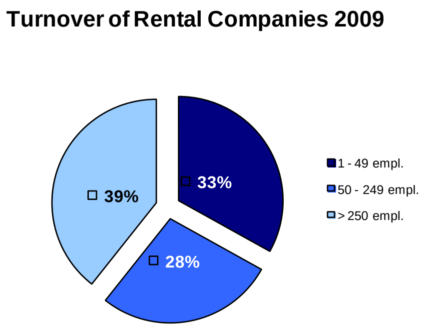
Rental Fleet Size



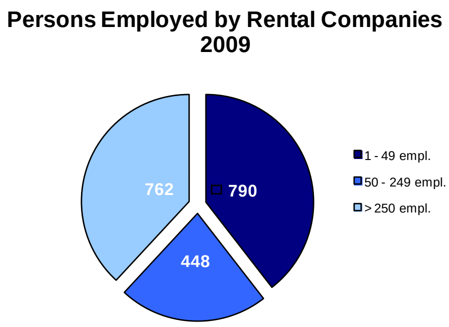
Source: IHS



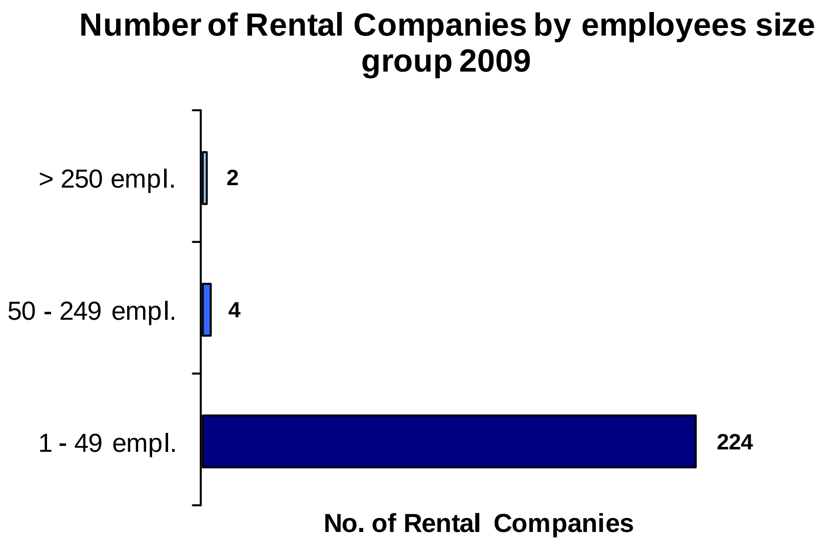
Source: IHS



Source: IHS



Source: IHS



Source: IHS

- The two largest rental actors in Norway account for 39% of the total revenues of the rental industry. In total, there are some 230 rental companies active on the Norwegian market.
- The Norwegian rental market saw a robust growth of around 10% in 2011 and 2012. With the exception of Poland in 2011 this represents the highest revenue growth of all countries under investigation in this report.
- The current strong recovery of rental demand started in mid 2010 and led to significant increases of time utilisation in 2011 and 2012. In line with this development, rental rates started to improve in early 2011 and increased significantly in 2012.
- Growing rental demand and increased prices has led to substantial increases in the profitability of Norwegian rental companies in both 2011 and 2012.
- However, compared to the strong growth in the past two years, the economic outlook for Norway has become a little more subdued. Demand growth is expected to reduce in the near future. However, rental industry turnover is expected to continue to increase by 3% and 4% respectively for 2013 and 2014.
- Rental rates are expected to grow only modestly in the years 2013 and 2014.
- The share of rental demand from the construction sector in Norway is estimated at 60%.
- Since rental growth will not continue significantly to outperform construction growth in 2013 and 2014, construction industry penetration will grow only modestly through to 2014.

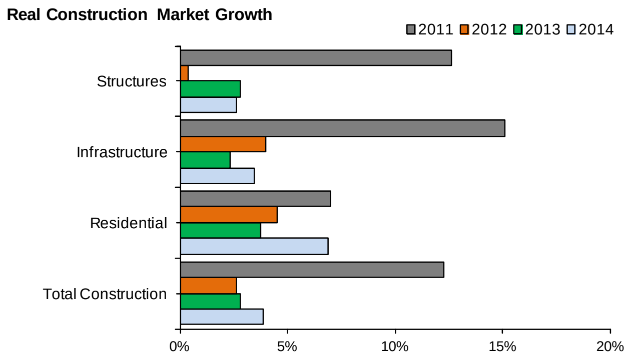
NORWAY (NO), LOCAL CURRENCY	Actual		Estimates		Forecast	
	2009	2010	2011	2012	2013	2014
Market Size						
Total turnover [million NOK]	5,156	5,512	6,130	6,690	6,960	7,200
Rental Companies (without operator)	3,854	4,120	4,580	5,000	5,200	5,380
Other Comp. Providing Rental Services (only rental)	1,302	1,392	1,550	1,690	1,760	1,820
# Rental Companies (without operator)	230	n.a.	n.a.	n.a.		
# Employed Persons of Rental Companies (without operator)	2,000	n.a.	n.a.	n.a.		
Investments in Rental Equipment [million NOK] (without operator)	418	680	1,400	1,300		
Value of Rental Fleet at all companies [million NOK] (without operator)	7,971	8,170	9,200	10,100		
Ratio: Investments in Rental Equipment / Value of the Rental Fleet	*5%*	*8%*	*15%*	*13%*		
Penetration Rates						
Total Construction Output [million NOK]	323,787	344,090	376,755	401,166	416,400	441,100
Construction Industry Penetration Rate	*1.60%*	*1.60%*	*1.65%*	*1.65%*	*1.65%*	*1.65%*
Country Population [million]	4.83	4.88	4.92	4.96	4.99	5.02
Country Population Penetration Rate [NOK per person]	*1,067*	*1,129*	*1,244*	*1,350*	*1,394*	*1,432*

Source : IHS and Official Statistics data

5.9 Poland (PL)

1. Economic and Construction Context for the Equipment Rental Industry

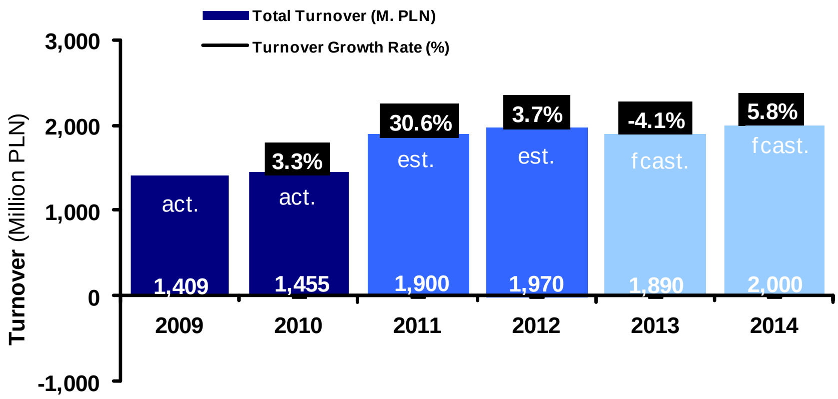
- Real GDP showed a 4.3% increase in 2011 despite Western Europe's weakness which will continue to dampen Poland's growth performance in the near future. A GDP growth rate of 2.1% is forecast for this year, 1.9% for 2013 and 2.9% for 2014.
- In 2011, real total construction spending in Poland increased 12.3% year-on-year (y/y)—weak conditions were not as prevalent here as across Europe. In 2012, total construction spending is expected to post a more moderate 2.6% y/y gain. Moving forward, total construction spending is expected to increase 2.8% in 2013 and 3.9% in 2014.
- **Residential Construction:** Real spend on residential construction increased 7.0% y/y in 2011, residential representing 21% of total construction spending. Residential construction is expected to experience a more moderate 4.5% rate of growth in 2012; 3.8% in 2013 and to strengthen again in 2014 with growth at 6.9%.
- **Infrastructure:** Spending on infrastructure construction, 38% of total construction spending, increased by 15.1% in 2011. Public health infrastructure drove this growth with gains of 16.7% y/y. The infrastructure construction sector is expected to increase by 4.0% in 2012, followed by 2.3% growth in 2013 and 3.5% in 2014.
- **Non-Residential Structures:** Real structures spending accounted for 41% of total construction spending posting a 12.6% gain in 2011. Spending will increase 0.4% in 2012 as uncertainty across Europe has some impact and raises interest rates. Spending growth will pick back up, increasing 2.8% in 2013 and 2.6% in 2014.



2. Detailed Results per Country

Turnover*

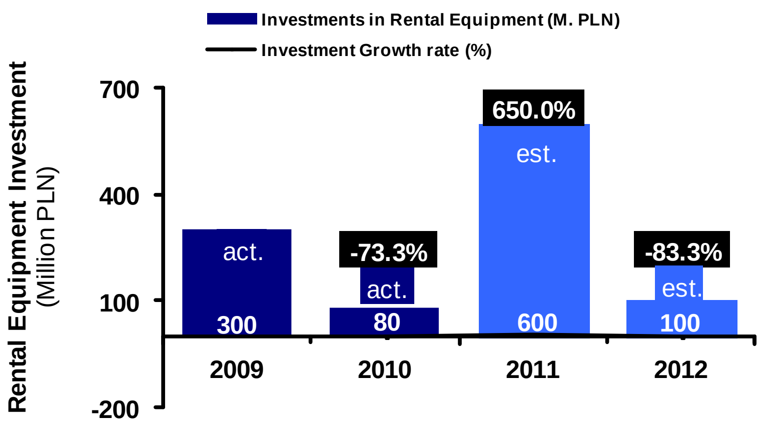
as defined in chapter 3.1 of this report



Source: IHS

- There has been a substantial inflow of used equipment from international rental players from Western European countries into the Polish rental market during the crisis years to 2010. As a consequence investment in new equipment in 2010 was low. In the context of a strong rental demand and lower equipment transfers, capital expenditure for new equipment increased significantly to an estimated PLN 600 million in 2011. Over investment in 2011, and a more troubled economic environment, has led to a strong reduction of investment in 2012.

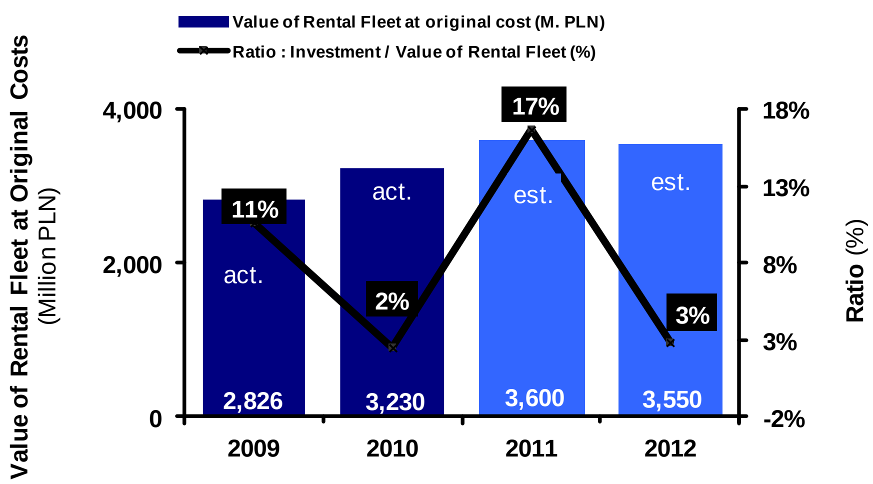
Investment in Rental Equipment of Rental Companies (without operator)



Source: IHS

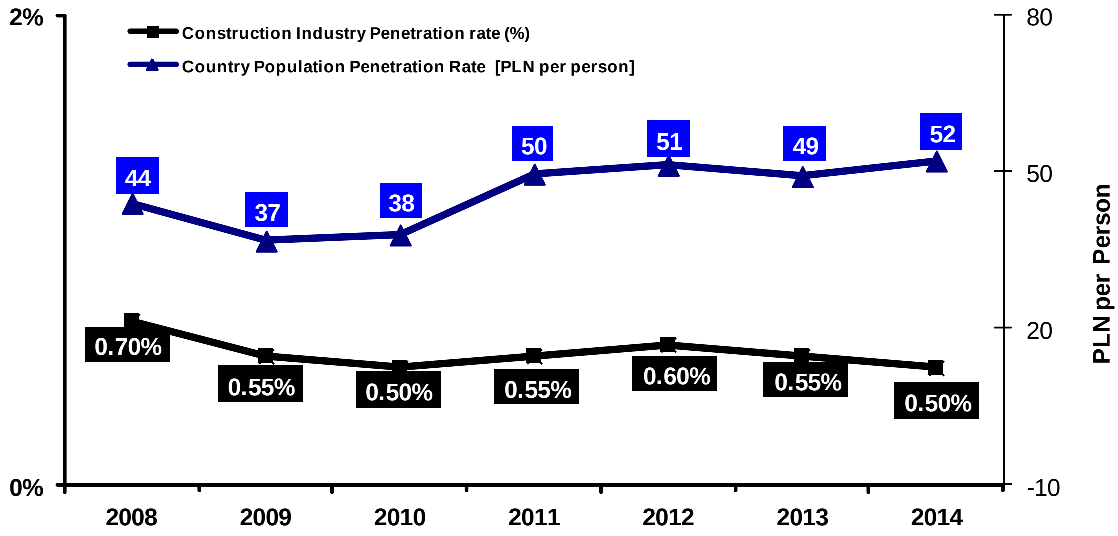
- With the inflow of used equipment and high capital expenditure in 2011 the size of the Polish rental fleet grew significantly, by more than 11% to PLN 3.6 billion in the year 2011. However, it is estimated that the rental fleet decreased slightly in 2012.

Rental Fleet Size



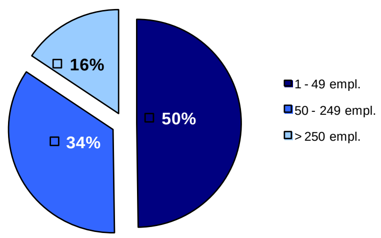
Source: IHS

Penetration Rates



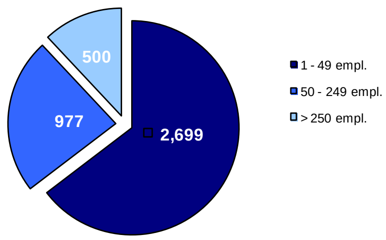
Source: IHS

Turnover of Rental Companies 2009



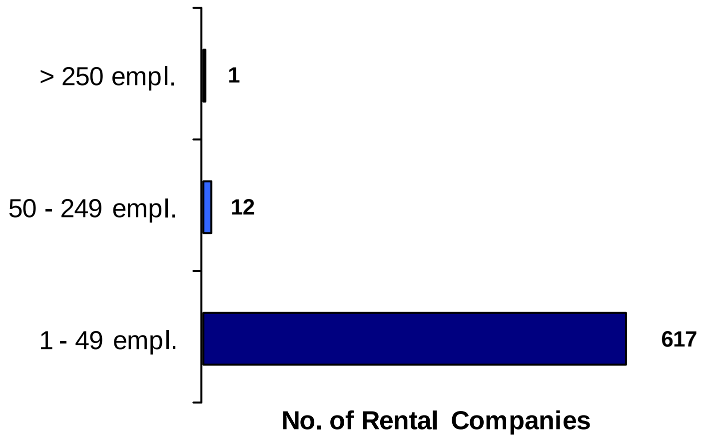
Source: IHS

Persons Employed by Rental Companies 2009



Source: IHS

Number of Rental Companies by employees size group 2009



Source: IHS

- Two large players dominate the still relatively young and dynamic equipment rental market in Poland. These two companies alone account for 25% of total rental revenues.
- The number of rental companies has been increasing, there were 630 companies in 2009, the majority being small and very small companies. However, small and very small companies (less than 50 employees) account for about the half of total rental revenues.
- While construction industry penetration in Poland is still well below 1%, the total size of the Polish equipment rental market is estimated at PLN 1.9 billion (€ 466 million) in 2011.
- After the market bottomed out in mid 2010 a dynamic business environment led to an extremely good year in 2011 with rental revenue increases of some 30%. In spite of the downturn in construction activity starting earlier than expected we estimate that rental revenues will continue to increase somewhat in 2012. However we foresee a downward correction of rental turnover for 2013.
- Rental demand from civil engineering projects was the key driver for the strong increase of turnover in 2011. However, the value of civil engineering projects reduced significantly in 2012 as local authorities put many infrastructure projects on hold because of budget limitations.
- While rental rates increased strongly in 2011, the earlier than expected contraction of rental demand in mid 2012 has led to reduced rental rates recently.
- Based on official statistics we corrected the size of the Polish construction sector upwards, which led to a re-calculation of construction industry penetration to an estimate of 0.55% in 2011. This is the lowest penetration among all countries under investigation: and it is expected that rental penetration will decrease in 2013 and 2014.
- The share of rental demand from the construction sector in Poland is estimated at 90%.
- It is expected that increasing demand from other customer segments will partially compensate for reduced infrastructure growth. We expect a reduction of rental revenue of 4.1% in 2013 and a recovery of the order of 5% in 2014.

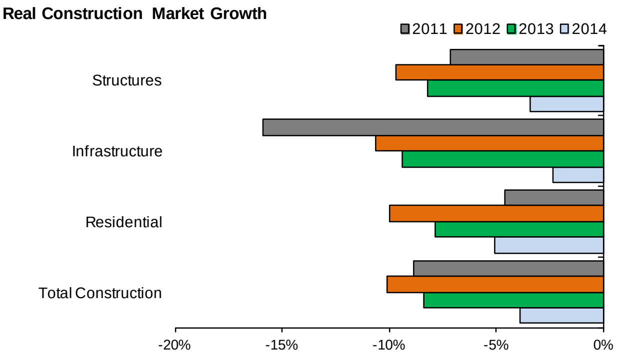
POLAND (PL), LOCAL CURRENCY	Actual		Estimates		Forecast	
	2009	2010	2011	2012	2013	2014
Market Size						
Total turnover [million PLN]	1,409	1,455	1,900	1,970	1,890	2,000
Rental Companies (without operator)	1,395	1,440	1,880	1,950	1,870	1,980
Other Comp. Providing Rental Services (only rental)	14	15	20	20	20	20
# Rental Companies (without operator)	630	n.a.	n.a.	n.a.		
# Employed Persons of Rental Companies (without operator)	4,176	n.a.	n.a.	n.a.		
Investments in Rental Equipment [million PLN] (without operator)	300	80	600	100		
Value of Rental Fleet at all companies [million PLN] (without operator)	2,826	3,230	3,600	3,550		
Ratio: Investments in Rental Equipment / Value of the Rental Fleet	*11%*	*2%*	*17%*	*3%*		
Penetration Rates						
Total Construction Output [million PLN]	264,411	279,639	336,659	339,489	354,900	381,800
Construction Industry Penetration Rate	*0.55%*	*0.50%*	*0.55%*	*0.60%*	*0.55%*	*0.50%*
Country Population [million]	38.25	38.28	38.30	38.32	38.33	38.34
Country Population Penetration Rate [PLN per person]	*37*	*38*	*50*	*51*	*49*	*52*

Source : IHS and Official Statistics data

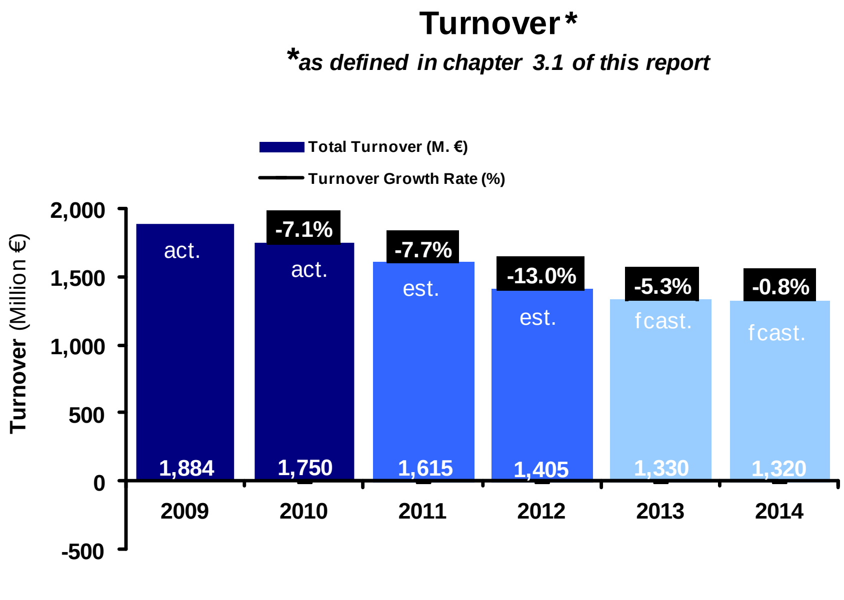
5.10 Spain (ES)

1. Economic and Construction Context for the Equipment Rental Industry

- Spain's construction industry has experienced significant headwinds from the weakened global outlook and from recent changes to domestic policies. Following a construction boom and a subsequent housing-market bust, the Spanish economy remains weak, with high unemployment, a banking sector heavily tied to a weak construction industry, a sovereign debt crisis, and soft home prices.
- In 2011, real total construction spending declined 8.8% year-on-year (y/y) and it is expected to post a 10.1% decline in 2012 as weak economic conditions persist. Moving forward, total construction spending is expected to decrease 8.4% in 2013, 3.9% in 2014.
- **Residential Construction:** 49% of total construction spending, real residential spending declined 4.6% y/y in 2011. Residential construction spending is expected to decline 9.9% in 2012 as a large supply of unsold homes will hinder new construction. Spending will continue to fall by 7.8% in 2013 and 5% in 2014.
- **Infrastructure**: In 2011, infrastructure spending (30% of total construction spending) declined 15.9% y/y. The infrastructure construction sector is expected to decline by 10.6% in 2012, followed by further contractions of 9.4% in 2013 and 2.3% in 2014.
- **Non-Residential Structures:** Spending on non-residential structures declined 7.1% in 2011, continuing the downward trend for a fifth consecutive year. Spain has been hard hit by debt concerns and has instituted severe fiscal austerity measures that have led to reduced confidence and investment in the country. Spending on structures is forecasted to decline 9.7% in 2012, 8.2% in 2013 and 3.4% in 2014.



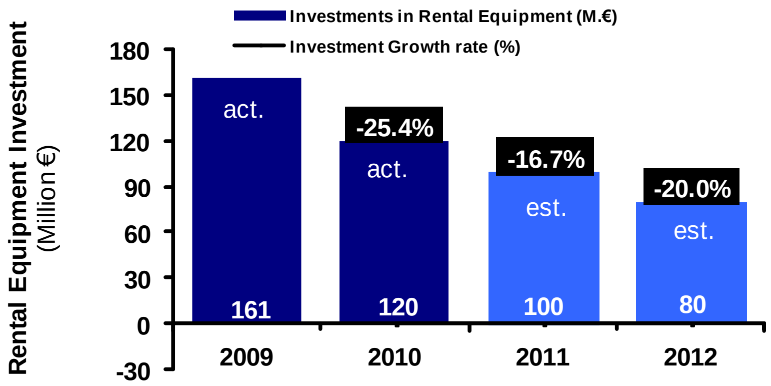
2. Detailed Results per Country



Source: IHS

- The Spanish market has still not been able to recover from the collapse of rental demand in 2009 (-29%). Unfortunately up to date official figures on the Spanish rental market are not yet available. We have therefore reverted to our own estimates which suggest that rental turnover continued to decline throughout 2011 and 2012.
- As the Spanish market has become unattractive for investors, capital expenditure has continued to decline. Investments were concentrated on specific equipment types and served to replace old equipment.

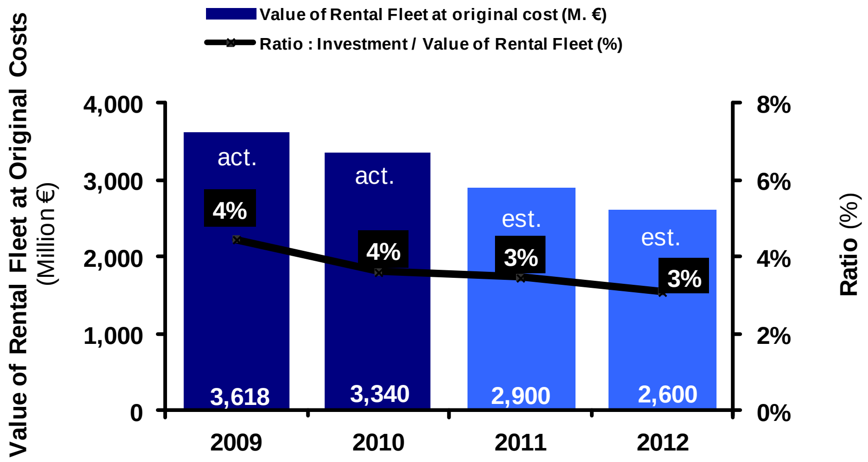
Investment in Rental Equipment of Rental Companies (without operator)



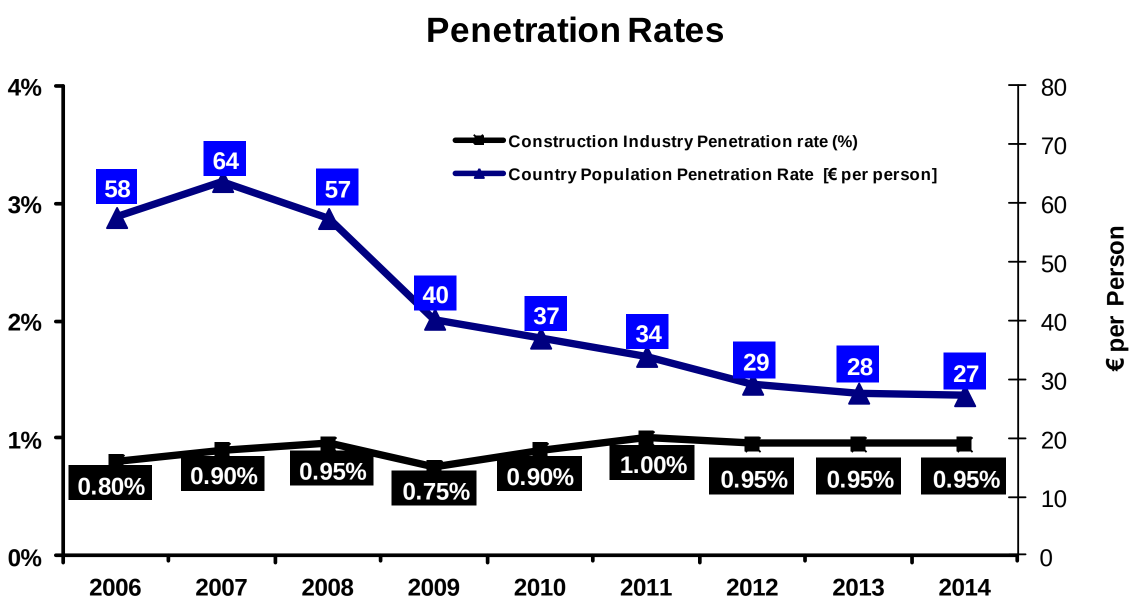
Source: IHS

- The Spanish rental fleet has reduced in size constantly since 2009: companies have either sold much of their equipment to other markets or transferred equipment to establishments in other countries.
- In line with a low level of investment, average fleet age increased to an estimated 6 years in 2012.

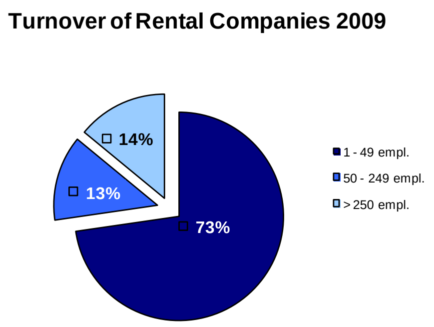
Rental Fleet Size



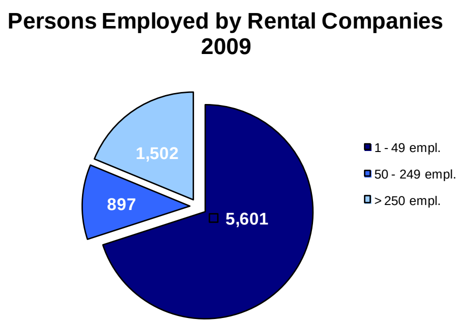
Source: IHS



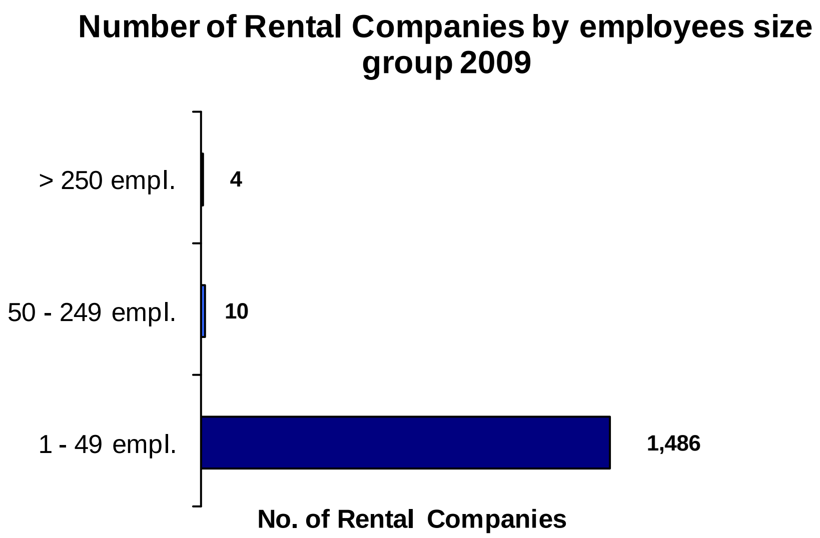
Source: IHS



Source: IHS



Source: IHS



Source: IHS

- Large national and international rental players continued to reduce their number of employees and to close depots in order to focus their activity on major regional markets. Some companies have pulled out of Spain altogether. We estimate that there were some 1500 rental companies in Spain in 2009 but that the number of companies and depots will have dropped since then.
- Equipment not closely related to construction activities (e.g. generators) is in general performing better than construction equipment.
- Because of the substantial decrease of the fleet size, utilisation rates for some types of equipment have stabilised in 2011 and 2012.
- Rental Turnover in Spain is estimated to have decreased by some 8% in 2011 and by more than 10% in 2012.
- Rental rates in Spain stabilised, at low levels, in 2011 and through into 2012.
- 70% of rental demand comes from the construction sector in Spain.
- Given the uncertainties about the banking and sovereign debt crisis in Spain it is hard to foresee when the Spanish market will start to recover. There have been strong decreases in the economic activity in recent years; on a business as usual basis we could expect that the market will bottom out in 2014. However, the market is still vulnerable to a significant shock so it is not possible to tell today when the market will experience any significant growth.

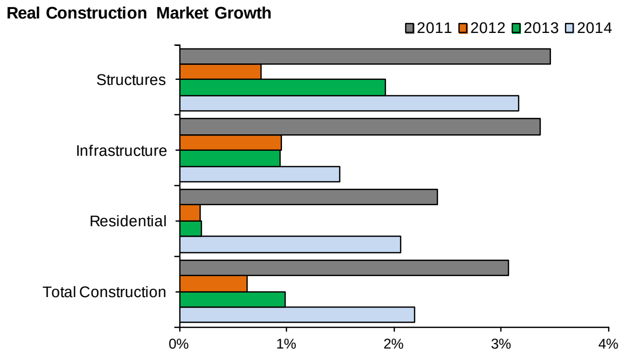
SPAIN (ES), EURO	Actual		Estimates		Forecast	
	2009	2010	2011	2012	2013	2014
Market Size						
Total turnover [million €]	1,884	1,750	1,615	1,405	1,330	1,320
Rental Companies (without operator)	1,785	1,647	1,530	1,330	1,260	1,250
Other Comp. Providing Rental Services (only rental)	99	103	85	75	70	70
# Rental Companies (without operator)	1,500	n.a.	n.a.	n.a.		
# Employed Persons of Rental Companies (without operator)	8,000	n.a.	n.a.	n.a.		
Investments in Rental Equipment [million €] (without operator)	161	120	100	80		
Value of Rental Fleet at all companies [million €] (without operator)	3,618	3,340	2,900	2,600		
Ratio: Investments in Rental Equipment / Value of the Rental Fleet	*4%*	*4%*	*3%*	*3%*		
Penetration Rates						
Total Construction Output [million €]	246,445	198,034	159,554	147,249	140,800	138,200
Construction Industry Penetration Rate	*0.75%*	*0.90%*	*1.00%*	*0.95%*	*0.95%*	*0.95%*
Country Population [million]	46.76	47.19	47.57	47.90	48.18	48.43
Country Population Penetration Rate [€ per person]	*40*	*37*	*34*	*29*	*28*	*27*

Source : IHS

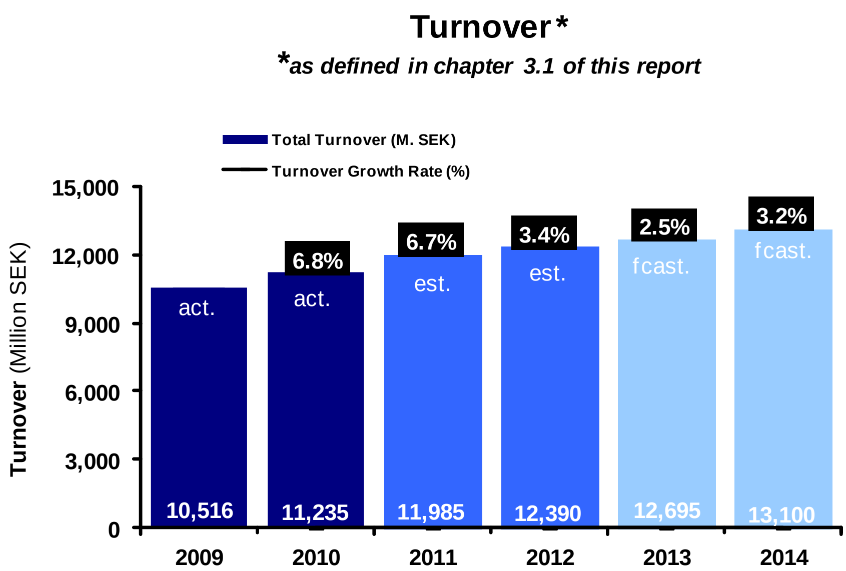
5.11 Sweden (SE)

1. Economic and Construction Context for the Equipment Rental Industry

- Sweden is expected to be one of the forerunners as the recovery slowly evolves across the European Union. The outlook remains solid, helped by a relatively favourable policy backdrop and a resumption of world trade. A key advantage is that Sweden's public finances are relatively sound, and the need for tighter fiscal policy will be less severe than for other European economies. Real GDP recorded a 4% increase in 2011, and is forecast to remain positive within the review period: 1.9% in 2012, 1.4% in 2013 and 2.5% in 2014.
- Last year, real total construction spending increased 3.1%. In 2012, total construction spending is expected to post a 0.6% gain and is expected to increase 1.0% in 2013 and 2.2% in 2014.
- **Residential Construction:** Residential construction accounted for 34% of total construction in Sweden in 2011. Expenditure increased 2.4% year-on-year (y/y) in 2011 and is expected to grow slightly, by 0.2% in 2012 and 2013 and 2.1% in 2014 as recovery in the residential market takes hold.
- **Infrastructure**: Infrastructure construction spending in Sweden, 36% of the total, grew at a healthy 3.4% in 2011. Spending growth is forecast to slow with 1% growth in 2012, 0.9% in 2013 and 1.5% in 2014.
- **Non-Residential Structures**: Non-residential structures spending expanded by 3.5% in 2011 and represented 30% of total spending. The segment will continue to grow at a slow pace in 2012 (0.8%), followed by a 1.9% increase in 2013 and 3.2% in 2014.



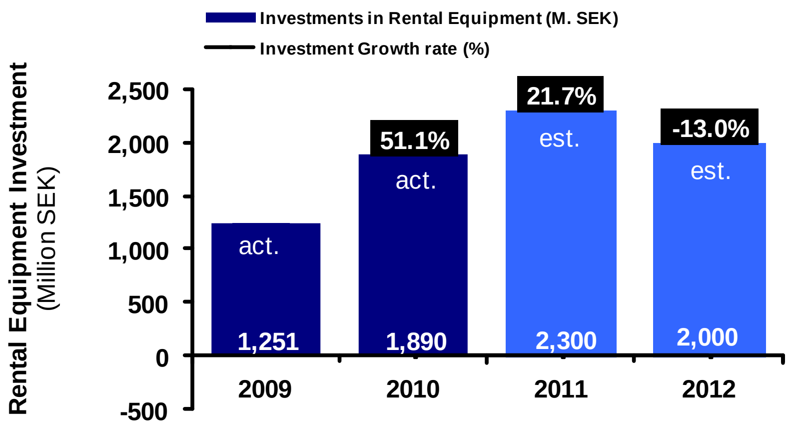
2. Detailed Results per Country



Source: IHS

- The Swedish market features one of the strongest equipment rental sectors in Europe. Construction industry penetration is the highest of all countries under investigation.
- After the investment cuts in the context of the crisis, Swedish rental companies increased their capital expenditure for the rental fleet by more than 50% in 2010 and again by more than 20%% in 2011. In 2012, it is estmated that investments dropped by some 13% to average about 11% of the value of the Swedish rental fleet.

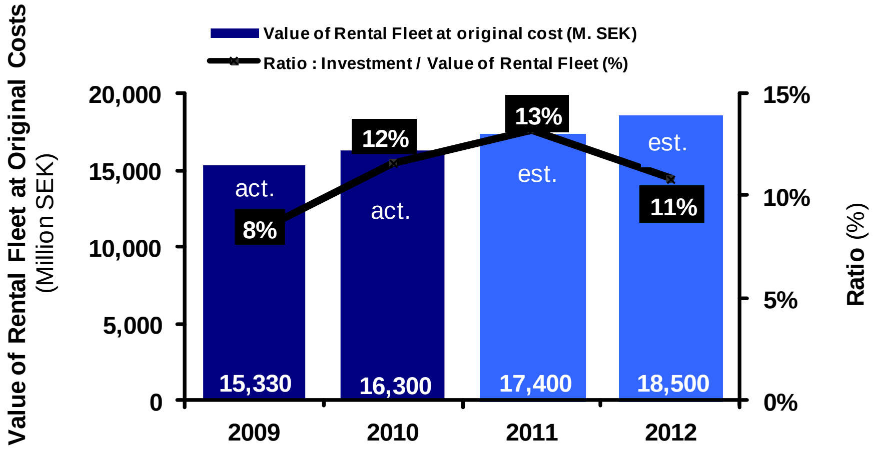
Investment in Rental Equipment of Rental Companies (without operator)



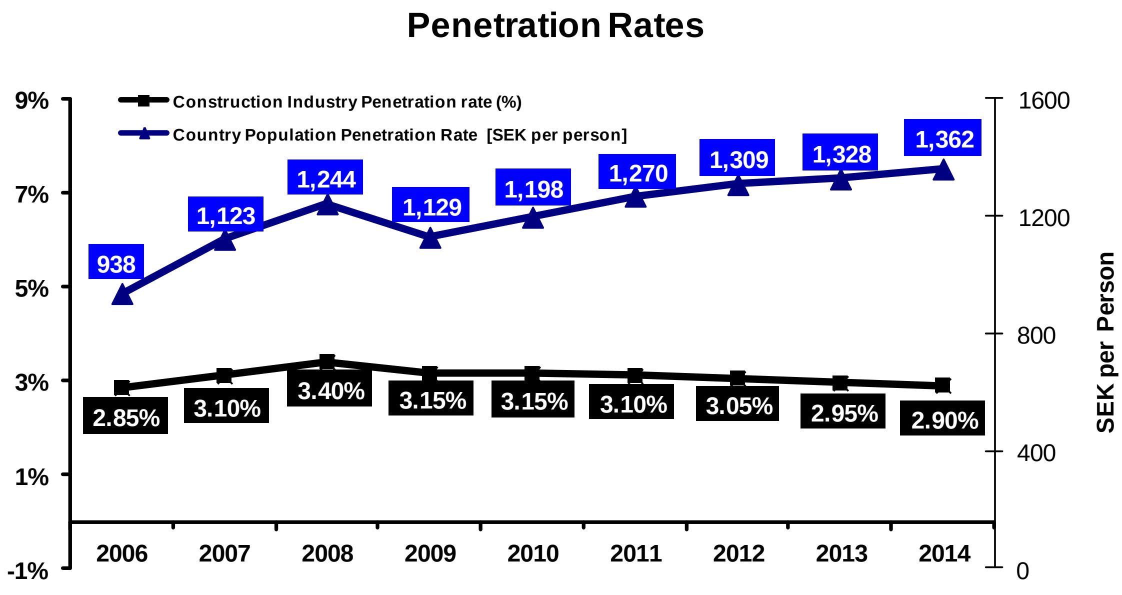
Source: IHS

- In line with increased investment activity, the size of the rental fleet has increased continuously between 2009 and 2012.
- While Swedish companies aged their fleet during the crisis years, some of the old equipment has now been replaced by new machínes leading to a decrease in the average age of the rental fleet to 6.3 years in 2012.

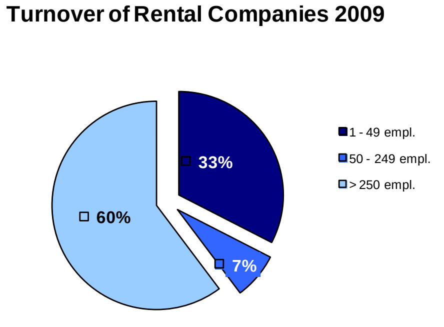
Rental Fleet Size



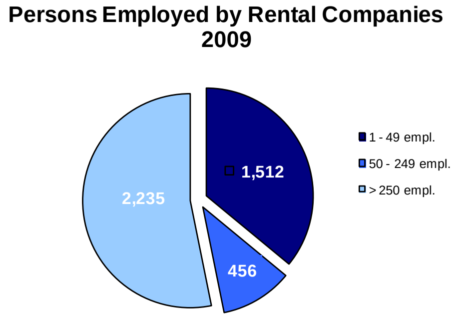
Source: IHS



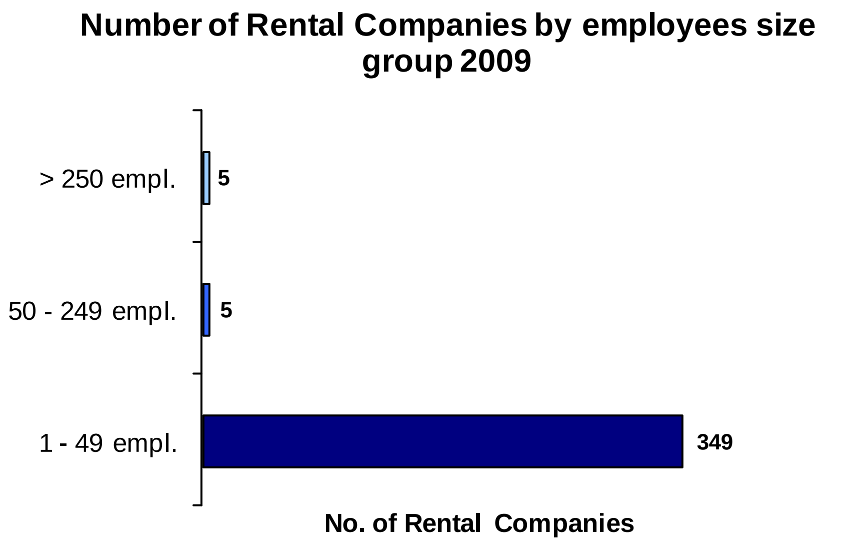
Source: IHS



Source: IHS



Source: IHS



Source: IHS

- The Swedish market is characterised by five large rental players with more than 250 employees, a relatively small number of medium-sized rental companies and some 350 small companies with fewer than 50 employees. The five largest rental companies generate about 60% of the total revenue of rental companies.
- By 2011, the Swedish rental industry had recovered from the crisis caused fall in total rental revenues. Rental turnover grew by 6.8% in 2010 and by an estimated 6.7% in 2011. Growth continued in 2012, albeit at a reduced rate of some 3.4%.
- Rental rates have been increasing moderately since late 2010 until 2012. This increase was accompanied by increasing time utilisation due to stable demand and effective fleet management.
- There are several specifics of the Swedish rental market causing higher rental revenues in relation to the size of the construction sector compared to other countries. The country features a highly rationalized construction sector, triggered by traditionally high labour costs.
- High quality and security standards together with high wages and relatively high transport costs result in significantly higher price levels than most other countries.
- Rented powered access equipment is used widely instead of scaffolding.
- In addition to construction demand, renting of accommodation and rental services to the manufacturing industry produce significant rental revenues. Furthermore total rental solutions, such as on-site installation services or tool renting by small construction companies result in a more service oriented sector that in turn leads to higher rental revenues than is typical in most other countries.
- Based on our driver forecasts, we expect rental revenues in Sweden to continue to grow at moderate rates of 2-3% in 2013 and 2014.

SWEDEN (SE), LOCAL CURRENCY	Actual		Estimates		Forecast	
	2009	2010	2011	2012	2013	2014
Market Size						
Total turnover [million SEK]	10,516	11,235	11,985	12,390	12,695	13,100
Rental Companies (without operator)	10,356	11,064	11,800	12,200	12,500	12,900
Other Comp. Providing Rental Services (only rental)	160	171	185	190	195	200
# Rental Companies (without operator)	359	n.a.	n.a.	n.a.		
# Employed Persons of Rental Companies (without operator)	4,203	n.a.	n.a.	n.a.		
Investments in Rental Equipment [million SEK] (without operator)	1,251	1,890	2,300	2,000		
Value of Rental Fleet at all companies [million SEK] (without operator)	15,330	16,300	17,400	18,500		
Ratio: Investments in Rental Equipment / Value of the Rental Fleet	*8%*	*12%*	*13%*	*11%*		
Penetration Rates						
Total Construction Output [million SEK]	333,183	356,048	386,345	409,218	428,700	454,500
Construction Industry Penetration Rate	*3.15%*	*3.15%*	*3.10%*	*3.05%*	*2.95%*	*2.90%*
Country Population [million]	9.31	9.38	9.44	9.50	9.55	9.60
Country Population Penetration Rate [SEK per person]	*1,129*	*1,198*	*1,270*	*1,309*	*1,328*	*1,362*

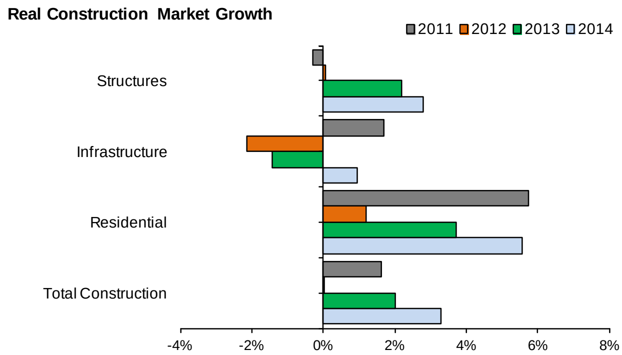
Source : IHS and Official Statistics data

- As for other countries we have improved the estimation of the size of the Swedish construction sector by switching to offcial statistics and comparable construction data taken from the IHS Global Construction Outlook. As a result, market size is estimated to be some 30% lower than reported in the previous edition of this report. In consequence, construction industry penetration has been revised downwards to 3.15%. Despite this correction, Sweden is still the country with the highest rental penetration in Europe.

5.12 United Kingdom (UK)

1. Economic and Construction Context for the Equipment Rental Industry

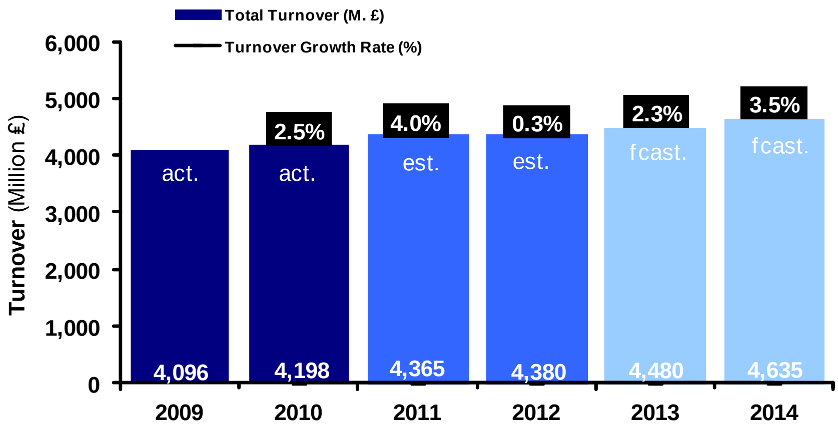
- Overall the UK economy returned to modest growth in 2011 with an increase in real GDP of 0.8%. GDP will contract 0.3% in 2012 and return to growth in 2013 (0.9%) and 2014 (1.4%). Even so, activity remains vulnerable to relapse amid continuing squeezed consumer purchasing power, tighter credit conditions, tight fiscal policy, and muted global growth.
- In 2011, real total construction in the UK increased 1.6% year-on-year (y/y). In 2012, total construction spending is expected to remain flat. Moving forward, construction spend will strengthen during 2013 and 2014 with expected increases of 2% and 3.3%, respectively.
- **Residential Construction:** Residential accounted for 28% of total construction spending in 2011. Residential construction increased 5.8% in 2011. The positive trend is forecast to continue: 1.2% in 2012, 3.7% in 2013 and 5.6% in 2014.
- **Infrastructure**: Infrastructure spending accounted for 17% of total construction and experienced a 1.7% increase in 2011. While residential and non-residential structures were weakened as a result of the continued pall of economic uncertainty the forecast for infrastructure construction is still positive though spending will still decline slightly as Olympic spending has come to an end. Infrastructure spending will begin to decline starting with this year by 2.1% and another 1.4% in 2013. A 1% recovery is forecasted for 2014.
- **Non-Residential Structures:** This segment accounted for 55% of total construction spend in 2011. Structures have experienced a 0.3% decline in 2011 but the outlook for the 2012-2014 period looks better: after a poor 0.1% increase in 2012 growth of 2.2% in 2013 and 2.8% in 2014 is expected.



2. Detailed Results per Country

Turnover*

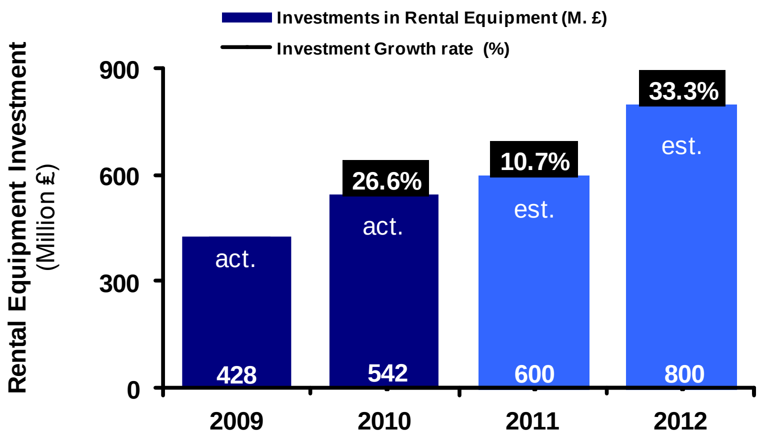
**as defined in chapter 3.1 of this report*



Source: IHS

- After the substantial reduction of investment activity in 2009, capital expenditure for rental equipment recovered in the following years. However, spending levels are still well below 2008 levels. Apart from replacement of old equipment, investment has focused on new non-construction areas. Examples include communal services like cleaning, ground care and vegetation control. Investment in powered access equipment has been especially low but recovered slightly in 2011.

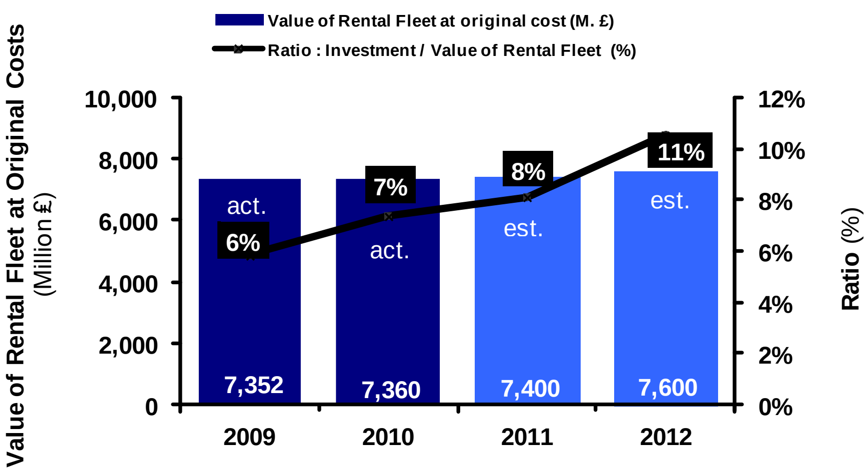
Investment in Rental Equipment of Rental Companies (without operator)



Source: IHS

- The overall size of the rental fleet has remained flat in 2010 and 2011 and is estimated to have increased moderately in 2012.
- Since many companies have been aging their fleets instead of replacing it in the last years, average fleet age is estimated to have increased to 4.5 years.

Rental Fleet Size



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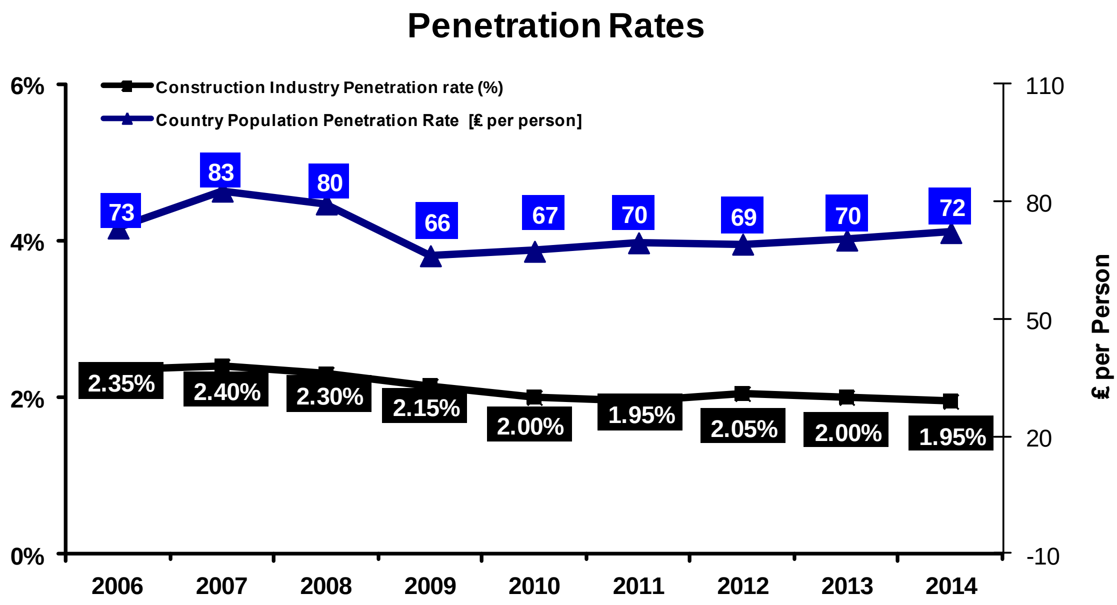

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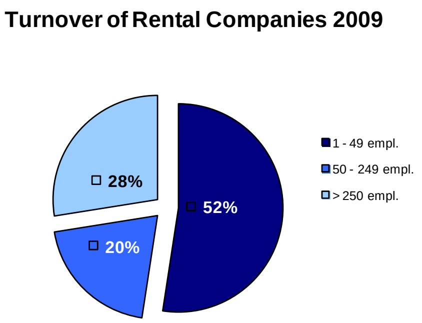

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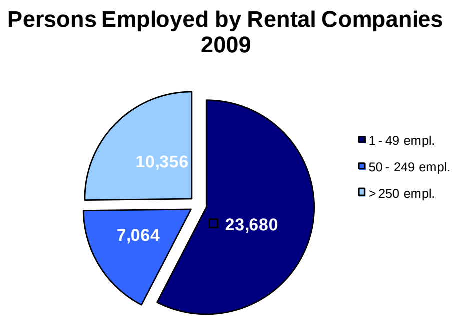

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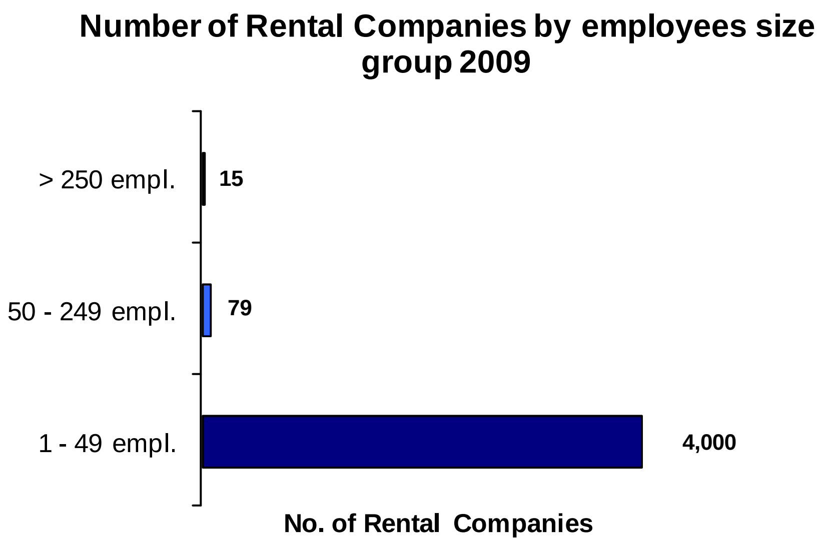


Source: IHS

- The UK rental market has been hit hard by the crisis. The recovery of rental volumes that took place in 2011 has come to an end in 2012 as many public sector infrastructure projects have been completed or abandoned and private demand from sectors including construction and retail has remained weak.
- Rental turnover increased by an estimated 4% in 2011 but came to halt in 2012.
- After two years of reductions, rental rates have been increasing again by between 4 to 5% p.a. in 2011 and 2012.
- The market for plant hire has struggled more than the tool hire market, which is focused on the more stable maintenance activity.
- The outsourcing trend of non-construction companies continues and has helped to keep the non-construction rental market robust.
- After many of the smaller companies fell into liquidation in 2009, the consolidation trend in the rental industry continues, albeit at a moderate pace, as several of the weaker players have been acquired by more aggressive players. After having been hit hard in the crisis, large rental actors have been regaining market share recently.
- The share of rental demand from the construction sector in the UK is estimated at 60%.
- While rental volumes are forecast to remain virtually flat until 2014, turnover is expected to increase slightly, because of increasing rental rates. A substantial recovery is not expected to take place before 2014.

UNITED KINGDOM (UK), LOCAL CURRENCY	Actual		Estimates		Forecast	
	2009	2010	2011	2012	2013	2014
Market Size						
Total turnover [million £]	4,096	4,198	4,365	4,380	4,480	4,635
Rental Companies (without operator)	3,947	4,035	4,190	4,200	4,290	4,440
Other Comp. Providing Rental Services (only rental)	149	163	175	180	190	195
# Rental Companies (without operator)	4,094	n.a.	n.a.	n.a.		
# Employed Persons of Rental Companies (without operator)	41,100	n.a.	n.a.	n.a.		
Investments in Rental Equipment [million £] (without operator)	428	542	600	800		
Value of Rental Fleet at all companies [million £] (without operator)	7,352	7,360	7,400	7,600		
Ratio: Investments in Rental Equipment / Value of the Rental Fleet	*6%*	*7%*	*8%*	*11%*		
Penetration Rates						
Total Construction Output [million £]	189,681	210,528	221,890	211,560	225,500	238,500
Construction Industry Penetration Rate	*2.15%*	*2.00%*	*1.95%*	*2.05%*	*2.00%*	*1.95%*
Country Population [million]	61.79	62.26	62.74	63.24	63.76	64.27
Country Population Penetration Rate [£ per person]	*66*	*67*	*70*	*69*	*70*	*72*

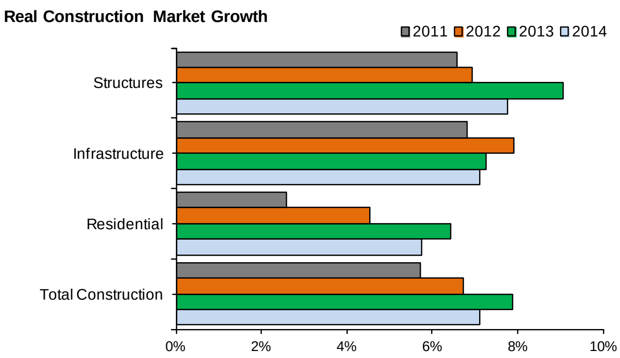
Source : IHS and Official Statistics data

- Our estimate of the size of the construction sector in the United Kingdom has been revised upwards, compared to figures in the previous report, through our adoption of available official figures: accordingly the level of construction industry penetration has been corrected downwards. Nonetheless, rental penetration in the UK is second only to Sweden among all countries in the scope of the ERA Report.
- Our estimate of rental turnover in the UK is – as for all countries – based on the official figures of NACE code 77.32. However, there are some indications that in the UK a significant amount of rental revenue is statistically reported to code 77.39. This issue will be investigated in more detail in future editions of this report.

6. Special Report: Russia

1. Economic and Construction Context for the Equipment Rental Industry

- The Russian economy is growing at only a moderate pace after the deep downturn it suffered as a result of the global recession and worldwide credit crunch in 2009, despite the impetus from strong export earnings. There are a number of additional factors in the Russian economic environment that will keep growth in the rather moderate range.
- Although domestic credit markets have eased, the earlier tightening of credit conditions worldwide created serious liquidity problems for Russian banks and enterprises: commercial lending rates are still relatively high while capital continues to leave the country on a net basis as investors seek safer havens.
- The official first estimate of GDP growth in the full-year 2011 came in at 4.3%, boosted by a bumper harvest and strong household consumption late in the year. We expect growth in 2012 at a more modest 3.6% in light of the deterioration of the external economic environment, with growth remaining at 3.5% in 2013 and 4.0% in 2014.
- **Construction Market Growth**: From 2010 to 2015, the government plans to spend 13 trillion roubles (approx. 312 billion Euros, at 2011 exchange rate of 0.024 Euro/ rouble) on the development of transportation infrastructure. Spending includes the construction or updating of 17,000 kilometres of roads and 100 airport runways. The plan also includes the expansion of seaports and the construction of 3,000 kilometres of railways, in addition to a high-speed rail line.
- A government housing program plans to spend 600 billion roubles (approx. 14.5 billion Euros, at 2011 exchange rate of 0.024 Euro/ rouble) from 2010 to 2015 to increase yearly housing construction from 58 million square meters per year to 90 million square meters per year. The program has a 2020 goal of constructing 142 million square meters of housing annually. Other government spending plans include the US$800-million Vostochny Cosmodrome spaceport, which recently began construction and is set for completion in 2020.
- In 2011, the total Russian construction spending was estimated at 177 billion Euros, at 2011 exchange rate of 0.024, for comparison this equals 75% of the German construction spend for the same year.
- In 2011, **real total construction** spending in Russia increased 5.7% year-on-year (y/y), residential construction grew 2.6%, non-residential infrastructure construction saw 6.8% growth and non-residential structures construction grew 6.6%.
- In 2012, total construction spending is expected to post a further 6.7% gain. Moving forward, total construction spending is expected to increase 7.9% in 2013 and 7.1% in 2014.



2. Focus on the main construction subsectors

- **Residential Market**: In 2011, there was an estimated 3.272 billion square meters of residential floor space in Russia, equal to an average 22.8 square meters per inhabitant. At the beginning of 2011, 85.6% of homes were privately owned, 9.9% were municipal, and 4.3% were state-owned. In 2010, the government undertook a program to increase housing construction. One of the program's goals is that by 2015, 33% of Russian families will be able to afford to buy their own home, whether with their own or borrowed money, up from 12% of families in 2011.
- In Russia, real spending on residential construction increased 2.6% year-on-year in 2011. Residential construction is expected to experience 4.5% growth in 2012. Spending on residential construction is anticipated to pick up to 6.4% in 2013 and 5.8% in 2014 as global economic conditions improve, leading to greater consumer confidence.
- **Non-residential Infrastructure**: In 2011, real infrastructure construction spending in Russia increased 6.8% year-on-year (y/y). Construction on energy infrastructure drove the growth with gains of 7.3% y/y while the weakest performer for the year was public health construction. The infrastructure construction sector is expected to increase by 7.9% in 2012 followed by 7.3% growth in 2013 and 7.1% in 2014.
- In the near term, growth will be driven by activity associated with infrastructure needs for the 2014 Winter Olympics in Sochi, as well the 2012 Asia-Pacific Economic Cooperation (APEC) Summit in Vladivostok and the 2018 FIFA World Cup. During this time, transportation construction is expected to grow most rapidly while energy construction will lag behind with the lowest growth rate. In the longer run, spending on public health will expand the fastest.
- **Non-residential Structures**: Real spending on non-residential structures construction in Russia posted a 6.6% year-over-year gain in 2011. The strongest-performing sector for the year was industrial construction, which gained 10.3%, while institutional construction had the weakest growth at just 0.5%. We anticipate that non-residential structures construction spending will increase 6.9% in 2012, followed by 9.1% growth in 2013 and 7.8% in 2014.

3. Construction equipment rental market

- **Rental market**: A relatively young market, the history of construction equipment renting started at the beginning of the years 2000. Statistics on the construction equipment rental market are not available for Russia but the local association RentalRus and industry experts agree on a estimated market value of around 700 million Euros in 2011, for both renting with operator (representing approx. 60%) and without operator (approx. 40%).
- The big growth potential of the Russian economy, translated into high levels of investment in the construction sector, combined with low rental penetration rates suggest further improvement in the industry. On the basis of a high level estimate of 2011 rental revenue (without operator) at 280 million Euros, the generally accepted penetration rate is estimated to be between 0.15% and 0.20%.
- Both renting with and without operator are expected to grow in the future, with an average growth rate of between 7% and 10%, a higher growth rate than that expected in most of the other countries within the scope of the ERA Report.
- This growth is also related to a change in users' mentality; a transition from owned equipment to rental equipment is observed in the market. Even though multinationals installed in Russia use rental equipment, national Russian companies continue to own equipment. However it is foreseen that some of the equipment which has not been renewed during the crisis will never be replaced therefore increasing the demand for rental equipment.

- Residential, infrastructure and industrial remain among the sectors with the highest potential; in part since these are also sectors in which Government support is or will be available.
- The Oil and gas industry remains a very small user of renting equipment (mainly modular spaces) as the equipment required has certain characteristics which can't be provided by the rental companies such as larger size and capacity to deal with special weather conditions (very cold).
- **Investment and fleet**: Overall it is believed that the rental companies cannot satisfy the demand for construction equipment due to investment issues. The investment average for the whole market (replacement of old equipment and range expansion) is estimated to be around 10% of turnover. However, the impact of the Eurozone crisis on the banking system and high interest rates will continue to be a barrier for investment.
- Powered access equipment, modular spaces, small tools, excavators, loaders, double/ mobile cranes were thought to be the most popular segments of the market.
- Average age of the fleet is estimated to be around three years but it is difficult to be precise given the large number of small rental companies, generally based in one city: experts estimate the number of these companies, employing 2-3 persons and both renting and selling equipment, at around 1000.
- **Market structure**: 30 to 40 companies are estimated to have revenue greater than 50 million Euros but the Russian market is still considered to be very fragmented. Included among those companies are international companies like Aggreko, Algeco, Cramo, Pekkaniska, and Ramirent.
- 10-15 companies in Russia have offices / depots in more than one federal district.
- 90% of rental revenue is estimated to be provided by five districts:
  - ➢ Moscow and surroundings (Central Federal District)
  - ➢ Saint Petersburg and surroundings (Northwestern Federal District)
  - ➢ Ekaterinburg (Urals Federal District)
  - ➢ Sochi and surroundings (Southern Federal District)
  - ➢ Volga Federal District

- The Moscow and Saint Petersburg regions, representing 25% of the population, are estimated to provide more than 50% of the rental revenue.
- Sochi will host the XXII Olympic Winter Games and XI Paralympics Winter Games in 2014, as well as the Russian Formula 1 Grand Prix from 2014 until at least 2020. It is also one of the host cities for the 2018 FIFA World Cup; therefore the Russian government is preparing to provide the necessary infrastructure for the reception of the events: stadiums, hotels, roads etc.

4. Conclusion

- The Russian economy is forecast to experience GDP growth at moderate rates of 3.5 – 4% in the near future but which are higher than those being experienced in the main Western European economies. In terms of relative importance, the Russian economy in 2011 was estimated to be half of the German economy, two thirds of the French one and three quarters of the UK economy.
- Russia’s construction market is also growing faster than construction spending in other European countries, benefiting from the strength of the overall Russian economy, and specific government spending plans. In terms of size, the Russian construction market is around 74% of the German construction market.
- The Russian construction equipment rental market is still in its infancy. Though hard data is scarce, our research, carried out with industry experts and using official data sources allows a rough estimate of the current construction industry penetration rate, to aid estimates of likely future growth potential in the Russian rental market. This penetration rate is estimated at around 0.15% to 0.2%, which is low compared to the European average of 1.3%. Rental without operator was valued in 2011 at very approximately 280 million Euros which compares to 5,000 million Euros in UK, 3,775 million Euros in France and 3,155 million Euros in Germany. Estimates of likely future rental market growth are conservatively estimated at no more than 10% pa, which compares very favourably with forecasts in almost every other country in our study.

7. Rental Tracker

Since 2009, the ERA and its media partner, International Rental News (IRN), have published the ERA/IRN Rental Tracker, a quarterly online survey of business sentiment in Europe's rental sector.

Before we look at some of the most recent results, it is useful to remind readers that the scope and aim of the survey is to measure quarterly changes in business sentiment over a range of indices.

Every quarter, IRN sends out an e-mail to its readers in Europe, in 5 languages, asking for their responses to a number of questions:

- Business activity new (improving, stable of deteriorating)
- Business levels in recent quarter compared to same quarter the previous year
- Business levels in the year to date compared to the same period in the previous year
- Current trend in time utilization of the fleet (improving, stable, decreasing)
- Capital expenditure intentions for the current and following years

Further questions about a company's type of business, location and size (in revenue terms), allows additional analysis to be made on a sector and geographical basis, where there are sufficient results.

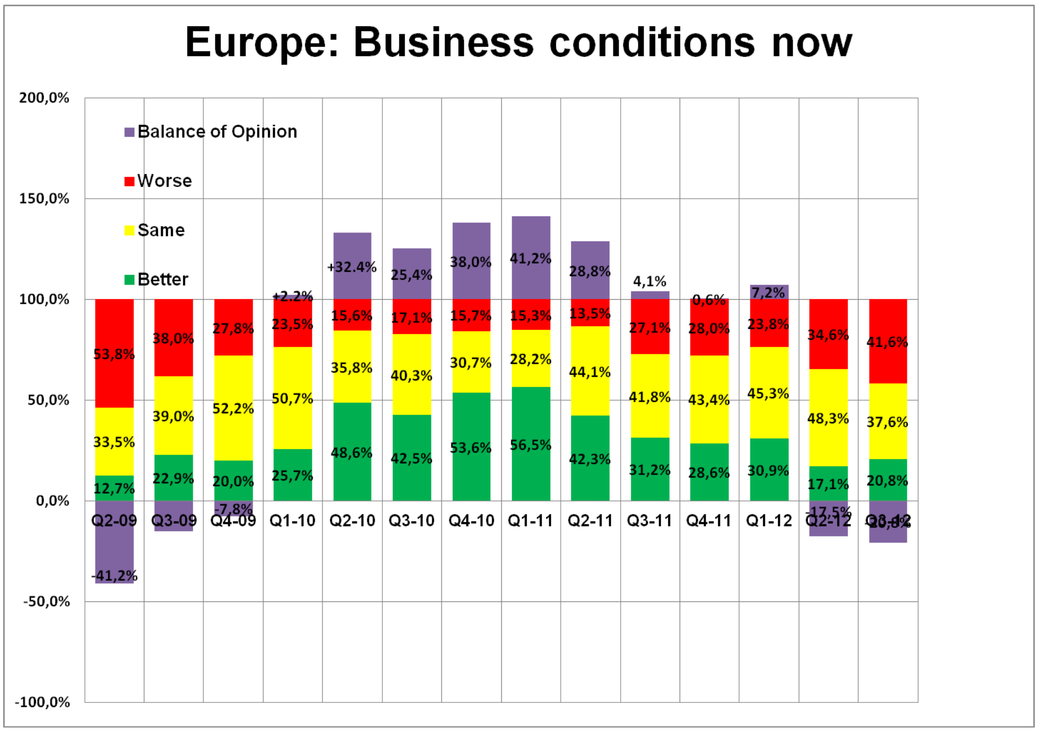
The survey is completed via an online survey at www.zoomerang.com. The first survey was launched in June 2009 to cover the second quarter of the year, and thirteen subsequent quarterly surveys have been completed so far. The survey for the third quarter of 2012 was launched in mid-September and some provisional results are included in this report.

Survey Results Q3 - 2012

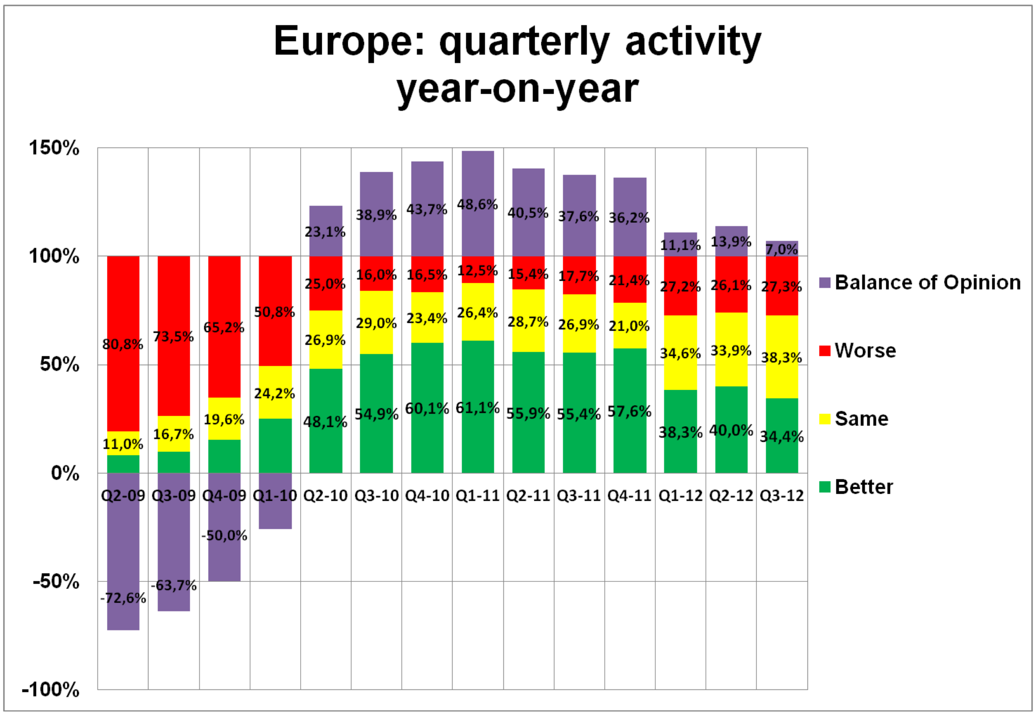
Overall trends

The dampening in confidence levels in Europe's rental sector evident since the summer of 2011 – linked to the Euro-zone debt issue – continued in the third quarter of 2012, with an increasing proportion of companies reporting worsening conditions.

In fact, at the end of September almost 42% of respondents reported a deteriorating business environment, and the negative balance of opinion (the difference between the numbers seeing worsening rather than improving conditions) increased to -20.8% from -17.5% in the previous quarter. That's the worst negative balance of opinion since the second quarter of 2009, although the context is obviously quite different.



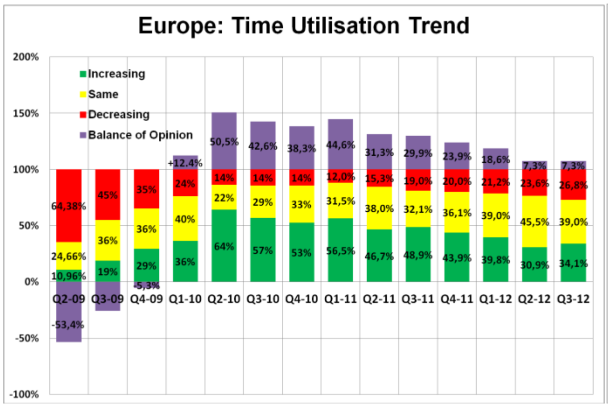
In terms of quarterly levels of activity – which relates to revenue levels - there was little change from the first and second quarters of 2012, with a small positive balance of opinion. That is, more people were reporting year-on-year increases in revenues for the third quarter than were reporting decreases. A healthy 72% reported similar or higher levels of activity in the third quarter of 2012 compared to a year ago. Just over a quarter reported lower business levels compared to a year ago.

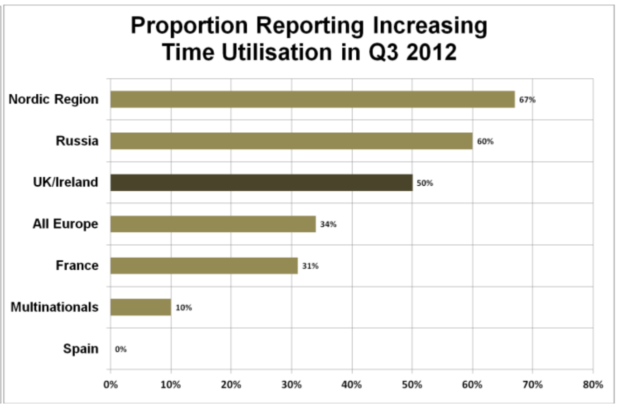


Utilisation

Time utilisation is of course a major factor in measuring the rental business environment, and here there was a slight improvement on the second quarter. Although the positive balance of opinion was the same at +7.3% (that is, more rental companies are reporting improving utilisation rather than lower rates), the proportion seeing improving utilisation in the third quarter compared to a year ago rose to 34.1%. The same figure in the second quarter was 30.9%. A further 39% were seeing constant levels.

The big increases in time utilisations reported in 2010 and the first half of 2011 are behind us, with the over-fleeting of 2009 and early 2010 now corrected and fleet sizes now still only increasing modestly, if at all.





Capital investment

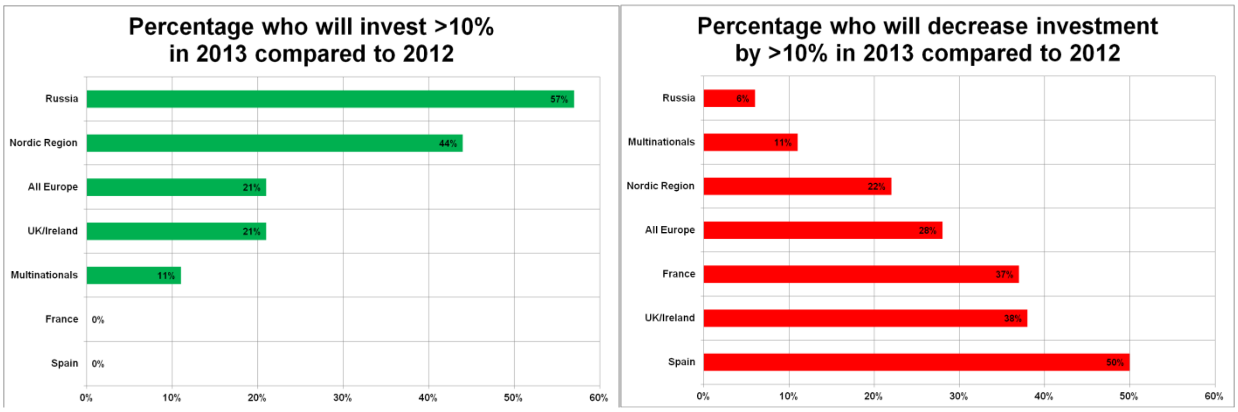
The softening confidence in Europe as a whole has had an impact on capital investment intentions. Looking at 2012 first, the proportion expecting to increase spending by more than 10% this year fell slightly to 25% from 27% in the second quarter and 35% in the first.

Clearly, the confidence to invest reduced as the year went on. The proportion expecting to cut investment by more than 10% this year increased to 25% from 20% in Q2, again reflecting a hardening of views. Exactly a half of respondents said spending in 2012 would be the same as in 2011.

Of more interest now are the spending forecasts for 2013. Again, caution is having a significant impact. At the end of March 2012 almost 40% of respondents were planning significant increases in spending in 2013: that figure had fallen to 21% at the end of the third quarter.

Just as significant, 28% said they will cut spending by more than 10% next year, which means that there is a negative balance of opinion on spending of -7%. While 50% say they will spend the same as in 2012, there are now more people planning to reduce spending than increase it.

Still, this does not represent a disaster for manufacturers. It is important to note that more than seven out of every ten rental companies in the survey will maintain or increase spending levels in 2013 compared to 2012.



Employment Intentions

There is little change in employment intentions in the third quarter survey. The majority – 59% - will not add or reduce staffing levels in the final quarter of 2012, and the proportion expecting to add staff, around 25%, has been the same for three quarters in a row.

There has, however, been an increase in the proportion expecting to reduce employment in the next quarter, from 11.4% in the second quarter to 17.1% now.

There is still a positive balance of opinion on employment intentions, although at +7.2% it is at its lowest since the employment question was first asked in early 2010.

Future expectations

We ask companies about their projections for activity levels 12 months from now. The results for the third quarter survey show that there is still a reasonable number expecting the environment to be better – almost 35% - but the numbers expecting a decline in business has gone up to 30.7%.

The 'decline' figure has risen steadily since the final quarter of 2011, when just 16.9% were expecting things to be worse a year in advance. There remains a positive balance of opinion on this – just +3.9% - but that compares to +30.9% as recently as March of this year.

Although rental companies in Europe are becoming less optimistic about future prospects it should be borne in mind that still almost 70% are expecting no deterioration in business levels for 2013 .

rental tracker

Completing the survey

To undertake each month's ERA/IRN RentalTracker survey, go to http://www.khl.com/rentaltracker and click on the survey link.

The results of the survey are published first on the websites of KHL Group (http://www.khl.com) and the ERA (www.erarental.org), and subsequently in the first available issue of IRN magazine.

If you would like to know more about the survey, or have suggestions for ways to improve it, then do not hesitate to contact either the ERA (era@erarental.org) or Murray Pollok, IRN Editor (murray.pollok@khl.com).

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