



EUROPEAN  
RENTAL  
ASSOCIATION



# The European Equipment Rental Industry 2014 Report



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## Foreword

*Dear ERA member, dear reader,*

*The ERA is releasing its 2014 Report, showing that equipment rental without operators in Europe, in 2013, amounted to a total turnover of 22.63 billion Euros, representing, at constant exchange rate, an increase of 1.0% over 2012.*

*The estimate for 2014 is showing an increase of 2.8 % over 2013 at 23.25 billion Euros at constant exchange rate over 2013.*

*The forecast for 2015 is showing an increase of 2.6 % over 2014 at 23.86 billion Euros at constant exchange rate over 2014.*

*A special focus in the previous 2013 edition of the report had been to enhance the understanding of the rental market for the UK. The objective was to increase the quality of the UK market estimates and to address key additional topics:*

- A classification of product categories, groups and sub-groups with an estimate of UK revenue broken down by product categories,*
- A classification of market categories / rental customers with an estimate of UK revenue broken down by main market categories,*
- An estimate of UK revenue stemming from equipment rental with operator.*

*In this 2014 edition, a special effort has been deployed around the French rental market in order to validate and/or improve the classification of products and markets categories first established for the UK rental market. Furthermore, the dedicated taskforce intended to breakdown the rental turnover by different categories of operators including rental companies, equipment distributors and equipment manufacturers.*

*The findings of this analysis confirm the value of such effort and another attempt will be proposed for the German rental market in 2015, where the structure of the rental industry between rental operators and equipment distributors remains a big question mark.*

*It is only after we analyse the German rental market that we will be able to draw some comparison and further analysis among these three major rental markets and further.*

*Rental penetration continues to receive much attention as a critical measurement of the overall trend of the equipment rental industry worldwide. We start reporting this year on an additional ratio measuring the rental volume against the GDP of any considered market.*

*This new ratio will be also applied by the GRA (Global Rental Alliance) members, allowing for the build-up of an international equipment rental culture over time.*

*It is the aim of the ERA to develop the European Equipment Rental Industry Report further as a strategic publication and, as the data sourcing will continue to improve, our market sizing will also improve, always with respect to the consistency of 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 its membership includes over 4,700 rental companies, either directly or through 13 national rental associations.

ERA is active through its working groups in the fields of Promotion, Statistics, Sustainability, and Equipment Technology.

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

### 1.2 IHS

IHS is the leading information company with comprehensive content, insight and expertise in key areas shaping today's global landscape. Business and governments around the world use its products, services and solutions to make faster and more confident decisions.

IHS has been providing comprehensive information and expert independent analysis and insight to customers for more than 50 years - enabling them to make critical business decisions with speed and confidence.

IHS Consulting leverages an unmatched combination of IHS information, insight and expertise to transform data into knowledge and to help its customers navigate their greatest strategic and operational challenges. Its intellectual capital is deep, with the most respected and engaged experts across the globe, focused on a multitude of industries. All built on an operating model that utilizes over 1,800 consultants, researchers and economists to advance cross-disciplinary collaboration and analysis.

### 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 2013.

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 in 2011 to twelve countries to which we have added this year a special chapter on the rental market in France. 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 15 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.
- Detailed market size actual (2011/2012) and estimates (2013/2014) are presented for twelve European countries in local currency. We also include an estimate, in Euro, of the size of the total equipment rental market in the EU-27 and EFTA countries for 2013. Please note that European growth for 2013 is calculated at constant exchange rates and is based upon slightly revised estimates for 2012 taking advantage of more recent statistical data. Therefore, please be aware that it is not possible to calculate the 2013 growth rate by comparing the European totals from this year's report with those from the previous report. In addition, for each of the twelve countries under investigation, forecasts of rental turnover are provided for 2015 and 2016; and at the end of the report, a special chapter is provided on the rental market in France.
- With the difficult economic environment in 2013/2014 for the construction sector (as for most industry sectors); the austerity policies (and the fear of austerity policies); and the already fierce competition experienced in the European Equipment Rental Industry, strong growth in 2014 is only likely to be seen in the United Kingdom (+9.5%).
- In tough times, providing sophisticated solutions, like "one-stop-shop" services, focusing on products fit to market or using innovative business tools, such as "dynamic pricing" can help to maintain growth in a difficult economic environment.
- In the near future, the economic environment is anticipated to change for the better. With the exception of Italy, the other 11 countries in our report are expected to see total rental revenues grow in 2015, with even the Spanish equipment rental market "bottoming out" in 2014. After marginal growth in 2014, it is the young Polish rental market which is expected to lead growth in Europe with growth of +5.3%, and + 4.9% in 2015 and 2016 respectively. This suggest that Equipment Rental markets with low rental penetration might benefit most from periods of recovery, that the industry still has (significant?) growth potential.
- In 2013, rental companies reacted to weakening demand by reorganising their fleets and investments to focus on product ranges with less competition and higher time utilisation. With the reduction of infrastructure expenditure in almost all European countries, the pressure on the earthmoving equipment, for instance, has been severe. Unsurprisingly, in this environment, and reflecting individual market performance, rental companies were rarely able to invest as much as they would have liked and often insufficiently to support their replacement plans.
- In some countries, especially in Spain and Italy, but also in the Netherlands, in addition to the difficult economic environment and to the pressure on prices, the financial health of contractor companies still caused concern. The question of the extension of payment terms has, this year once again, put a very high pressure on business recovery.
- The special chapter on the construction and rental markets in France combines quantitative and qualitative facts on the French construction market. In the context of this specific effort to examine the equipment rental market in greater detail, estimates have been established for the breakdown of rental revenues by product categories, by market categories/customer segments, and by channel to market.

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 of more than € 22.5 billion in 2013, at 2013 exchange rates, a growth of +1.0% compared to 2012. This is in line with the 2013 growth estimate of +0.7% highlighted in the foreword of the previous report.
- In terms of market size, in 2013, the three main markets are the United Kingdom, France, and Germany, with respectively € 6.299 billion, € 4.045 billion, and € 3.330 billion. These three countries accounted for almost 65% of total rental turnover of the 12 European countries detailed in our report, and more than 60% of EU-27 and EFTA countries' total rental turnover.
- As with the overall economy, national rental markets across Europe remain quite heterogeneous in 2013. The picture shows one country with strong growth, the United Kingdom (+9.1%); and three countries, the young Polish rental industry and the Italian and Spanish rental industries, with important drops, respectively -19.0%, -11.6%, and -7.0%. For all the other countries under investigation, growth rates varied from +4.7% for Norway to -3.1% for the Netherlands.
- The difficult economic environment in 2013 for the construction sector (as for most industry sectors) and austerity policies (and the fear of austerity policies) pushed rental companies in many countries to reduce prices in order to maintain and increase equipment time utilisation.
- A fierce competition, in most countries, has led i) to fewer partnerships and alliances, reducing the share of re-rental activity, ii) to increasing concentration of the rental industry as small players have exited the market, and iii) to increasing internationalisation, many large companies, but also medium size ones, looking outside their borders to find growth opportunities.
- After the total investment decrease in 2012, capital expenditure increased in 2013 by +18.3%. Among all countries considered, three investment priorities can be seen, and no clear common trend: the replacement of old equipment; the focus on equipment with high utilisation rates; and, for the most advanced markets, investments on equipment addressing non-construction sectors.
- Average construction industry penetration in the 12 countries in the report in 2013 was +1.50%, significantly above the remaining EU27 + EFTA countries average penetration of +0.65%, and average GDP penetration, a new concept introduced in this year's edition, was +1.75‰ for the 12 countries, significantly above the remaining EU27 + EFTA countries average penetration of 0.75 ‰.
- Looking at the two concepts, Construction Industry penetration and GDP penetration, and at the differences of penetration intensity between countries, it seems useful to point out that there is still room for the European rental market to grow and to increase penetration.
- The size of the rental fleet 2013 increased on average by 0.9%, a growth similar to 2012.
- Overall, we expect moderate growth of rental volumes in 2014 and 2015 (+0.7% and +2.2% respectively). Exceptionally high growth, as seen in the United Kingdom in 2014 (+9.5%), is not likely to be repeated.
- With the exception of Italy, the other 11 countries are expected to see total rental revenues grow in 2015, even the Spanish equipment rental market "bottoming out" in 2014.

### 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 2016.

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

#### 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 2011-2014. Forecasts of rental turnover are provided for the years 2015 and 2016. 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	Concepts	Colour code
2011-2012	Actual data, based on official statistics	Dark blue
2013-2014	Estimates, based on interviews and field research	Lighter blue
2015-2016	Forecast values, based on IHS 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 when it applies. 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 2013 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 2013, the European growth rates presented are calculated at constant currency, and thus represent market developments without exchange rate effects.

#### 3.2 Consistency of Approach

##### 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.

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 should not always be compared directly with the figures of the ERA 2013 report in order to obtain growth rates.

## Amadeus Database

In addition to official statistics and market monitoring, 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 2013 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:

Indicators	Time period	Breakout per company size class
<b>Market Size</b>		
Rental Turnover (rental & other companies providing rental services)	2011-2016	Yes (2011)
Investments in Rental Equipment	2011-2014	-
Value of Rental Fleet (at original costs)	2011-2014	-
Number of Rental Companies (without operators)	2011	Yes (2011)
Persons Employed	2011	Yes (2011)
<b>Penetration Rates</b>		
GDP Penetration	2011-2014	-
Construction Industry Penetration	2011-2014	-
Country Population Penetration	2011-2014	-

For the time period 2011-2012 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 2013 and 2014 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 15 structures interviews with rental industry experts in 10 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 2015 and 2016. Based on the estimation of rental demand elasticity with respect to construction output per segment (residential, structure, infrastructure), GDP and Industrial Production, the IHS forecasts for these drivers have been applied to predict the development of rental volumes over 2015-2016. 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

Three penetration rates have been calculated and forecasted for each country for 2006-2016:

GDP Penetration	Construction Industry Penetration	Country Population Penetration
$\frac{\text{Rental Turnover (country, year)}}{\text{Gross Domestic Product (country, year)}}$	$\frac{\text{Rental Turnover (country, year)}}{\text{Total Output of the Construction Sector (country, year)}}$	$\frac{\text{Rental Turnover (country, year)}}{\text{Number of Inhabitants (country, year)}}$

Here, it is important to note that the GDP Penetration will be stated in ‰, whereas the Construction Industry Penetration will be stated in %.

The measurement of construction output that is used in the calculation of the Construction Industry Penetration rate is the gross figure: “Total construction put in place”. This figure is significantly higher than the other measure often used when sizing construction output, which is the net figure: “Gross Value Added (GVA)”.

The difference between the two is that GVA excludes the value of intermediate inputs for materials and other expenses including services from other sectors, e.g. the cost of renting equipment without operator. The “Total construction put in place” measure has been selected as it offers the best set of comparable data between countries.

Forecasts of construction activity to 2016 are also taken from the IHS Global Construction Outlook.

## 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.
- Detailed market size estimates are presented for twelve European countries for the years 2011-2014 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 2013. For each of the countries under investigation, forecasts of rental turnover are also provided for 2015-2016.
- In addition, this report features a special chapter on the construction equipment rental market in France. The chapter combines quantitative and qualitative facts and forecasts on the French construction equipment rental market. In the context of this specific effort to examine the equipment rental market in greater detail, estimates have been established of the breakdown of rental revenues by product categories, by market categories/customer segments, and by main channels to market.

### 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 more than € 22.5 billion in 2013, at 2012 exchange rates, a growth of +1.0% compared to 2012. This is in line with the 2013 growth estimate of +0.7% in the foreword of the previous report.
- As with the overall economy, national rental markets across Europe remain quite heterogeneous in 2013. The picture shows one country with strong growth, the United Kingdom (+9.1%), and three countries, the young Polish rental industry and the Italian and Spanish rental industries, with important drops, respectively -19.0%, -11.6%, and -7.0%. For all the other countries under investigation, growth rates varied from +4.7% for Norway to -3.1% for the Netherlands.
- In terms of market size, in 2013, the three main markets are the United Kingdom, France and Germany, with respectively € 6.299 billion, € 4.045 billion, and € 3.330 billion. These three countries accounted for almost 65% of the 12 European countries’ total rental turnover, and more than 60% of the EU-27 and EFTA countries’ total rental turnover.
- Looking at the mature UK and Swedish markets, and considering the rental industry penetration concepts developed in this report (Construction Industry penetration; Gross Domestic Product (GDP) penetration; and Population penetration) we believe there is real room for the European rental market to grow and to increase penetration against all three concepts.
- Based on 2011 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): 14,650
  - # of employed persons in rental companies (without operators): 117,650

## Key figures on the European Construction Equipment Rental Industry for 2013

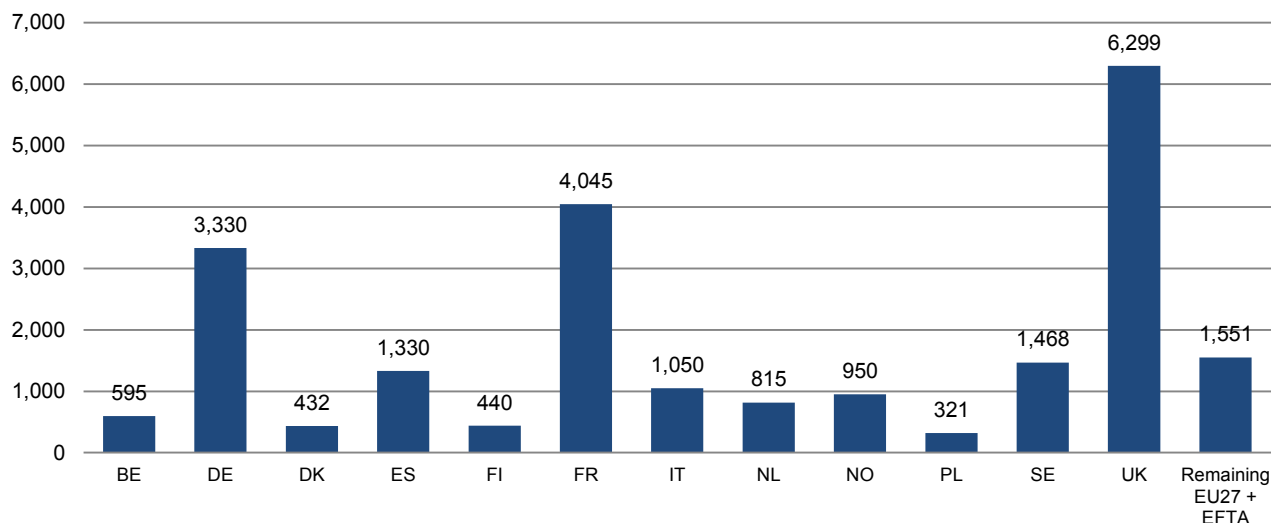
2013	BE	DE	DK	ES	FI	FR	IT	NL	NO	PL	SE	UK	Total / Average 12 countries	Remaining EU27 + EFTA	Total / Average
<b>Total Turnover [million Euro]</b>	595	3,330	432	1,330	440	4,045	1,050	815	950	321	1,468	6,299	21,075	1,551	22,626
Rental Companies *	575	2,650	430	1,260	415	3,830	550	750	710	317	1,445	6,075	19,008	N/A	N/A
Other Comp. Providing Rental Services (only rental)	20	680	2	70	25	215	500	65	240	4	23	224	2,067	N/A	N/A
<b>Investment in Rental Equipment * [million Euro]</b>	120	900	119	200	75	650	130	160	179	10	277	1,472	4,293	N/A	N/A
<b>Value of Rental Fleet ** [million Euro]</b>	920	5,100	771	2,300	650	5,850	2,100	1,270	1,244	763	1,989	8,595	31,551	N/A	N/A
<b>Ratio: Investment in Rental Equipment / Value of the Rental Fleet</b>	13%	18%	15%	9%	12%	11%	6%	13%	14%	1%	14%	17%	14%	N/A	N/A
<b>GDP [billion €]</b>	383	2,723	249	1,023	201	2,115	1,560	643	386	390	421	1,899	11,993	2,067	14,060
<b>GDP Penetration</b>	1.55 ‰	1.20 ‰	1.75 ‰	1.30 ‰	2.20 ‰	1.90 ‰	0.65 ‰	1.25 ‰	2.45 ‰	0.80 ‰	3.50 ‰	3.30 ‰	1.75 ‰	0.75 ‰	1.60 ‰
<b>Total Construction Output [million Euro]</b>	61,890	248,783	26,113	149,225	29,594	245,093	164,702	70,784	56,151	70,208	41,670	235,187	1,399,398	238,356	1,637,753
<b>Construction Industry Penetration</b>	0.95%	1.35%	1.65%	0.90%	1.50%	1.65%	0.65%	1.15%	1.70%	0.45%	3.50%	2.70%	1.50%	0.65%	1.40%
<b>Country Population [million]</b>	10.78	81.92	5.60	47.27	5.40	63.53	60.88	16.71	4.96	38.21	9.51	63.24	408	107.01	515
<b>Country Population Penetration [Euro per person]</b>	55	41	77	28	81	64	17	49	192	8	154	100	52	14	44
<b>2013 year-on-year percent change</b>															
Turnover	-1.9%	1.5%	1.6%	-7.4%	-3.0%	-0.8%	-11.8%	-3.0%	4.7%	-18.9%	0.0%	9.0%	1.0%	N/A	N/A
Investment	-33.3%	33.2%	23.6%	150.0%	0.0%	0.0%	-7.1%	0.0%	-0.8%	-60.0%	12.3%	31.6%	18.3%	N/A	N/A
Rental Fleet	-4.2%	4.1%	2.7%	-11.5%	-0.8%	0.9%	-8.7%	0.0%	5.4%	-5.9%	0.6%	6.6%	0.9%	N/A	N/A
Exchange rate 2013, aop*** [Euro/ LCU]	-	-	0.134	-	-	-	-	-	0.128	0.238	0.116	1.177			

\* Equipment rental without operator only

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

\*\*\*average of period

Total Turnover 2013 [million Euro]

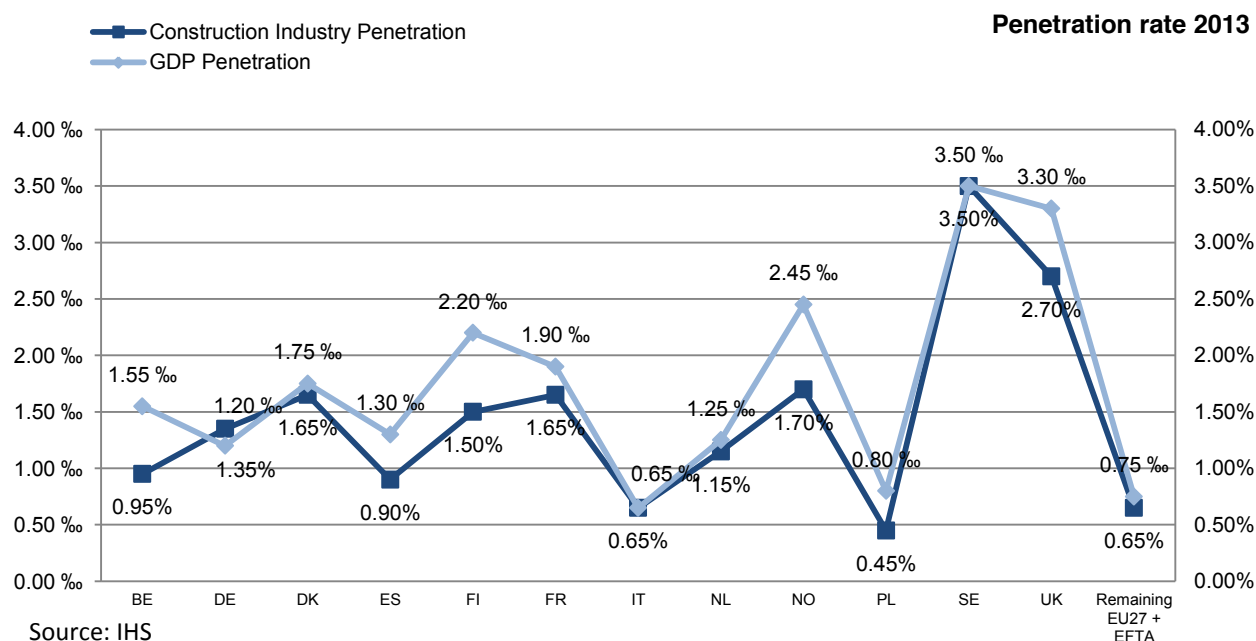


Source: IHS

#### 4.3 Competitive Environment

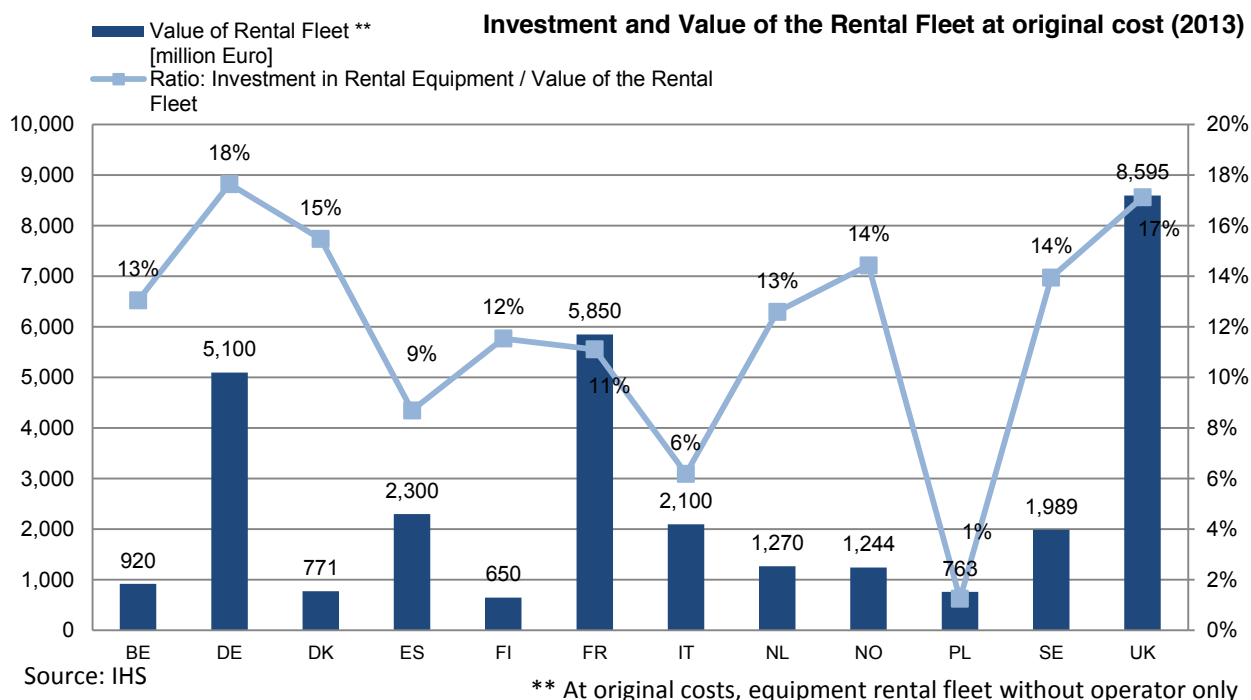
- The already fierce competition experienced in the European Equipment Rental Industry has continued in 2013 in all countries.
- The difficult economic environment in 2013 for the construction sector (as for most industry sectors) and austerity policies (and the fear of austerity policies) pushed rental companies in many countries to reduce prices in order to maintain and increase equipment time utilisation.
- Rental companies reacted to weakening demand by reorganising their fleets and investments to focus on product ranges with less competition and higher time utilisation. With the reduction of infrastructure expenditure in almost all European countries, the pressure on the earthmoving equipment, for instance, has been severe.
- This fierce competition, in most countries, has also led i) to fewer partnerships and alliances, reducing the share of re-rental activity, ii) to increasing concentration of the rental industry as small players have exited the market, and iii) to increasing internationalisation, many large companies, but also medium size ones, looking outside their borders to find growth opportunities.
- Regarding this last point, it is useful to note that some large rental companies have organised themselves in partnerships and consortiums to address large construction projects, particularly cross border projects, in order to enter a market segment where they were not present before.
- Even if rental companies are still focusing on the construction sector, in all countries they are also looking carefully at new customer segments in the non-construction sector in order to diversify their client base. It seems that rental companies have begun to increase their penetration of customer segments in the non-construction sector, but in order to create a real momentum in this sector they will need to invest in specialised equipment.
- During the last year, M&A activities have been relatively quiet in most countries. One of the reasons for this could be the important debt contracted by companies in previous years, making the private owners of these companies unwilling to sell at what could be a substantial discount compared to what they believe is the 'real' value of their company.

#### 4.4 Penetration Rates



- Because of the improved data on the size of national construction markets underpinning our market estimates, as well as corrections to the rental market volumes for some countries, construction industry penetration and country population penetration have changed: these changes in annual penetration do not affect the trend development of penetration rates over time.
- Average construction industry penetration in the 12 countries in the report in 2013 was +1.50%, significantly above the remaining EU27 + EFTA countries average penetration of +0.65%.
- Once again, Construction industry penetration is highest in Sweden (+3.5%) and in the United Kingdom (+2.7%), followed by Norway (+1.7%).
- GDP penetration, a new concept introduced in this year's edition, is also higher in Sweden (+3.5%) and in the United Kingdom (+3.3%), followed by Norway (+2.4%) and Finland (+2.2%). These countries can be regarded as being the most advanced rental markets in Europe.
- Looking at the two concepts, Construction Industry penetration and GDP penetration, and at the differences of penetration intensity between countries, it seems useful to point out that there is still room for the European rental market to grow and to increase penetration.
- Country population penetration in 2013 averaged € 52 per inhabitant in the 12 countries in the report and € 44 per inhabitant in the EU27 + EFTA.
- Even if the rental activity is still strongly construction industry oriented, in all countries, rental companies are looking more and more towards new customer segments in the non-construction sectors in order to diversify their client base. The general industry sentiment is that the non-construction sectors offer huge opportunities. Introducing the GDP penetration into our analysis will allow us to monitor this trend.

## 4.5 Investments and Rental Fleet Size

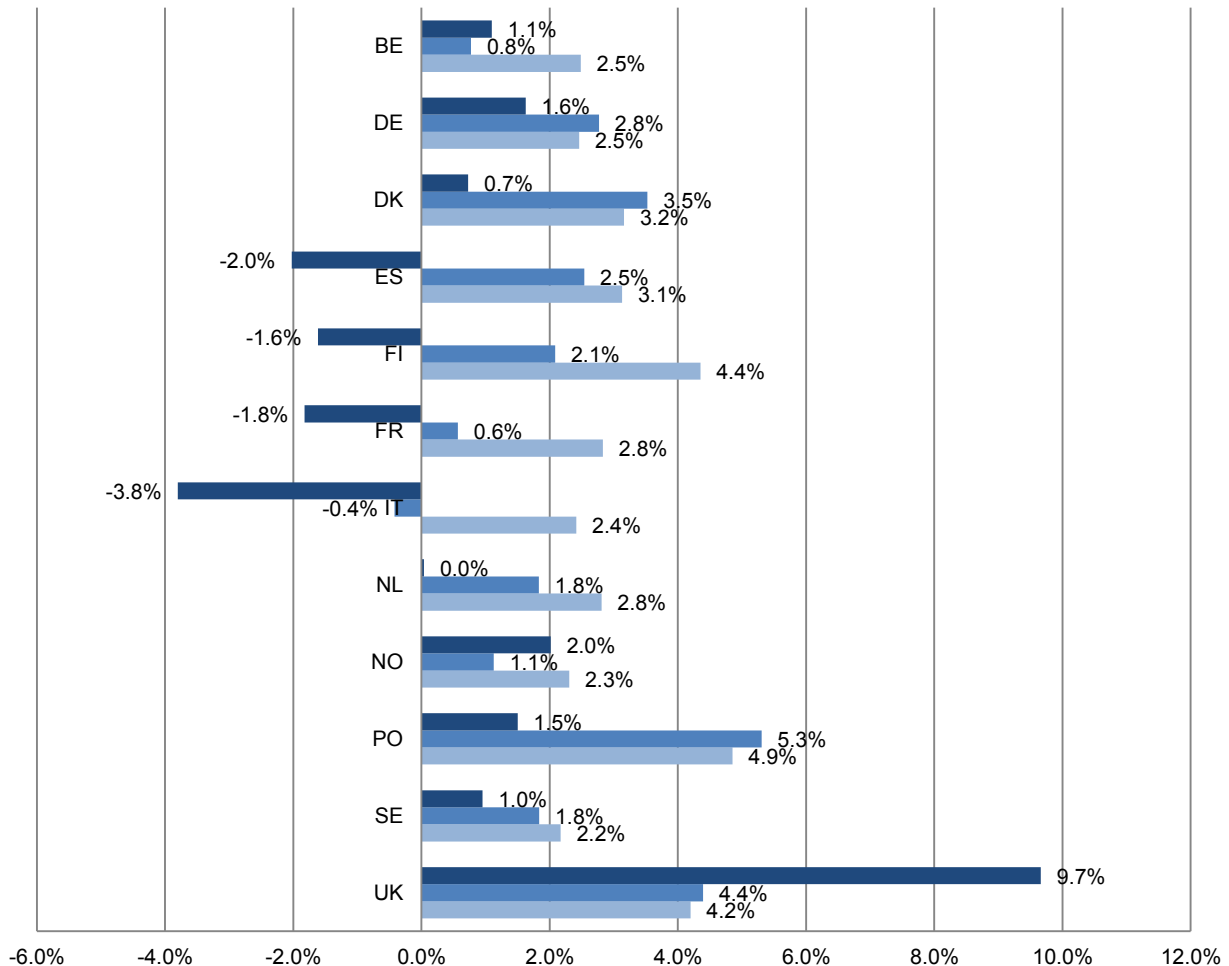


- After the total investment decrease in 2012, capital expenditure increased in 2013 by +18.3%.
- With the strong rebound in expenditure in many European countries in 2013, there are really three distinct groups of countries:
  - Those with a severe drop in investment, mainly Belgium (-33.3%), Poland (-60.0%).
  - Those increasing their investment, in particular Spain (+150%), the United Kingdom (+31.6%), Germany (+33.2%), and Denmark (+23.6%).
  - Those with a stable level of investment, mainly Finland (+0.0%), France (+0.0%), the Netherlands (+0.0%), and Norway (-0.8%)
- The buoyancy of fleet investment can best be considered by calculating the level of expenditure for new equipment as a percentage of the original purchase cost of the rental fleet (investment ratio).
- The investment ratio in 2013 was highest in Germany at 18%, followed by the United Kingdom, Denmark, Norway, Finland, Sweden, Belgium, France and the Netherlands. In these countries capital expenditure accounted for more than 10% of the cost of the rental fleet. The lowest level of investment was seen in Poland at 1%.
- The size of the rental fleet 2013 increased on average by 0.9%, like in 2012, increasing especially in the United Kingdom (+6.6%) and in Norway (5.4%), and decreasing most substantially in Spain (-11.5%) and Italy (-8.7%)
- Among all countries considered, three investment priorities can be seen: the replacement of old equipment, the focus on equipment with high utilisation rates and, for the most advanced markets, investments on equipment addressing non-construction sectors.
- 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

■ 2014  
■ 2015  
■ 2016

**Forecast of Turnover\***  
\*as defined in chapter 3.1 of the report



Source: IHS

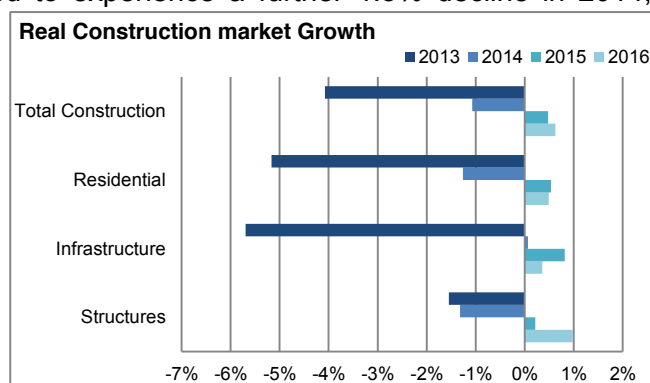
- The strongest growth in 2014 is likely to be seen in the United Kingdom (+9.5%) followed by Norway (+2.0%).
- Overall, we expect moderate growth of rental volumes in 2014 and 2015 (+2.8% and +2.6% respectively). Exceptionally high growth, as seen in the United Kingdom in 2014, is not likely to be repeated.
- With the exception of Italy, the other 11 countries are expected to see total rental revenues grow in 2015, even the Spanish equipment rental market “bottoming out” in 2014.
- After marginal growth in 2014, the young Polish rental market is expected to take the lead on growth in European countries with +5.3% and + 4.9% in 2015 and 2016 respectively.
- 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)

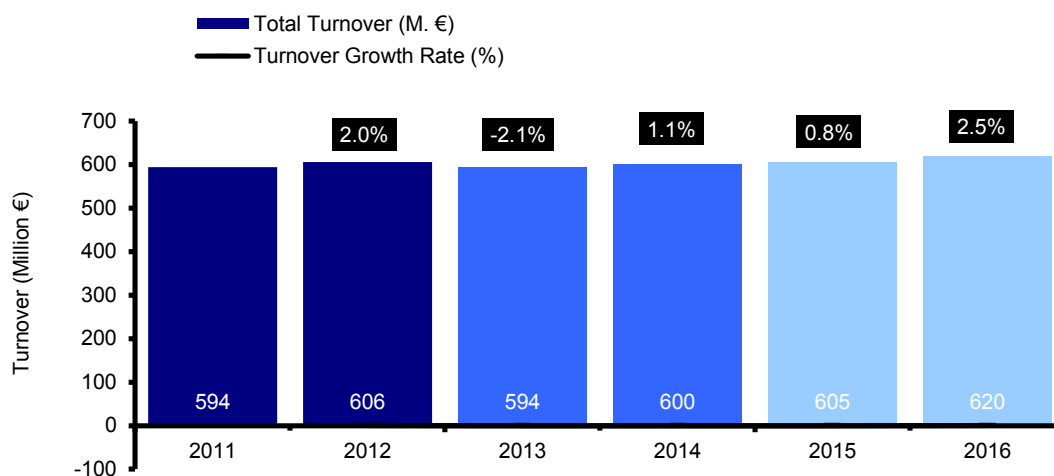
#### a. Economic and Construction Context for the Equipment Rental Industry

- **Macroeconomic overview:** Real economic activity in Belgium expanded quarter on quarter in the last three months of 2013, but annual result was only 0.2% growth in 2013, driven primarily by private consumption and fixed investment. Consumer confidence is expected to remain sluggish during 2014 as people remain pessimistic about labour market conditions. As a result, the Belgian economy is anticipated to grow by 1.1% in 2014 and by 1.6% in 2015.
- **Total Construction:** In 2013, real total construction spending declined 4.1% y/y as pessimism about overall Belgium and European economic performance continues. In 2014, total construction spending is expected to post a 1.1% decline, as conditions remain fragile, before a 0.5% growth in 2015.
- **Residential:** Real spending on residential construction declined 5.2% y/y in 2013 because of the impact on confidence from the Eurozone sovereign debt crisis and the ongoing tight lending conditions. The segment is expected to experience a further 1.3% decline in 2014, before a 0.5% growth in 2015.
- **Infrastructure:** In 2013, real infrastructure construction spending decreased 5.7% y/y. Infrastructure is anticipated to grow modestly in the next years, from 0.1% to 0.5% for 2014 and 2015 respectively.
- **Structures:** Real spending on structures construction declined 1.5% y/y in 2013. The segment spending is expected to fall another 1.3% in 2014 before a 0.2% growth in 2015, as the main focus of the Belgian government is to reduce the budget deficit.



#### b. Detailed Results per Country

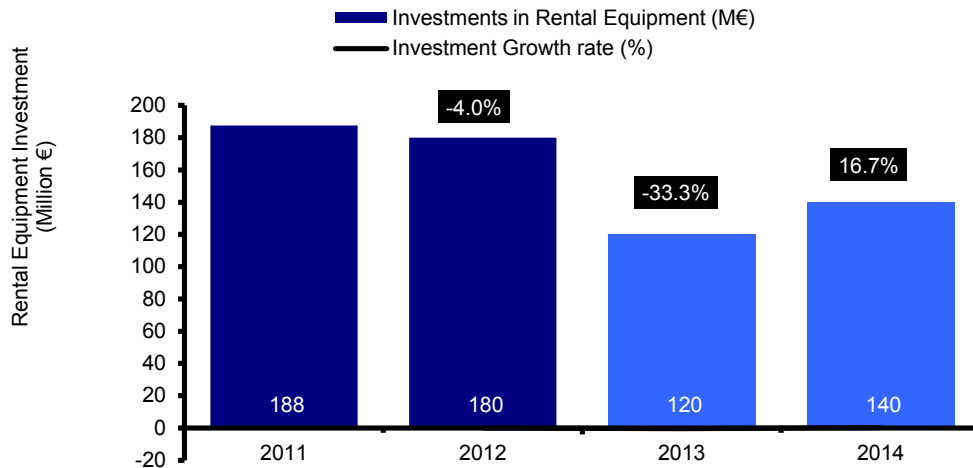
**Turnover\***  
\*as defined in chapter 3.1 of this report



Source: IHS

- After a severe cut in fleet investments in 2013, rental companies have started to re-invest in 2014 however, due to difficult credit conditions and the uncertain business environment, investment levels of 2011/2012 have not been reached.

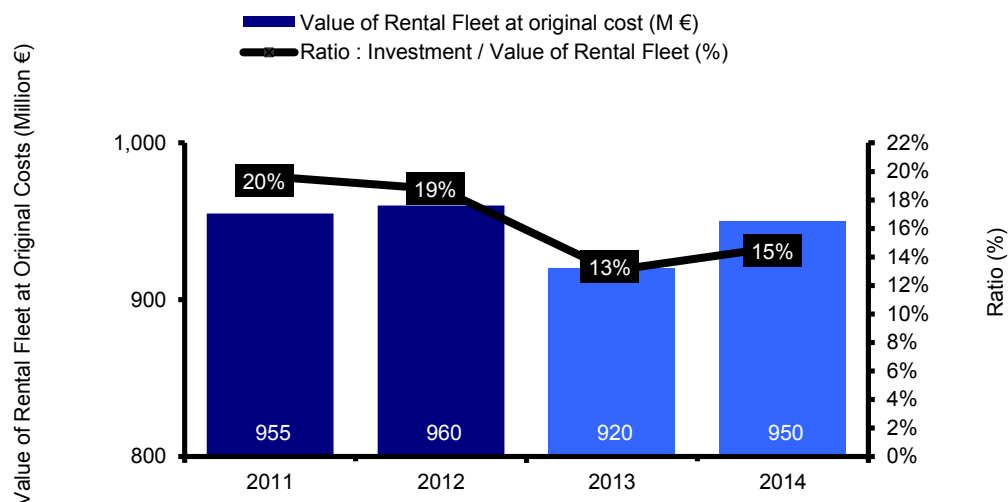
#### Investment in Rental Equipment of Rental Companies (without operator)



Source: IHS

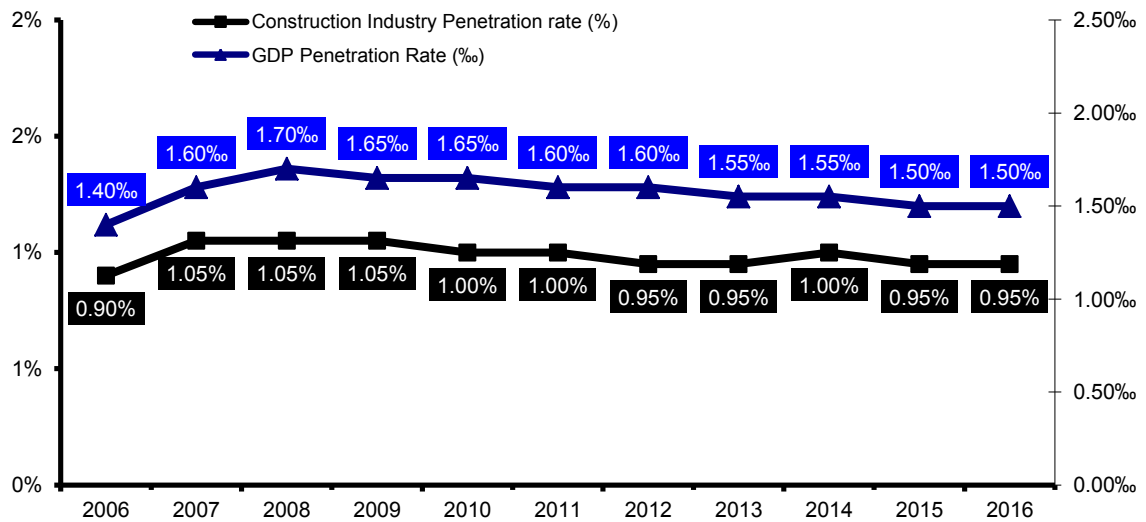
- In line with the investment evolution, fleet size reached € 950 million in 2014 (at original cost), investments mostly replacing old equipment.
- As a consequence, it is estimated that the average fleet age has settled down to around 5.5 years in 2014.

#### Rental Fleet Size



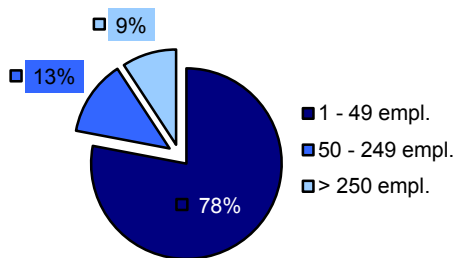
Source: IHS

### Penetration Rates



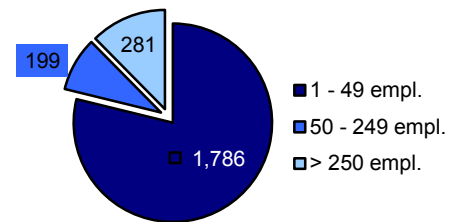
Source: IHS

### Turnover of Rental Companies 2011



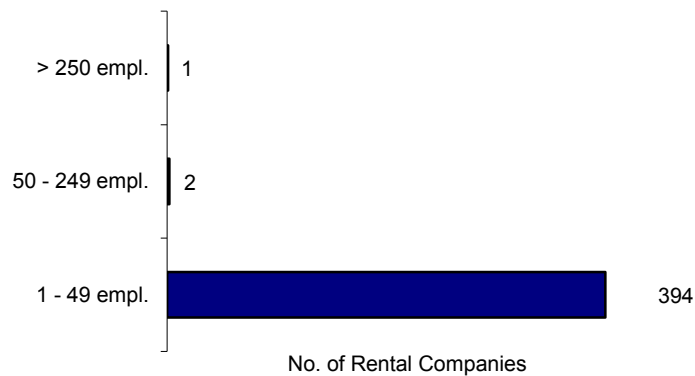
Source: IHS

### Persons Employed by Rental Companies 2011



Source: IHS

### Number of Rental Companies by employees size group 2011



Source: IHS

- The Belgian equipment rental market is characterised by two features:
  - The high level of fragmentation of the market, with more than 75% of the rental industry turnover generated by firms with fewer than fifty employees, mainly small independent companies.
  - The regional split of the market between Wallonia, where generalist rental companies mostly focus on the construction sector, and Flanders, where specialised companies are much more oriented towards the non-construction sector.
- The structure of the market has not evolved in the last years, with the exception of some international rental companies trying to enter the market by internal or external developments. However, this seems to be too marginal to talk about as a real trend.
- After hitting their lowest level in 2010, rental rates started to increase and have showed a very moderate upwards trend until this year. With a new pressure on prices, and replacement investment focusing mostly on equipment with high utilisation rates, time utilisation has gone up in 2014.
- The share of rental revenue stemming from demand in the construction sector is estimated to average 60%, but with a clear difference between Wallonia and Flanders.
- With construction industry penetration at 0.95% in 2013, Belgium is still below most other European countries. We expect penetration rate to remain virtually constant in the near future.
- After a drop in 2013, rental revenues are forecast to grow modestly throughout 2014, 2015 and 2016 by +1.1%, +0.8%, and +2.5% respectively.

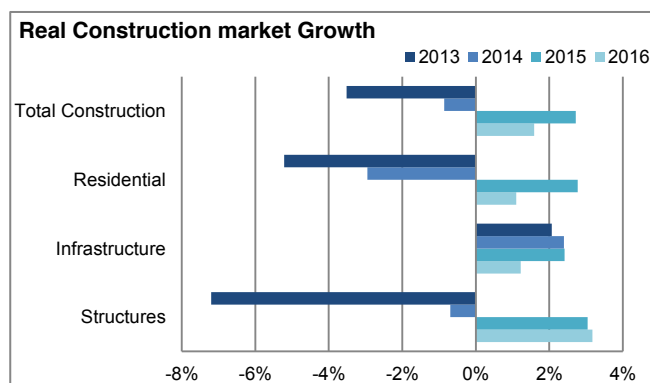
BELGIUM (BE), EURO	Actual		Estimates		Forecast	
	2011	2012	2013	2014	2015	2016
<b>Market Size</b>						
<b>Total turnover [million €]</b>	594	606	594	600	605	620
Rental Companies (without operator)	575	587	575	581	585	600
Other Comp. Providing Rental Services (only rental)	19	19	19	19	19	20
<b># Rental Companies</b> (without operator)	397	n.a.	n.a.	n.a.		
<b># Employed Persons of Rental Companies</b> (without operator)	2,266	n.a.	n.a.	n.a.		
<b>Investments in Rental Equipment [million €]</b> (without operator)	188	180	120	140		
<b>Value of Rental Fleet at all companies [million €]</b> (without operator)	955	960	920	950		
<b>Ratio: Investments in Rental Equipment / Value of the Rental Fleet</b>	20%	19%	13%	15%		
<b>Penetration Rates</b>						
GDP [billion €]	369,27	375,86	382,66	389,75	401,70	416,53
<b>GDP Penetration Rate</b>	1.60 ‰	1.60 ‰	1.55 ‰	1.55 ‰	1.50 ‰	1.50 ‰
Total Construction Output [million €]	60,509	63,726	61,890	61,199	64,008	65,778
<b>Construction Industry Penetration Rate</b>	1.00%	0.95%	0.95%	1.00%	0.95%	0.95%
Country Population [million]	10.71	10.75	10.78	10.81	10.83	10.85
<b>Country Population Penetration Rate [€ per person]</b>	55	56	55	56	56	57

Source : IHS and Official Statistics data

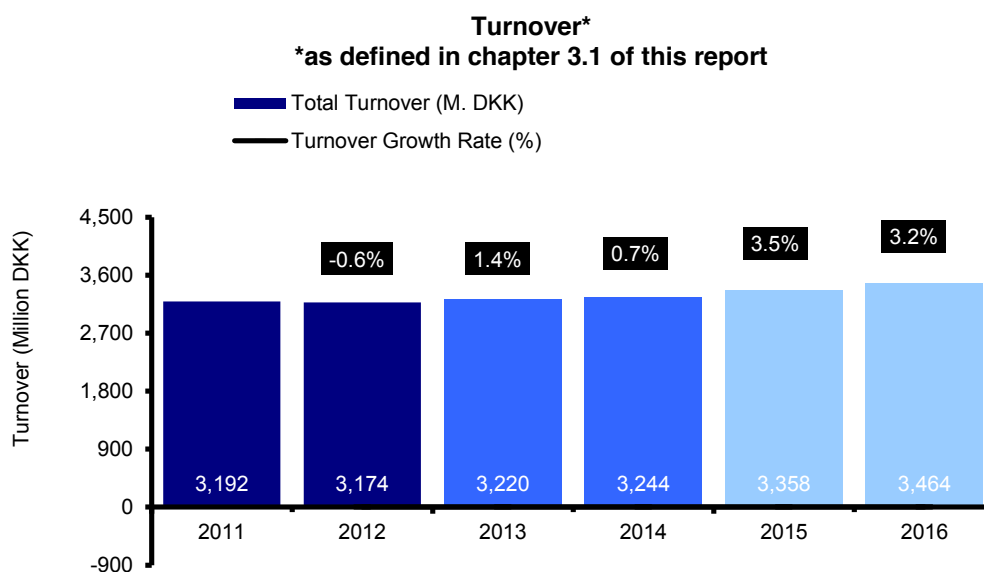
## 5.2 Denmark (DK)

### a. Economic and Construction Context for the Equipment Rental Industry

- **Macroeconomic overview:** Danish real GDP grew 0.4% in 2013 but unexpectedly contracted 0.3% q/q in the second quarter of 2014. Tight lending, weak labour conditions, declining house prices and still fragile business confidence limit consumption in the near term, despite some fiscal stimulus from the government. As consequence, the economy is projected to recover moderately in the next years, growing around 1.2% in 2014, and 2.0% in 2015.
- **Total Construction:** In 2013, real total construction spending declined 3.5% y/y as domestic and global weakness prevailed. In 2014, total construction spending is expected to experience a 0.9% y/y decrease, followed by a 2.7% growth in 2015.
- **Residential:** Real spending on residential construction declined 5.2% y/y in 2013 as concerns over household finances, saving ability, and job security continued to halt Danish households' retail spending intentions. The segment is expected to decline 3.0% in 2014, followed by a growth of 2.8% in 2015.
- **Infrastructure:** In 2013, real infrastructure construction spending grew 2.1% y/y. Infrastructure is anticipated to see a further spending increase to 2.4% in 2014, followed by a 2.4% growth in 2015.
- **Structures:** Real spending on structures construction posted a decline of 7.2% y/y in 2013 mainly due to fragile confidence both at home and abroad. The segment is expected to fall by 0.7% in 2014, before a 3% growth in 2015.



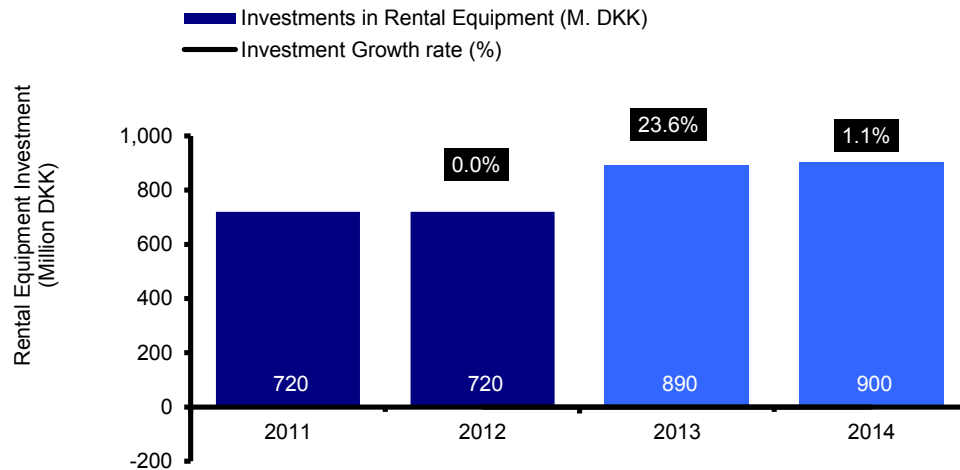
### b. Detailed Results per Country



Source: IHS

- Figures on the investment in the rental fleet for Denmark have been adjusted on the basis of better statistical data. After remaining at a constant level in 2012, rental companies increased their capital expenditure for rental equipment by some 24% in 2013. For the year 2014 we estimate that investments are at a similar level as in 2013, possibly a little above.

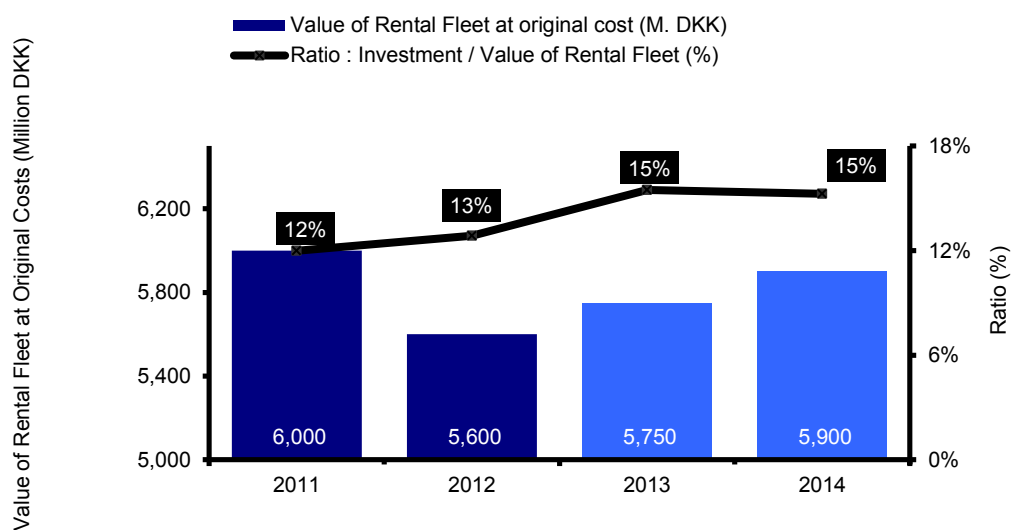
#### Investment in Rental Equipment of Rental Companies (without operator)



Source: IHS

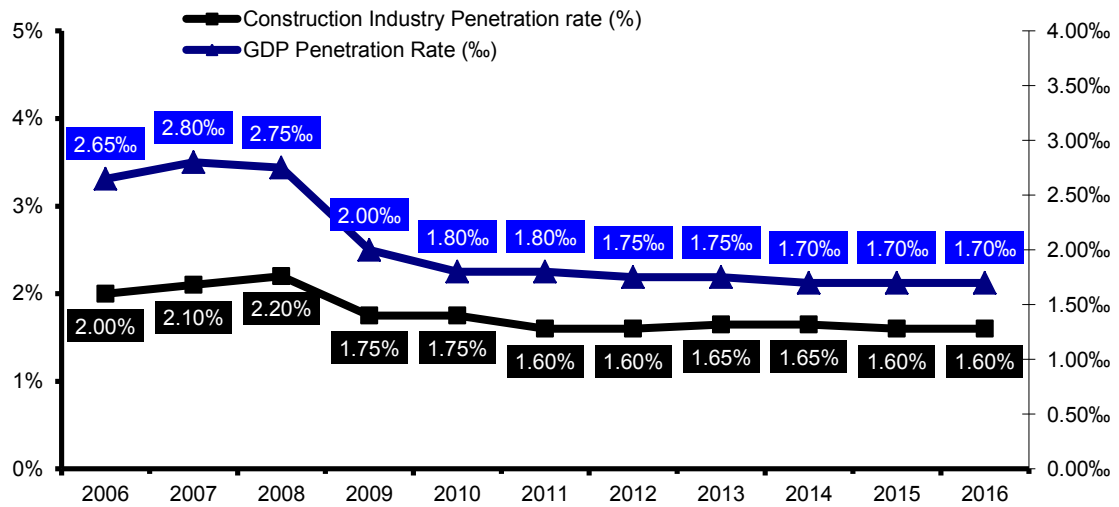
- Denmark's rental industry was hit hard by the crisis. But after a significant downsizing, the large rental companies started to increase their total equipment park again in 2013. With investment levels above replacement rates, we estimate the size of the Danish rental fleet to have increased throughout 2013 and 2014 to reach DKK 5.9 billion (at original cost) in 2014.
- The average lifespan of rental equipment is between 5 and 7 years, depending on equipment type.

#### Rental Fleet Size



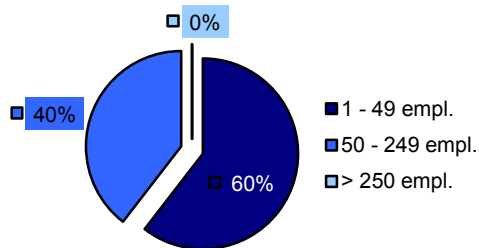
Source: IHS

### Penetration Rates



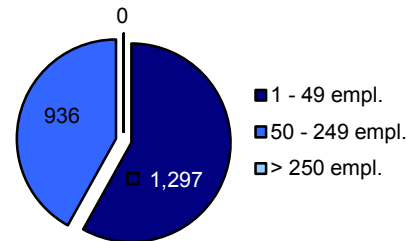
Source: IHS

### Turnover of Rental Companies 2011



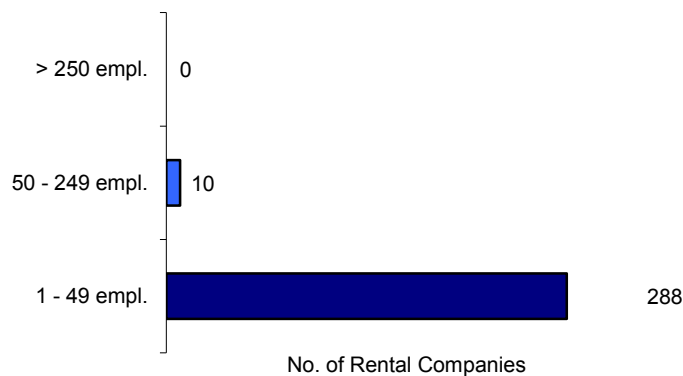
Source: IHS

### Persons Employed by Rental Companies 2011



Source: IHS

### Number of Rental Companies by employees size group 2011



Source: IHS

- While there are some large rental companies active in the Danish market, no Danish rental company has more than 250 employees. 10 companies with more than 50 employees generate almost 50 percent of the overall turnover from the equipment rental without operator market.
- After years of sluggish or negative growth after the slump in 2010, rental turnover in Denmark has started to recover somewhat since 2013. Revenue in 2013 is estimated to have grown at +1.4%. For the year 2014, we expect slight additional growth, about one percent, just a little lower than forecasted in the 2013 report. Despite these signs of recovery, rental revenue is still well below the 2008 values.
- Since rental actors consolidated their equipment park through to 2013, time utilisation has gone up and somewhat made up for the losses suffered in the crisis. However, the ongoing pressure on rental rates prevents satisfactory financial utilisation.
- Rental prices started to increase again in 2013 and are catching up with inflation rates. However, this has not been enough to return prices to pre-crisis levels. Thus, prices still remain low.
- The share of rental demand from the construction sector in Denmark is estimated at 70%.
- Two international key rental players have formed a joint venture for a bid to support construction of the world's longest immersed tunnel - the Fehmarn Belt project (€ 5.5 billion) - between Germany and Denmark. The planned start of the project is in 2015. This exemplifies the trend to stronger international collaboration in the rental industry for large-scale projects.
- In the light of this large infrastructure project, and of a generally brighter construction outlook in Denmark, we estimate a moderate growth of rental turnover by 3.5 % in 2015 and 3.2 % in 2016 respectively.

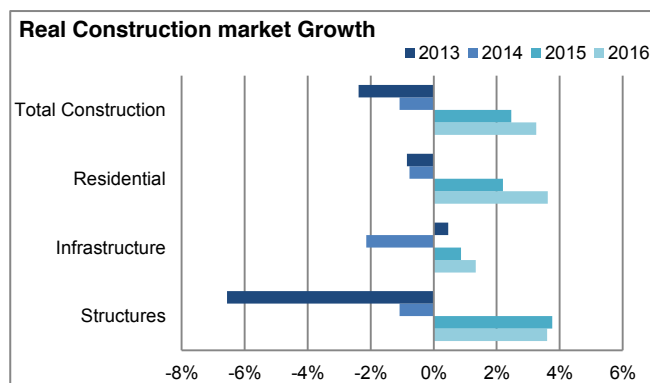
DENMARK (DK), LOCAL CURRENCY	Actual		Estimates		Forecast	
	2011	2012	2013	2014	2015	2016
<b>Market Size</b>						
<b>Total turnover [million DKK]</b>	3,192	3,174	3,220	3,244	3,358	3,464
Rental Companies (without operator)	3,178	3,160	3,206	3,229	3,343	3,449
Other Comp. Providing Rental Services (only rental)	14	14	14	15	15	16
<b># Rental Companies</b> (without operator)	298	n.a.	n.a.	n.a.		
<b># Employed Persons of Rental Companies</b> (without operator)	2,233	n.a.	n.a.	n.a.		
<b>Investments in Rental Equipment [million DKK]</b> (without operator)	720	720	890	900		
<b>Value of Rental Fleet at all companies [million DKK]</b> (without operator)	6,000	5,600	5,750	5,900		
<b>Ratio: Investments in Rental Equipment / Value of the Rental Fleet</b>	12%	13%	15%	15%		
<b>Penetration Rates</b>						
GDP [billion DKK]	1,792	1,826	1,857	1,905	1,975	2,060
<b>GDP Penetration Rate</b>	1.80 ‰	1.75 ‰	1.75 ‰	1.70 ‰	1.70 ‰	1.70 ‰
Total Construction Output [million DKK]	196,834	199,129	194,730	194,948	208,856	217,184
<b>Construction Industry Penetration Rate</b>	1.60%	1.60%	1.65%	1.65%	1.60%	1.60%
Country Population [million]	5.55	5.58	5.60	5.61	5.63	5.65
<b>Country Population Penetration Rate [DKK per person]</b>	575	569	575	578	597	613

Source : IHS and Official Statistics data

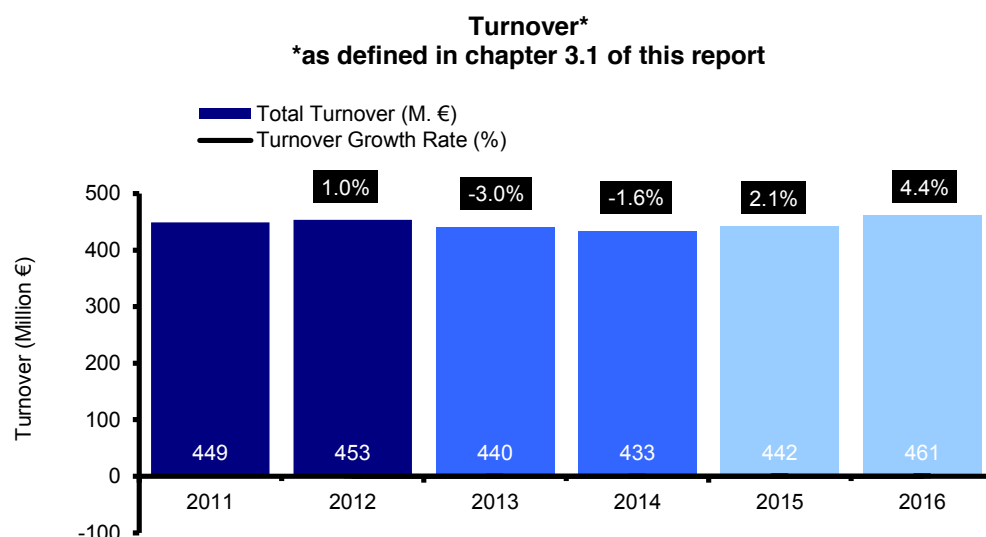
### 5.3 Finland (FI)

#### a. Economic and Construction Context for the Equipment Rental Industry

- **Macroeconomic overview:** The Finnish economic recovery is slow and uncertain. The expected improvement in economic activity in the Eurozone is good news for the export-driven economy, but the road to recovery is slow. Strengthening external demand will likely not be enough to counteract fully the negative impact from domestic challenges. In addition, the possibility of sanctions on Russia puts additional risks to growth. Consequently, a contraction of 1.2% in 2013 is likely to be followed by a 0.1% loss in 2014, before a 1.6% growth in 2015.
- **Total Construction:** In 2013, real total construction spending contracted 2.4% y/y as weak demand continued to hinder investment. In 2014, total construction spending is expected to post a loss of 1.1% as unfavourable economic conditions, including suppressed domestic demand and high unemployment, continue to persist: a 2.5% increase is forecast in 2015.
- **Residential:** Real spending on residential construction declined 0.9% y/y in 2013. Residential construction is expected to experience a new 0.8% decline in 2014, before a pick-up of 2.2% in 2015 as economic conditions improve.
- **Infrastructure:** In 2013, real infrastructure construction spending grew 0.5% y/y. However, infrastructure is anticipated to contract 2.1% in 2014, before a 0.9% growth in 2015.
- **Structures:** Real spending on structures construction posted a severe 6.6% y/y loss in 2013. Moving forward, the segment is expected to decrease a further 1.1% in 2014, before increasing by 3.8% in 2015.



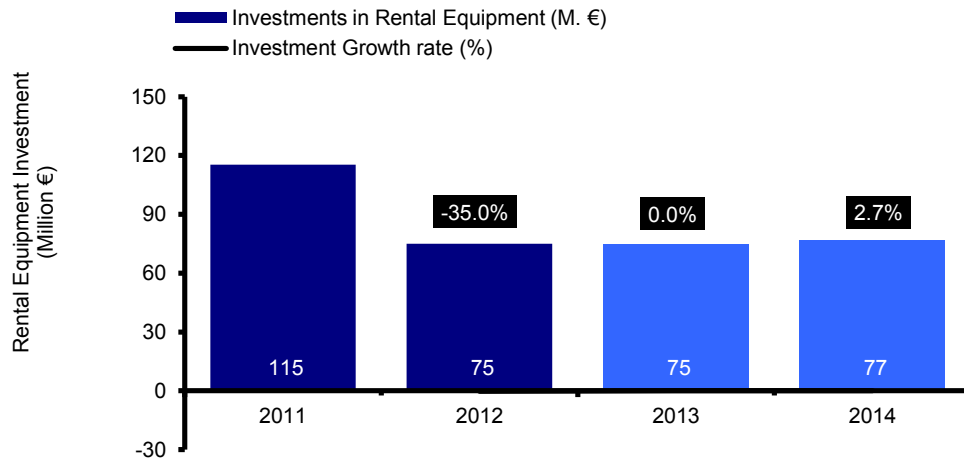
#### b. Detailed Results per Country



Source: IHS

- In 2012 rental companies were forced to cut their fleet investments significantly. Since then investment has remained almost flat, reflecting the difficult economic environment and the strategy of some players to look abroad for growth.

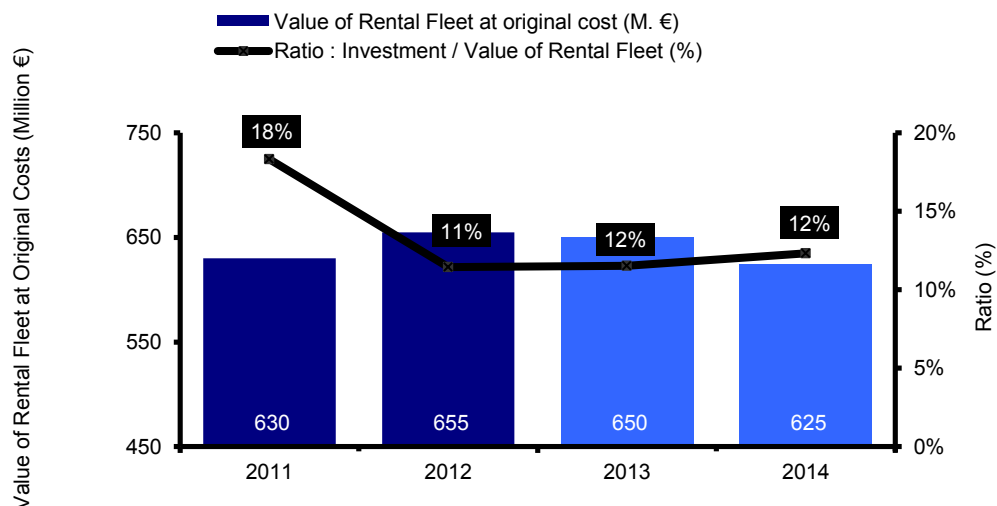
#### Investment in Rental Equipment of Rental Companies (without operator)



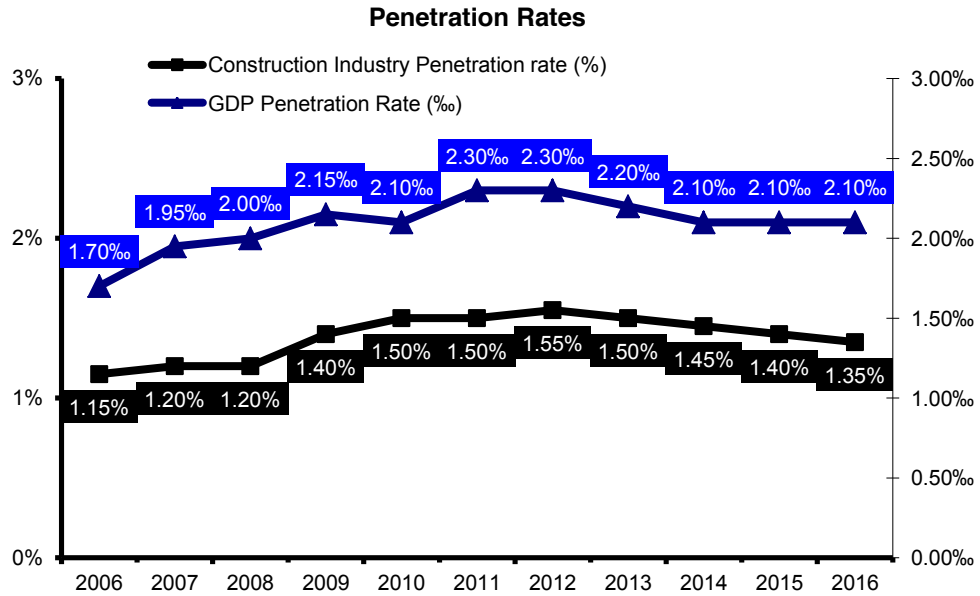
Source: IHS

- Rental fleet size is believed to have reduced marginally in 2014 to € 625 million (at original cost), the modest investment levels since 2012 serving only to replace old equipment.
- Rental companies continue, at best to maintain average fleet age at 6 / 7 years.

#### Rental Fleet Size

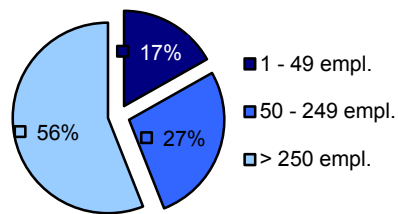


Source: IHS



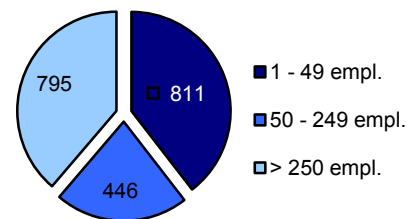
Source: IHS

**Turnover of Rental Companies  
2011**



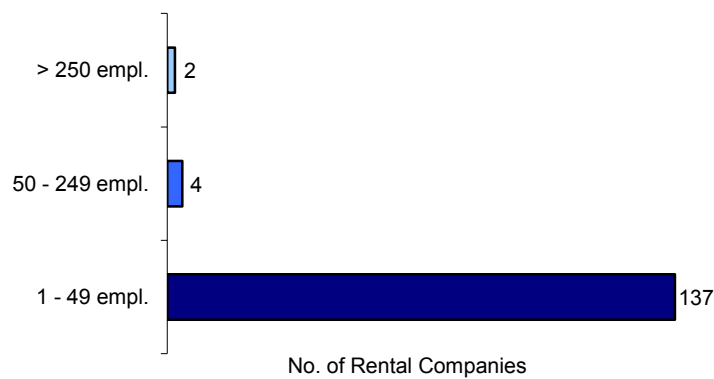
Source: IHS

**Persons Employed by Rental  
Companies 2011**



Source: IHS

**Number of Rental Companies by employees size group 2011**



Source: IHS

- The Finnish market is characterised by two large rental players, each with more than 250 employees, accounting for more than 50% of the total revenues of the rental industry and a few rental companies with between 50 and 250 employees. Together, these large and medium size companies generate more than 80% of total industry revenue.
- Market structure has been stable for some years; the two large rental companies have had minimal engagement in M&A activities whilst the medium size companies, typically family owned, have not looked for international expansion or merger/acquisition in the home market.
- Since 2013, rental volumes, time utilisation and rental tariffs have been declining, despite efforts made to reduce fleet size and to focus on equipment with a high utilisation rate. This has been a particularly competitive market exacerbated by the uncertain economic environment; however, in 2014, rental prices have, at least, stopped to decrease.
- The share of rental demand from the construction sector in Finland is estimated at 70% (so the rental industry remains strongly linked to the construction sector) although it seems that non-construction share is growing towards 35%.
- After a drop in 2013 and 2014, rental revenue is forecast to grow in 2015 and 2016 by +2.1% and +4.4% respectively, in line with the development of the overall economy. Note, since 2012 construction industry penetration rate has been slowly decreasing.
- A key source of future rental revenue growth for rental companies is a move for construction companies to outsource their equipment fleet to the rental industry. Some have made this choice, but so far there is not a clear trend.

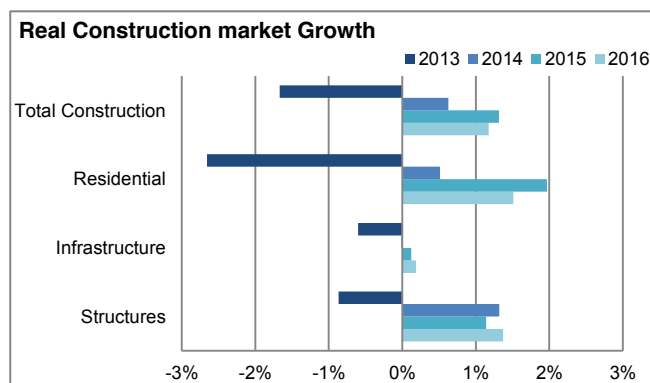
FINLAND (FI), EURO	Actual		Estimates		Forecast	
	2011	2012	2013	2014	2015	2016
<b>Market Size</b>						
<b>Total turnover [million €]</b>	449	453	440	433	442	461
Rental Companies (without operator)	426	430	417	410	419	437
Other Comp. Providing Rental Services (only rental)	23	23	23	22	23	24
<b># Rental Companies</b> (without operator)	143	n.a.	n.a.	n.a.		
<b># Employed Persons of Rental Companies</b> (without operator)	2,052	n.a.	n.a.	n.a.		
<b>Investments in Rental Equipment [million €]</b> (without operator)	115	75	75	77		
<b>Value of Rental Fleet at all companies [million €]</b> (without operator)	630	655	650	625		
<b>Ratio: Investments in Rental Equipment / Value of the Rental Fleet</b>	18%	11%	12%	12%		
<b>Penetration Rates</b>						
<b>GDP [billion €]</b>	197	199	201	204	211	220
<b>GDP Penetration Rate</b>	2.30 ‰	2.30 ‰	2.20 ‰	2.10 ‰	2.10 ‰	2.10 ‰
<b>Total Construction Output [million €]</b>	30,409	29,686	29,594	29,534	31,703	33,651
<b>Construction Industry Penetration Rate</b>	1.50%	1.55%	1.50%	1.45%	1.40%	1.35%
<b>Country Population [million]</b>	5.36	5.38	5.40	5.42	5.43	5.44
<b>Country Population Penetration Rate [€ per person]</b>	84	84	81	80	81	85

Source : IHS and Official Statistics data

## 5.4 France (FR)

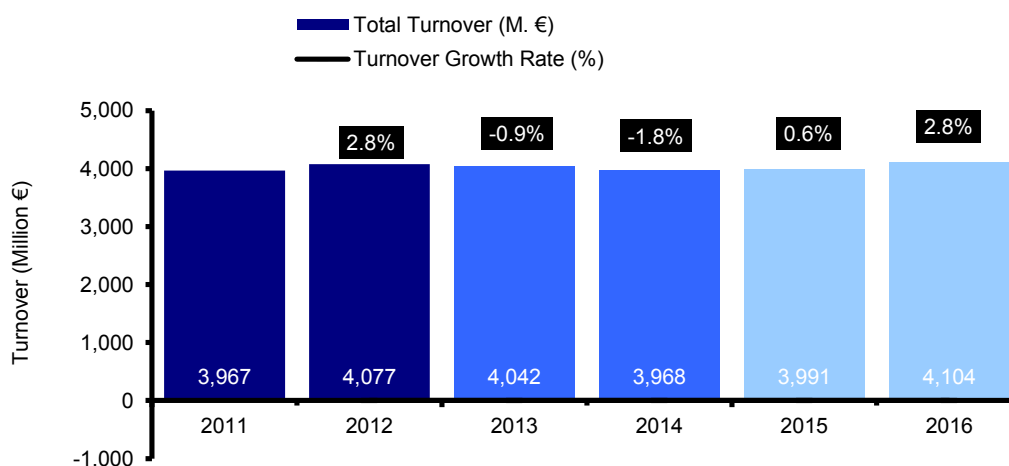
### a. Economic and Construction Context for the Equipment Rental Industry

- **Macroeconomic overview:** The French economy returned to growth during the fourth quarter of 2013, but activity will remain muted in 2014 (0.4% y/y growth, after 0.4% growth in 2013). Fiscal policy has been appreciably tightened at the start of this year. Although most of the adjustment will be on the spend side, some taxes - including the VAT rate - have also gone up. High unemployment and muted wage growth are also expected to keep private consumption under pressure. As a result, the French economy is anticipated to grow by 1.2% in 2015. In 2016 France will host the UEFA European Football Championship, which will require the renovation of seven stadiums and the construction of four new stadiums.
- **Total Construction:** In 2013, real total construction spending declined 1.7% y/y as weakness globally continued to affect demand and investment. In 2014, total construction spending is expected to increase 0.6% y/y, followed by a further 1.3% in 2015.
- **Residential:** Real spending on residential construction decreased 2.7% y/y in 2013. The segment is expected to grow 0.5% in 2014 as fragile conditions remain, before a 2.0% increase in 2015 as the economy stabilizes.
- **Infrastructure:** In 2013, real infrastructure construction spending declined 0.6% y/y. Infrastructure is anticipated to remain stable (0.0%) in 2014, before increasing by 0.1% 2015.
- **Structures:** Real spending on structures construction posted a 0.9% y/y loss in 2013 as business confidence is low, and investment spending is affected. The segment is anticipated to increase 1.3% in 2014 and 1.1% in 2015.



### b. Detailed Results per Country

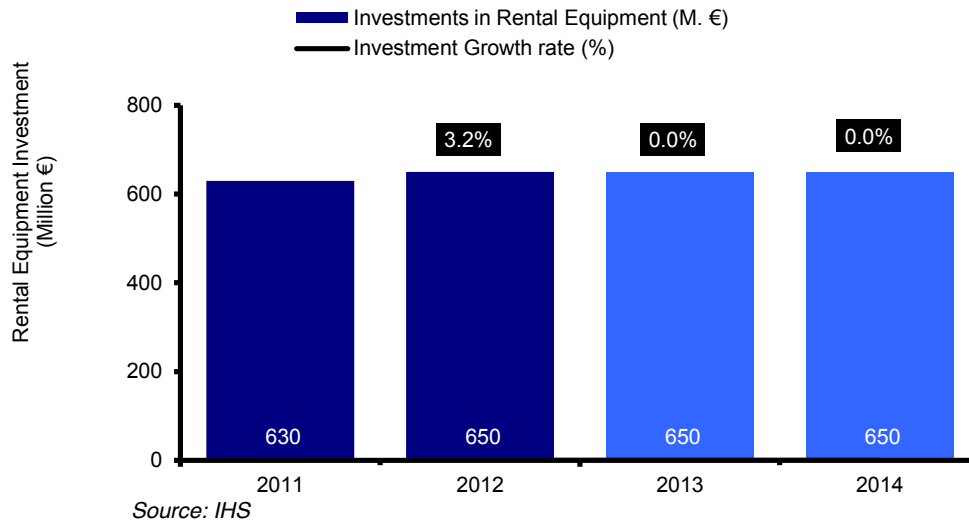
#### Turnover\* \*as defined in chapter 3.1 of this report



Source: IHS

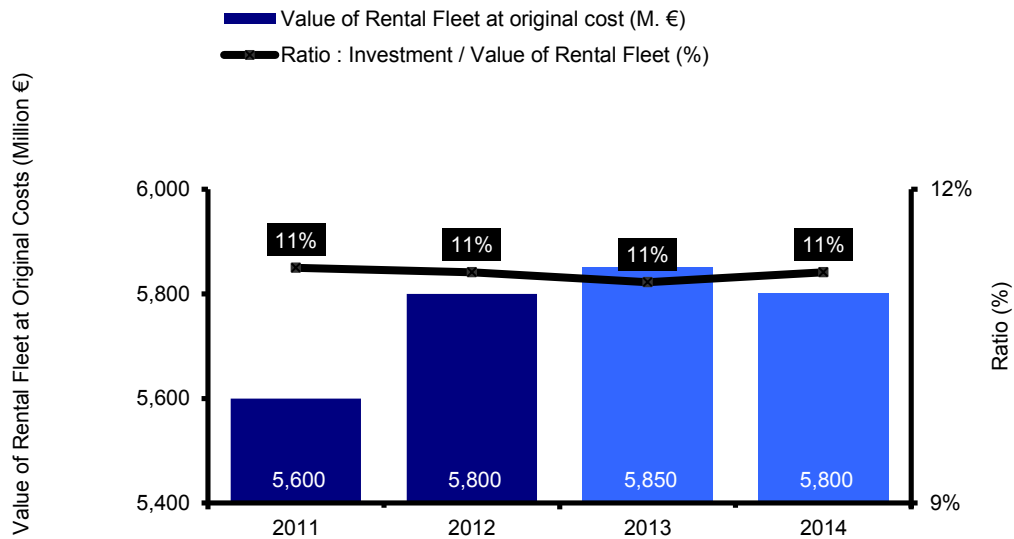
- Since the severe drop in investment in 2010, rental companies have focussed upon equipment replacement investments, maintaining overall fleet value. In 2014, investment remained flat due to difficult credit conditions and the uncertain business environment.

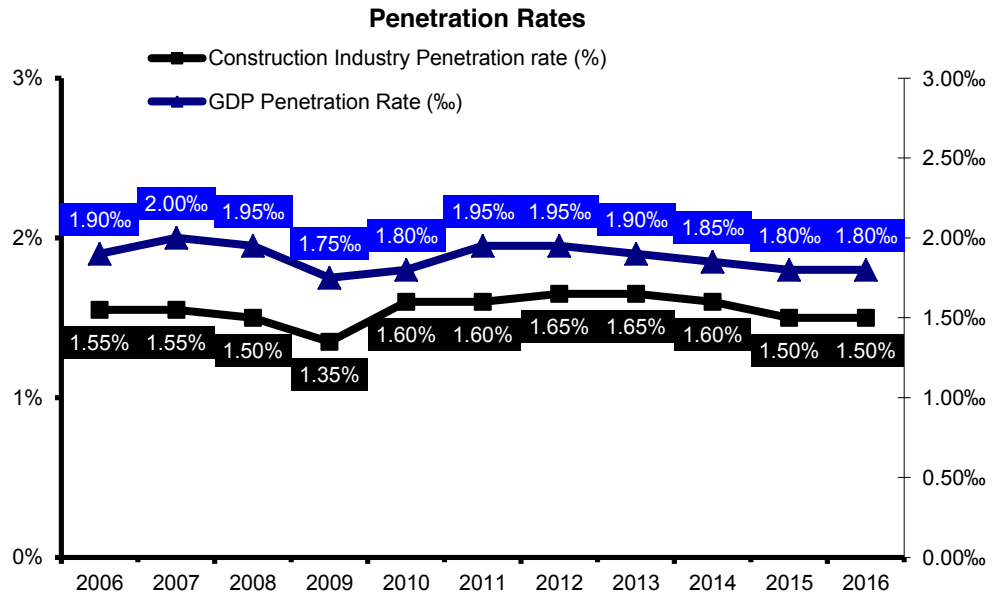
#### Investment in Rental Equipment of Rental Companies (without operator)



- It is anticipated that rental fleet size will reduce slightly in 2014 to € 5.8 billion (at original cost), moderate investment levels since 2011 serving mainly to maintain a stable fleet value.
- Overall, the age of the fleet is estimated to be 5 / 5.5 years in 2014.

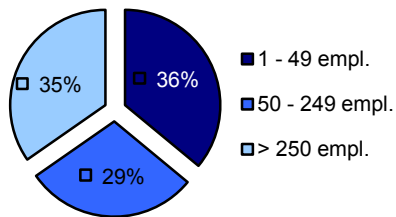
#### Rental Fleet Size





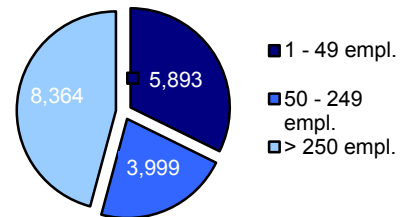
Source: IHS

**Turnover of Rental Companies 2011**



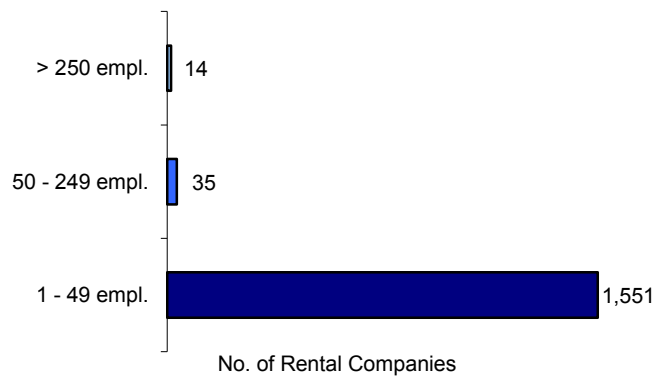
Source: IHS

**Persons Employed by Rental Companies 2011**



Source: IHS

**Number of Rental Companies by employees size group 2011**



Source: IHS

- Market consolidation has continued to be observed in the French market in 2014.
  - The two main players, accounting for more than one third of the market, have integrated their acquisitions more closely during the year and will continue to do so in 2015.
  - The large and medium size rental companies have continued to increase their market share (as well as looking at international expansion) while smaller rental companies have concentrated their activities around local customers often directing their purchases on specialised equipment.
- Rental rates have not returned to pre-crisis levels and, after a slight recovery observed since 2010, pressure on prices is once again affecting the rental turnover and this is expected to continue for the near future.
- The share of the construction sector in rental demand in France is estimated at 70%, making construction sector growth essential for the well-being of the rental industry. However, as with other European markets non-construction share is growing.
- Rental industry uncertainty for 2015 is linked to the uncertain business environment.
- After 3 years of growth, the rental industry slowed down by -0.9% and -1.8% in 2013 and 2014 respectively. We expect a slight increase in industry turnover in the future, 0.6% in 2015 and 2.8% in 2016, in line with and dependent upon the development of the overall economy.
- However, since 2012, the rental industry has underperformed compared to the construction industry and the overall economy, leading to a fall in construction industry and GDP penetration.

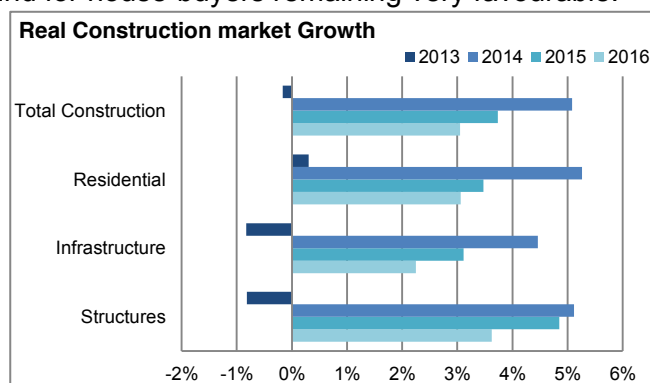
FRANCE (FR), EURO	Actual		Estimates		Forecast	
	2011	2012	2013	2014	2015	2016
<b>Market Size</b>						
<b>Total turnover [million €]</b>	3,967	4,077	4,042	3,968	3,991	4,104
Rental Companies (without operator)	3,759	3,863	3,829	3,759	3,781	3,888
Other Comp. Providing Rental Services (only rental)	209	215	213	209	210	216
<b># Rental Companies</b> (without operator)	1,600	n.a.	n.a.	n.a.		
<b># Employed Persons of Rental Companies</b> (without operator)	18,256	n.a.	n.a.	n.a.		
<b>Investments in Rental Equipment [million €]</b> (without operator)	630	650	650	650		
<b>Value of Rental Fleet at all companies [million €]</b> (without operator)	5,600	5,800	5,850	5,800		
<b>Ratio: Investments in Rental Equipment / Value of the Rental Fleet</b>	11%	11%	11%	11%		
<b>Penetration Rates</b>						
GDP [billion €]	2,058	2,090	2,115	2,146	2,195	2,274
<b>GDP Penetration Rate</b>	1.95 ‰	1.95 ‰	1.90 ‰	1.85 ‰	1.80 ‰	1.80 ‰
Total Construction Output [million €]	250,973	245,834	245,093	248,822	264,537	275,641
<b>Construction Industry Penetration Rate</b>	1.60%	1.65%	1.65%	1.60%	1.50%	1.50%
Country Population [million]	62.91	63.23	63.53	63.87	64.21	64.55
<b>Country Population Penetration Rate [€ per person]</b>	63	64	64	62	62	64

Source : IHS and Official Statistics data

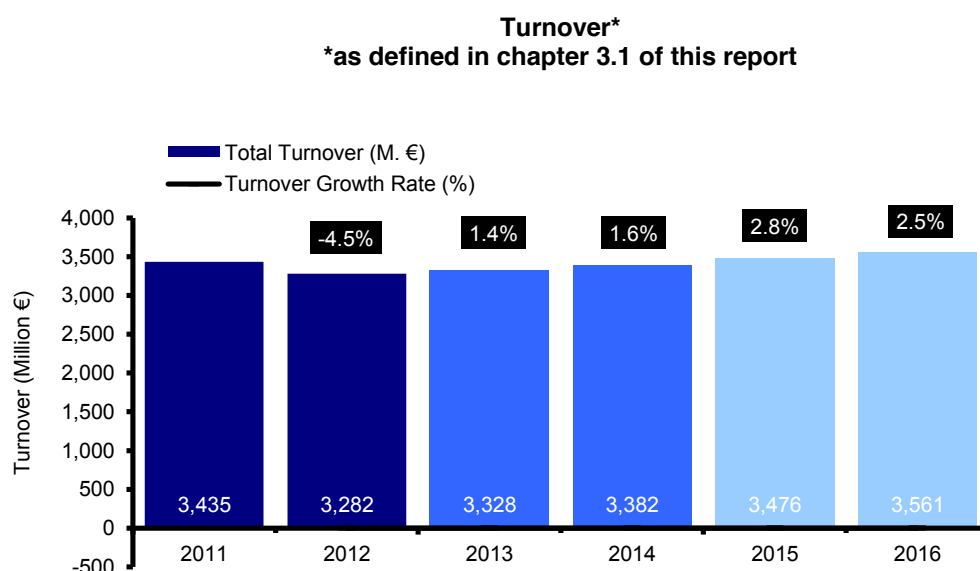
## 5.5 Germany (DE)

### a. Economic and Construction Context for the Equipment Rental Industry

- **Macroeconomic overview:** The German economy will strengthen markedly in 2014 despite an ongoing restraining influence stemming from lingering weakness elsewhere in the Eurozone and will continue to outperform most European peers. However, ramifications of the Eurozone sovereign debt crisis and associated European banking sector risks will hardly allow growth above 3% in the foreseeable future. GDP growth is expected to strengthen from 0.2% in 2013 to 1.6% in 2014 and 2.0% in 2015.
- **Total Construction:** In 2013, real total construction spending decreased by 0.2% y/y. In 2014, total construction spending is expected to post a 5.1% y/y gain, driven by a brighter economic outlook for Germany. Moving forward, total construction spending in 2015 is expected to increase by 3.7% y/y.
- **Residential:** Real spending on residential construction increased just 0.3% y/y in 2013. However, the segment is expected to experience a strong 5.3% growth in 2014, followed by 3.5% growth in 2015, the economic background for house-buyers remaining very favourable.
- **Infrastructure:** In 2013, real infrastructure construction spending declined 0.8% y/y. Infrastructure is anticipated to experience a spending increase 4.5% in 2014, followed by 3.1% growth in 2015.
- **Structures:** Real spending on structures construction posted a decline of 0.8% y/y in 2013. The segment is anticipated to grow 5.1% in 2014, followed by a 4.9% increase in 2015.



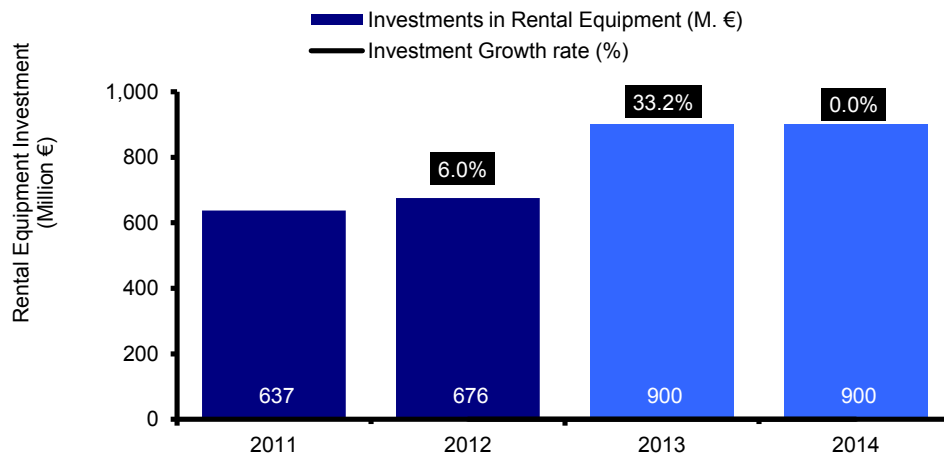
### b. Detailed Results per Country



Source: IHS

- In 2013, rental fleet investment has remained strong, increasing to an estimated CapEx of € 900 billion by rental companies in Germany. In the context of a good 2nd half in 2013 and a widely shared optimism for the continuation of strong economic growth in 2014, companies made substantial additions to their rental fleets.
- While orders, as well as demand, remained at high levels in the first quarter of 2014, signs of yet another cooling of the business climate led to a more cautious approach towards investments since summer 2014. We expect rental fleet investment in 2014 to be at the same level as in 2013.

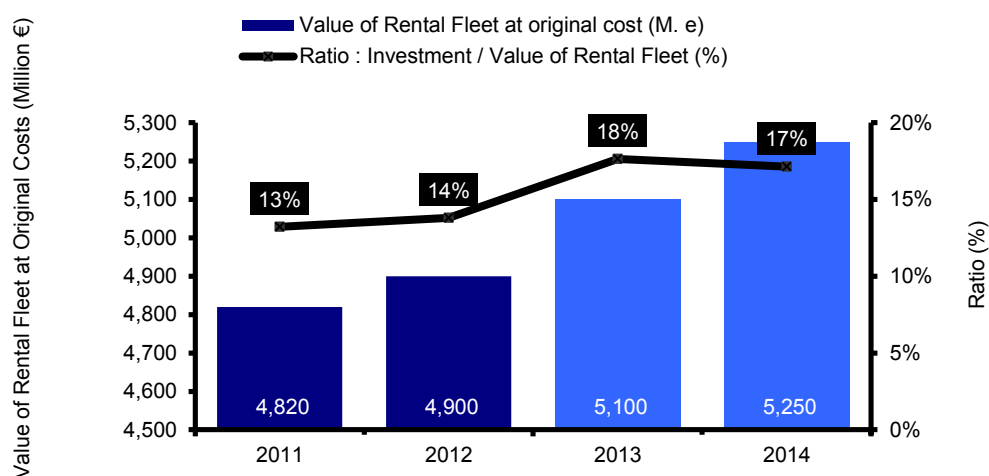
#### Investment in Rental Equipment of Rental Companies (without operator)



Source: IHS

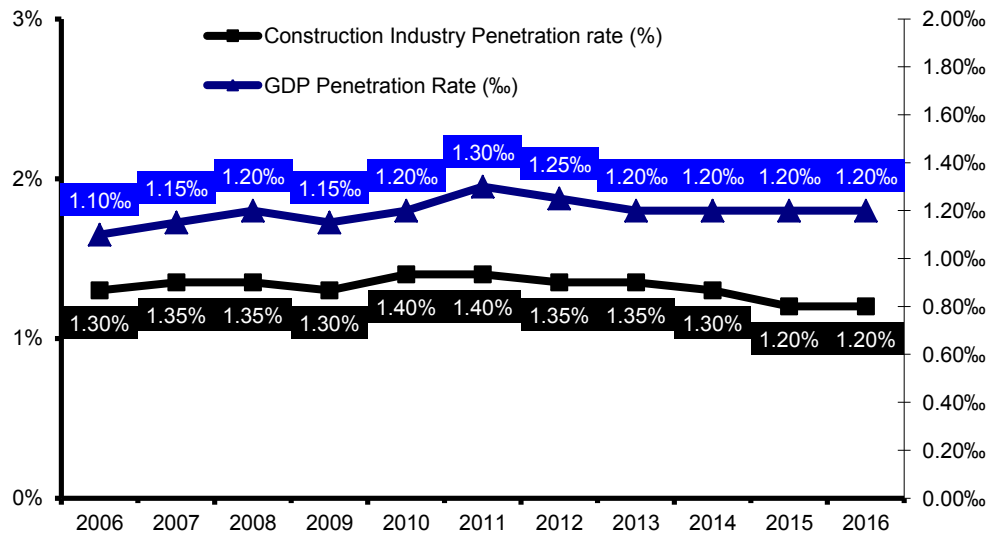
- In line with the strong investment into the relatively young - in comparison with the European average – German equipment park we estimate the rental fleet to have grown to € 5.25 billion in 2014 (at original cost).
- The average age of the German rental fleet remains among the lowest in Europe, estimated to average slightly below 3.5 years in 2014.

#### Rental Fleet Size



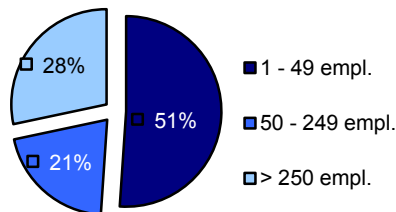
Source: IHS

### Penetration Rates



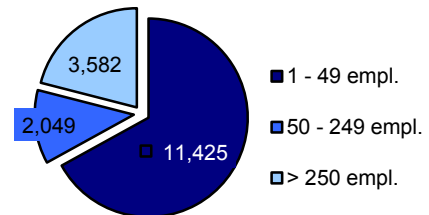
Source: IHS

### Turnover of Rental Companies 2011



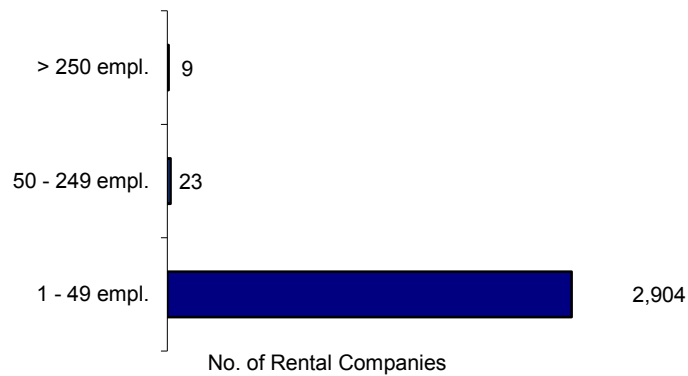
Source: IHS

### Persons Employed by Rental Companies 2011



Source: IHS

### Number of Rental Companies by employees size group 2011



Source: IHS

- According to official statistics revenue for 2012 has been corrected downwards. After a hard winter which brought construction effectively to a halt in early 2013, rental demand recovered strongly in the second half of the year, leading to an overall revenue increase of 1.4% for the full year 2013.
- With a very mild winter the start of 2014 was excellent for the industry. In the 2nd quarter, building construction and demand for access equipment remained high. However, demand from civil engineering was a little disappointing. Since summer 2014, the economic environment shows signs of weakness. We have thus reduced our growth estimate for rental in 2014 to 1.6%.
- In Germany, many local companies operate in strong competition with the national rental players. Since years, this high level of competition and the persistence of inflation rates well below the economic target have prevented rental rates to increase, which means a decrease in real terms. Nevertheless, German companies remain in good financial health. Some large players have introduced Dynamic Pricing strategies in order to get more control on rental rates.
- For German distributors rental is constantly gaining importance. Along with higher client expectations on rental solutions, they have also improved their rental business competence. As in other countries, rental companies strive to reduce their dependence upon the construction sector by diversifying their portfolio. Industrial clients are a particular focus.
- Of high importance is the investment in the renewal of the German transport and energy infrastructure as well as clearer guidance on energy policy. The high hopes raised by the "Energiewende" have not yet materialised. The first substantial projects with relevance for equipment rental are expected to start in the 2nd half 2015. Further government investment could lead to higher growth in the mid-term than our forecasts.
- We forecast rental demand to grow by 2.5% and 2.8% in 2015 and 2016 respectively.

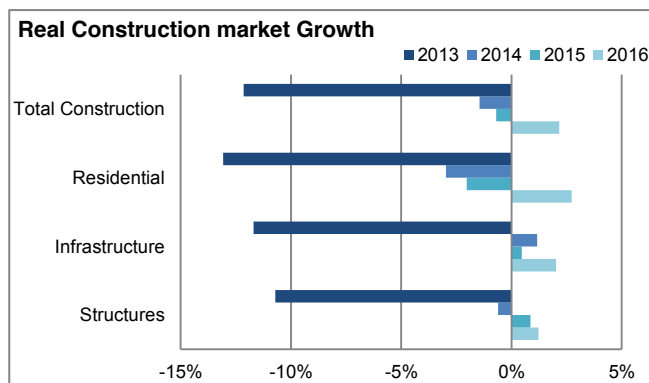
GERMANY (DE), EURO	Actual		Estimates		Forecast	
	2011	2012	2013	2014	2015	2016
<b>Market Size</b>						
<b>Total turnover [million €]</b>	3,435	3,282	3,328	3,382	3,476	3,561
Rental Companies (without operator)	2,735	2,613	2,650	2,693	2,767	2,835
Other Comp. Providing Rental Services (only rental)	700	669	678	689	708	726
# Rental Companies (without operator)	2,936	n.a.	n.a.	n.a.		
# Employed Persons of Rental Companies (without operator)	17,056	n.a.	n.a.	n.a.		
Investments in Rental Equipment [million €] (without operator)	637	676	900	900		
Value of Rental Fleet at all companies [million €] (without operator)	4,820	4,900	5,100	5,250		
Ratio: Investments in Rental Equipment / Value of the Rental Fleet	13%	14%	18%	17%		
<b>Penetration Rates</b>						
GDP [billion €]	2,608	2,663	2,723	2,803	2,893	2,984
GDP Penetration Rate	1.30 ‰	1.25 ‰	1.20 ‰	1.20 ‰	1.20 ‰	1.20 ‰
Total Construction Output [million €]	246,123	245,214	248,783	264,803	286,760	301,591
Construction Industry Penetration Rate	1.40%	1.35%	1.35%	1.30%	1.20%	1.20%
Country Population [million]	81.76	81.78	81.92	82.11	82.33	82.49
Country Population Penetration Rate [€ per person]	42	40	41	41	42	43

Source : IHS and Official Statistics data

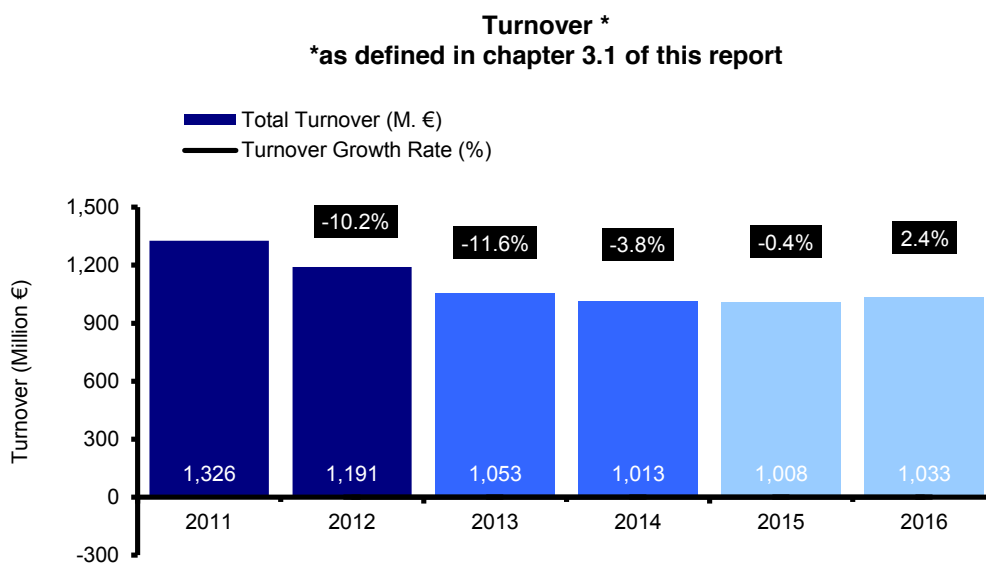
## 5.6 Italy (IT)

### a. Economic and Construction Context for the Equipment Rental Industry

- **Macroeconomic overview:** Italy's economic, fiscal, political and financial position remains acute. Recent data confirms that the economy slipped back into a technical recession (two successive quarters of real GDP decline) in the second quarter of 2014. This confirms our long-held view that the lingering fallout from the deep austerity measures implemented throughout 2012 and 2013, tighter credit conditions, and rising unemployment point to a laboured recovery during 2014/15. Consequently, GDP suffered a contraction of 1.8% in 2013, to be followed by a 0.2 % loss in 2014, before a 0.7% growth in 2015. In 2015, Italy will host the Universal Expo 2015 in Milan.
- **Total Construction:** In 2013, real total construction spending in Italy declined 12.1% y/y. Italy's economy is mired in a several-years-long recession that has led to reduced business, consumer and government spending and investment. In 2014, total construction spending is expected to produce a 1.5% y/y loss, before a 0.7% y/y decline in 2015.
- **Residential:** Real spending on residential construction plunged 13.1% y/y in 2013. The segment is expected to experience further declines, by 3.0% in 2014 followed by 2.0% in 2015.
- **Infrastructure:** In 2013, real infrastructure construction spending in Italy fell 11.7% y/y. Infrastructure is anticipated to see spending increase by 1.2% in 2014, followed by 0.5% growth in 2015.
- **Structures:** Real spending on structures construction declined 10.7% y/y in 2013, as business confidence and investment was muted. The segment is anticipated to contract another 0.6% in 2014, before increasing by 0.9% in 2015.



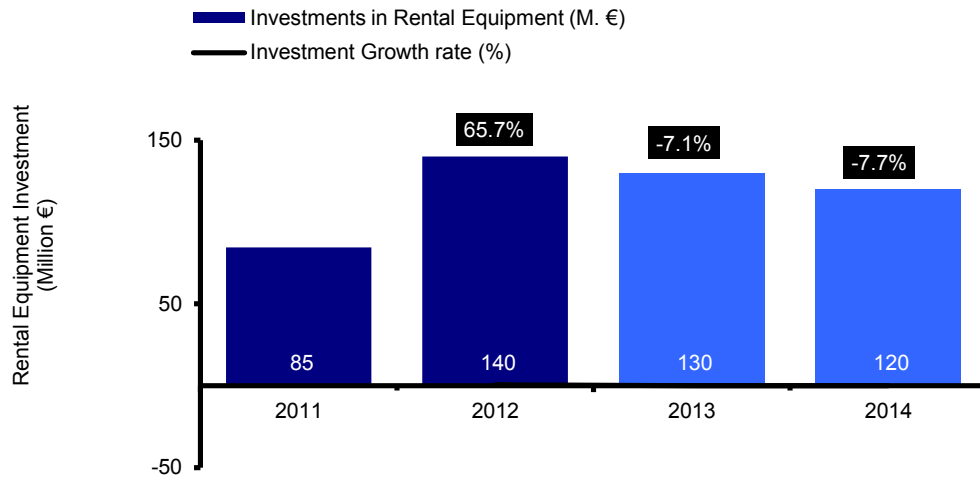
### b. Detailed Results per Country



Source: IHS

- After massive investments in 2012, capital expenditure has declined in 2013 and 2014 due to difficult market conditions and access to funding. Investment has been concentrated on specific equipment (with high utilisation) and, more particularly, to replace old equipment for equipment with a higher utilisation potential.

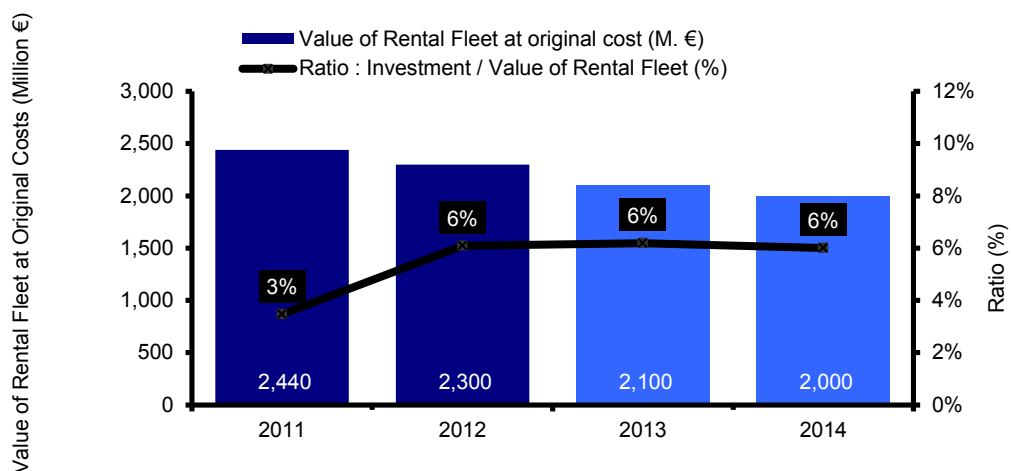
#### Investment in Rental Equipment of Rental Companies (without operator)



Source: IHS

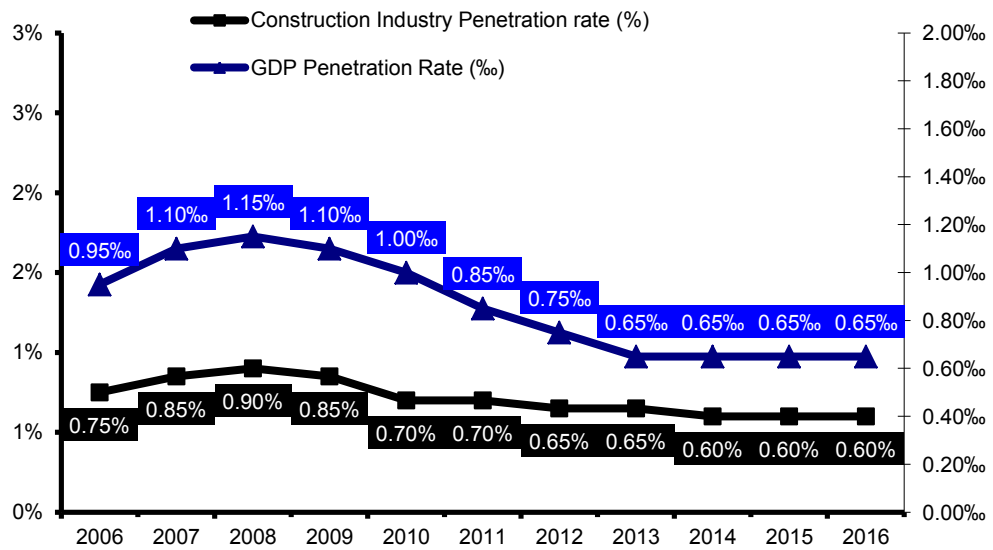
- In line with the contraction of rental demand from virtually all economic sectors, the overall size of the rental fleet has shrunk throughout the last 4 years to € 2.0 billion in 2014 (at original cost), operators limiting investment to essential replacement.

#### Rental Fleet Size



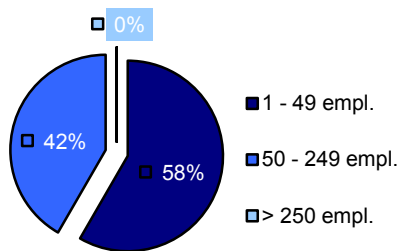
Source: IHS

### Penetration Rates



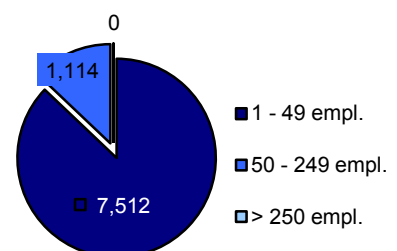
Source: IHS

### Turnover of Rental Companies 2011



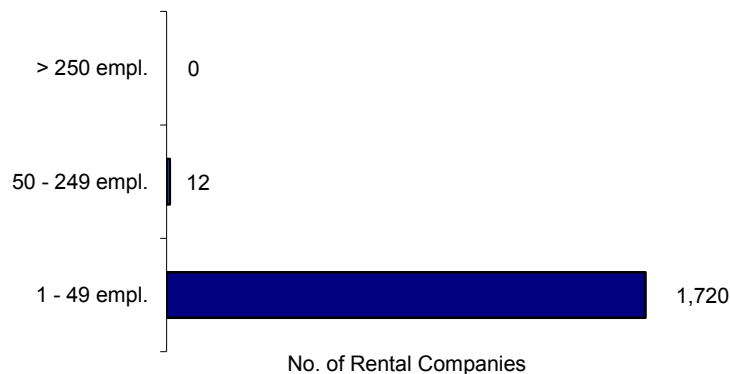
Source: IHS

### Persons Employed by Rental Companies 2011



Source: IHS

### Number of Rental Companies by employees size group 2011



Source: IHS

- The Italian equipment rental market is more fragmented than most other Western European countries. There are no rental company with more than 250 employees, and few international players. Around 12 “larger” rental companies, with between 50 and 250 employees, operate in Italy, of which 4 of these can be regarded as the market leaders. After them, almost 60% of the rental industry turnover is generated by firms with fewer than fifty employees.
- In the context of a difficult economic environment and tighter credit conditions, the rental market is experiencing not only a reduction of the rental volumes, but also a slow consolidation process (medium-sized companies taking over small players and small players disappearing).
- Equipment dealers play an important role in the market. It is estimated that equipment dealers, and other companies providing rental services, generate almost 50% of the rental revenue.
- Rental rates have continued to decrease since 2012. Prices in regions with significant competition can be low; however, some larger rental companies have managed to increase rates for some equipment types.
- The share of rental demand from the construction sector in Italy is estimated at 60%; however non-construction segment is growing continuously because of the drop in construction spend.
- Rental turnover is forecast to evolve in line with the development of the overall economy, with rental revenue going down by -3.8% and -0.4% in 2014 and 2015, before increasing by +2.4% in 2016.
- With construction industry penetration at 0.65%, GDP penetration at 0.65 ‰, Italy underperforms most other European countries: these penetration rates are expected to remain stable for the next two years.

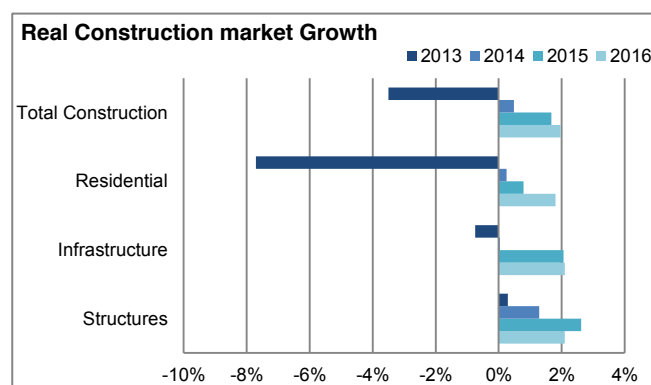
ITALY (IT), EURO	Actual		Estimates		Forecast	
	2011	2012	2013	2014	2015	2016
<b>Market Size</b>						
<b>Total turnover [million €]</b>	1,326	1,191	1,053	1,013	1,008	1,033
Rental Companies (without operator)	693	623	550	529	527	540
Other Comp. Providing Rental Services (only rental)	633	568	502	483	481	493
<b># Rental Companies</b> (without operator)	1,732	n.a.	n.a.	n.a.		
<b># Employed Persons of Rental Companies</b> (without operator)	8,626	n.a.	n.a.	n.a.		
<b>Investments in Rental Equipment [million €]</b> (without operator)	85	140	130	120		
<b>Value of Rental Fleet at all companies [million €]</b> (without operator)	2,440	2,300	2,100	2,000		
<b>Ratio: Investments in Rental Equipment / Value of the Rental Fleet</b>	3%	6%	6%	6%		
<b>Penetration Rates</b>						
<b>GDP [billion €]</b>	1,580	1,567	1,560	1,576	1,599	1,633
<b>GDP Penetration Rate</b>	0.85 ‰	0.75 ‰	0.65 ‰	0.65 ‰	0.65 ‰	0.65 ‰
<b>Total Construction Output [million €]</b>	190,091	182,053	164,702	162,344	167,414	174,914
<b>Construction Industry Penetration Rate</b>	0.70%	0.65%	0.65%	0.60%	0.60%	0.60%
<b>Country Population [million]</b>	60.51	60.73	60.88	60.99	61.07	61.14
<b>Country Population Penetration Rate [€ per person]</b>	22	20	17	17	17	17

Source : IHS

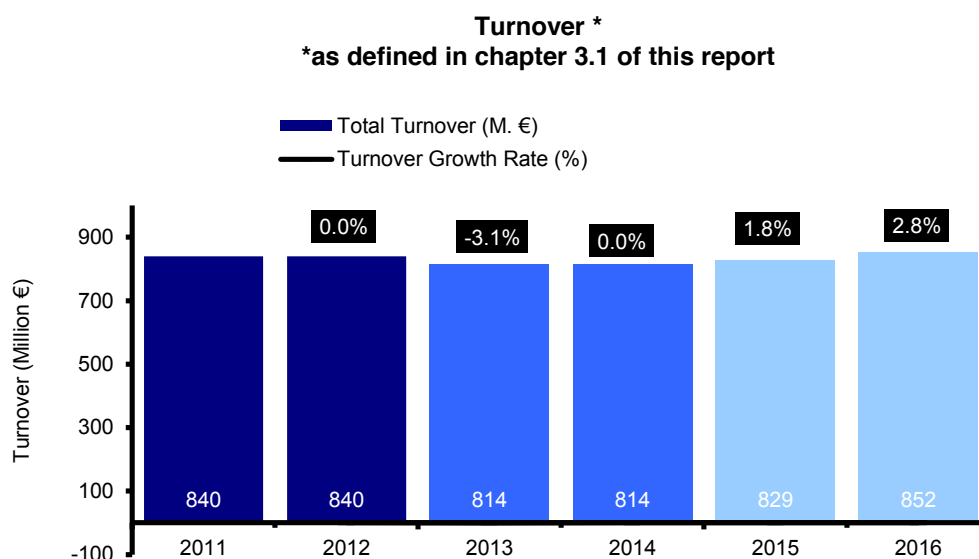
## 5.7 Netherlands (NL)

### a. Economic and Construction Context for the Equipment Rental Industry

- **Macroeconomic overview:** Economic activity is slowly improving, with 0.7% growth expected in 2014 (after a 0.7% contraction in 2013). Latest data and trends suggest that the Dutch weakness is far from over, though, as muted private consumption will continue to keep activity under pressure. Conditions in the job market are still very strained and likely to be a drag on consumer spending over the next few months. As consequence, the economy is projected to recover only moderately in the future, growing 1.5% in 2015.
- **Total Construction:** In 2013, real total construction spending declined 3.5% y/y. The economy has been hit by the pullback in activity across the region. Consumers, businesses and the government are all reining in their spending for the near term. In 2014, total construction spending is expected to post a 0.5% growth y/y, followed by a 1.7% increase in 2015.
- **Residential:** Real spending on residential construction decreased 7.7% y/y in 2013. The housing market is being held back by falling house prices, negligible growth in disposable incomes, high unemployment, and tight lending conditions. The segment is expected to experience a growth of 0.3% in 2014 and 0.8% in 2015.
- **Infrastructure:** In 2013, real infrastructure construction spending declined 0.7% y/y. Infrastructure is anticipated to stay flat (0.0%) in 2014, before growing by 2.1% in 2015.
- **Structures:** Real spending on structures construction increased 0.3% y/y in 2013. The segment is anticipated to increase by 1.3% in 2014, 2.6% in 2015.



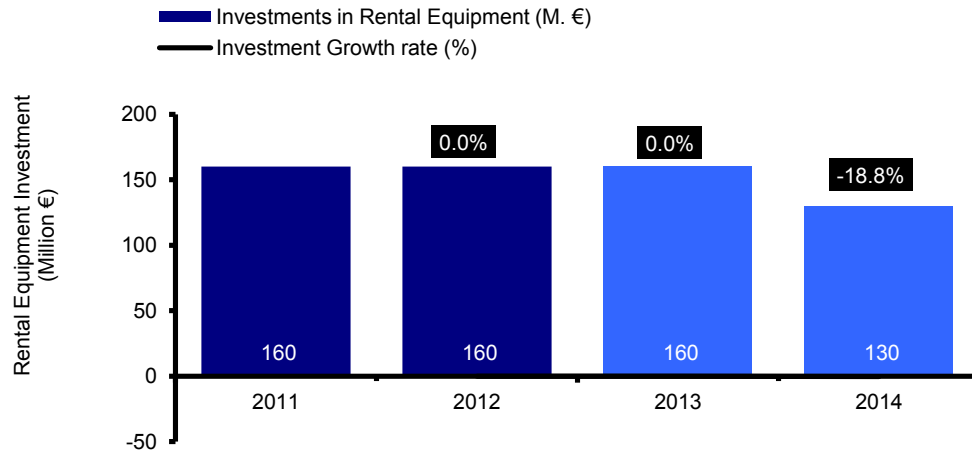
### b. Detailed Results per Country



Source: IHS

- After the stabilisation in 2012/2013, fleet investment dropped in 2014. Capital expenditure predominately served to replace old machines, ideally with a high rental utilisation.

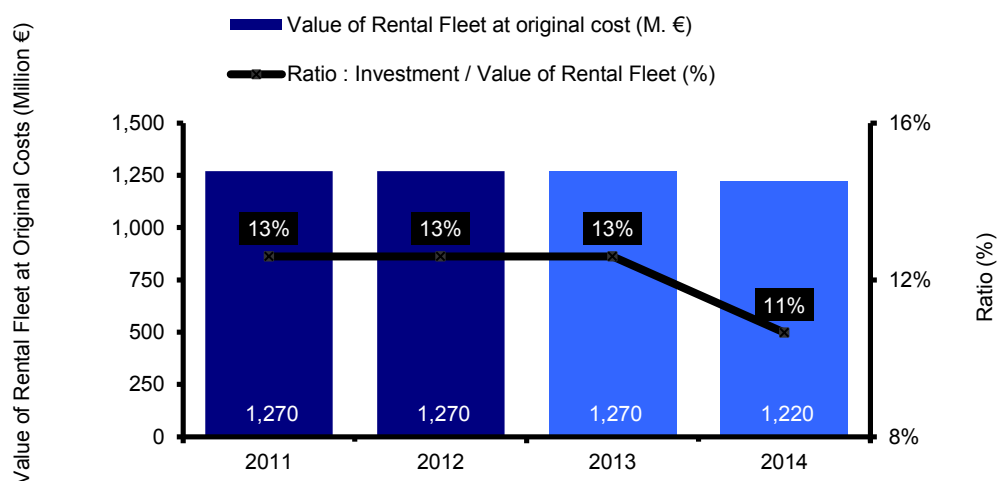
#### Investment in Rental Equipment of Rental Companies (without operator)



Source: IHS

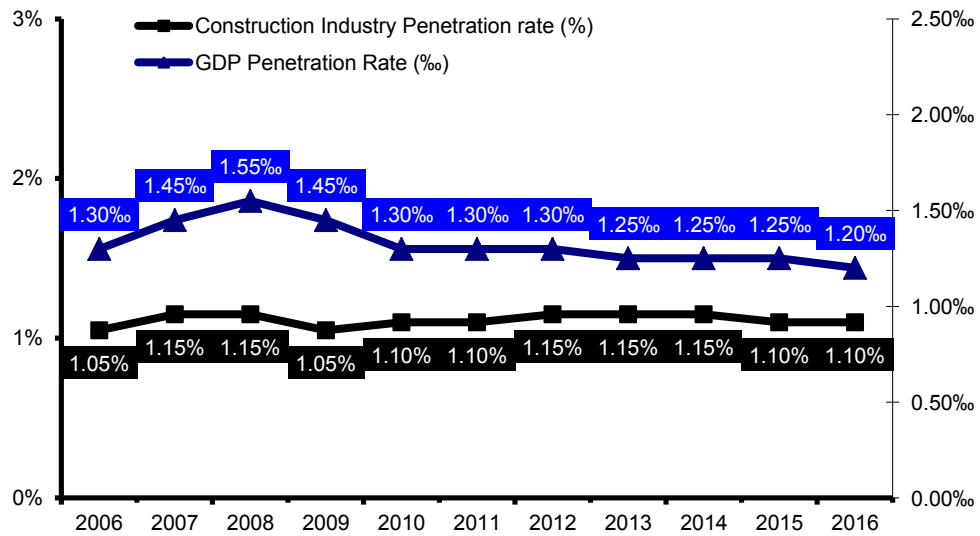
- Despite the strong decrease in capital expenditure of rental companies, the size of the rental fleet has decreased only a little through to 2014. In the context of a troubled economic outlook and reduced public infrastructure investment, international rental companies have developed, particularly over the last 2 years, disposal of older equipment to other countries while, at the same time, renewing a portion of their domestic fleet.
- The average fleet age is estimated at 6 to 7 years.

#### Rental Fleet Size



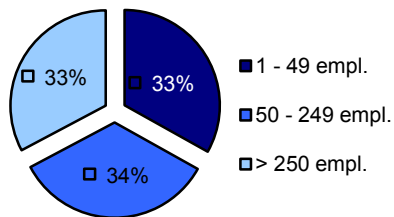
Source: IHS

### Penetration Rates



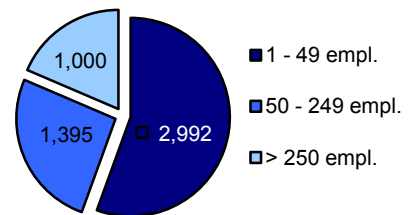
Source: IHS

### Turnover of Rental Companies 2011



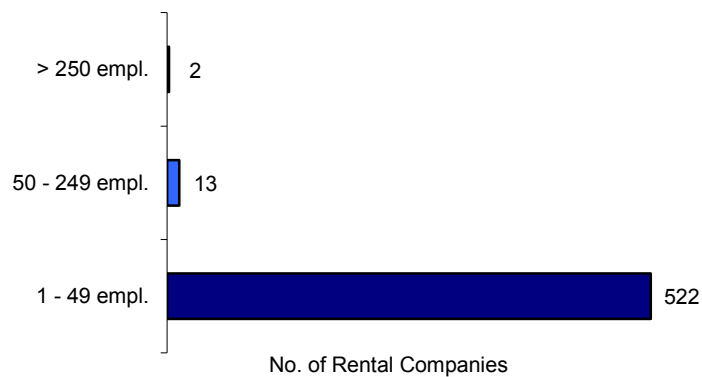
Source: IHS

### Persons Employed by Rental Companies 2011



Source: IHS

### Number of Rental Companies by employees size group 2011



Source: IHS

- The Netherlands market is relatively concentrated. There are two rental companies with more than 250 employees accounting for more than 30% of the total market, and there are 13 companies with 50 to 250 employees who also generate about 30% of industry total revenue.
- The crisis has changed the rental industry. Activity has become more internationally oriented with large and medium size companies going outside their borders to find growth opportunities rather than face lower demand and a relative overcapacity in the Netherlands. In addition, even if there have been no big deals, M&A activity has continued.
- Total rental turnover has remained almost flat since 2010. However, there are significant differences between equipment types reflecting the fact that while building construction has been weak since 2011, demand from infrastructure construction has been stronger.
- The rental demand stemming from construction is estimated at 80%, limiting the opportunity of growth in the near future. However, this construction driven perspective is starting to change and the share of non-construction demand is anticipated to grow in the near future. In the context of a difficult construction sector, rental companies are trying to increase rental penetration in other areas.
- Since 2011, rental rates have recovered slightly from the strong decreases experienced in previous years; however price pressure is now driving the market again, whereas rental utilisation remains stable.
- Rental revenue is forecast to remain stable in 2014, before growing slightly in 2015 and 2016 by 1.8% and 2.8% respectively in line with the development of the overall economy. GDP and construction industry penetration are expected to remain stable for the next two years.

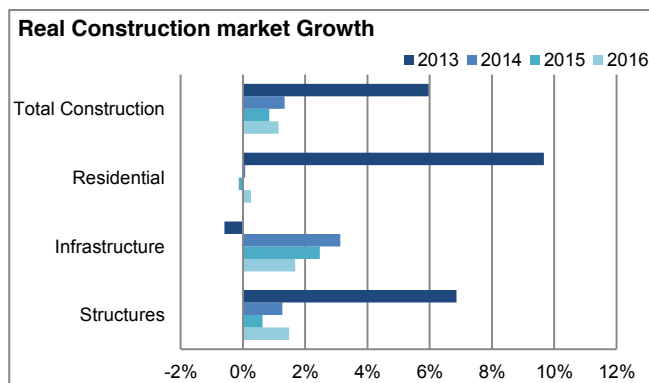
NETHERLANDS (NL), EURO	Actual		Estimates		Forecast	
	2011	2012	2013	2014	2015	2016
<b>Market Size</b>						
<b>Total turnover [million €]</b>	840	840	814	814	829	852
Rental Companies (without operator)	773	773	749	749	763	784
Other Comp. Providing Rental Services (only rental)	67	67	65	65	66	68
<b># Rental Companies</b> (without operator)	537	n.a.	n.a.	n.a.		
<b># Employed Persons of Rental Companies</b> (without operator)	5,387	n.a.	n.a.	n.a.		
<b>Investments in Rental Equipment [million €]</b> (without operator)	160	160	160	130		
<b>Value of Rental Fleet at all companies [million €]</b> (without operator)	1,270	1,270	1,270	1,220		
<b>Ratio: Investments in Rental Equipment / Value of the Rental Fleet</b>	13%	13%	13%	11%		
<b>Penetration Rates</b>						
GDP [billion €]	643	641	643	654	672	696
<b>GDP Penetration Rate</b>	1.30 ‰	1.30 ‰	1.25 ‰	1.25 ‰	1.25 ‰	1.20 ‰
Total Construction Output [million €]	78,088	72,550	70,784	71,452	75,653	78,689
<b>Construction Industry Penetration Rate</b>	1.10%	1.15%	1.15%	1.15%	1.10%	1.10%
Country Population [million]	16.61	16.66	16.71	16.75	16.79	16.83
<b>Country Population Penetration Rate [€ per person]</b>	51	50	49	49	49	51

Source : IHS

## 5.8 Norway (NO)

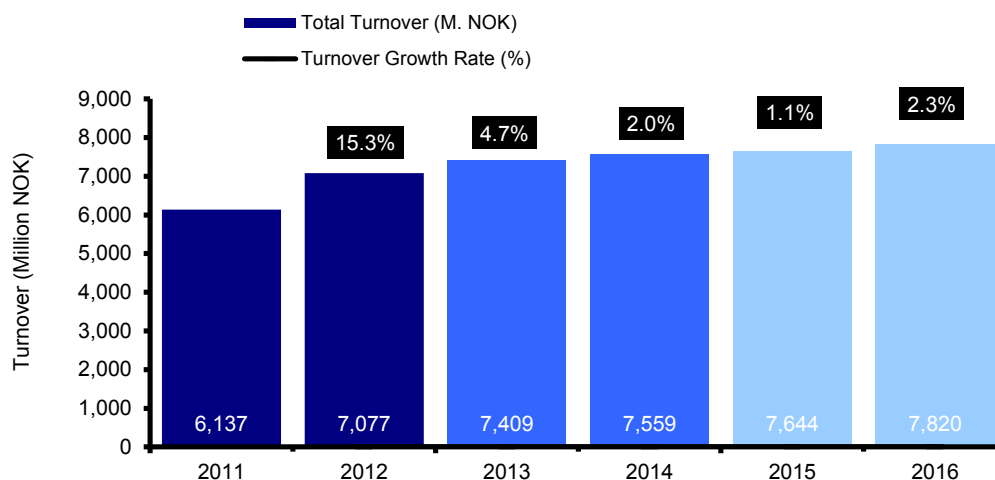
### a. Economic and Construction Context for the Equipment Rental Industry

- **Macroeconomic overview:** The Norwegian economy is expected to gather some momentum in 2014, after growth slowed notably in 2013 (0.7% y/y). The main uncertainty is the degree of inventory still in the system in the first half of 2014, after the steep rise in inventory in the second half of 2013. More encouragingly, the external environment is not expected to be a drag on real GDP development during 2014, as was the case in 2013, and could even be supportive, helped by the prospect of a moderate recovery in domestic demand across the Eurozone, accompanied by a depreciation of the kroner against the euro in the second half of 2013. Consequently, a moderate growth of 1.0% in 2014 and 1.2% in 2015 is anticipated.
- **Total Construction:** In 2013, real total construction spending increased 6.0%. Norway's economy has been only marginally impacted by the crisis in Southern Europe, although there is the potential for larger impacts to occur as the crisis drags on. In 2014, total construction spending is expected to post a 1.3% gain, before a 0.8% increase in 2015.
- **Residential:** Real spending on residential construction increased 9.7% in 2013. This segment has been lifted by low interest rates, high incomes, and low unemployment rates. Residential construction is expected to experience 0.1% growth in 2014, before a decrease of 0.1% in 2015.
- **Infrastructure:** Real infrastructure construction spending decreased by 0.6% in 2013. Infrastructure is anticipated to increase 3.1% in 2014 and 2.5% in 2015.
- **Structures:** Real spending on structures construction posted a 6.9% gain in 2013, while current estimates suggest a more subdued picture with 1.3% growth in 2014, 0.6% growth in 2015.



### b. Detailed Results per Country

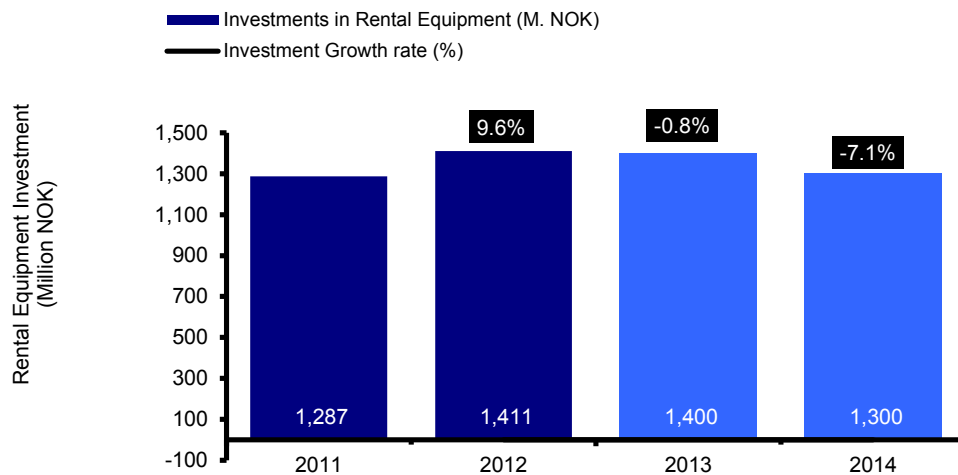
**Turnover\***  
\*as defined in chapter 3.1 of this report



Source: IHS

- Investment in rental equipment in 2013 remained at 2012 levels. However, we estimate a reduction of capital expenditure by some 7% in 2014 to NOK 1.3 billion.
- In the context of high revenue growth up to 2012, which led to a high level of optimism in the industry, there has been overinvestments in some product categories, which has led to more cautious investment decisions in 2014.

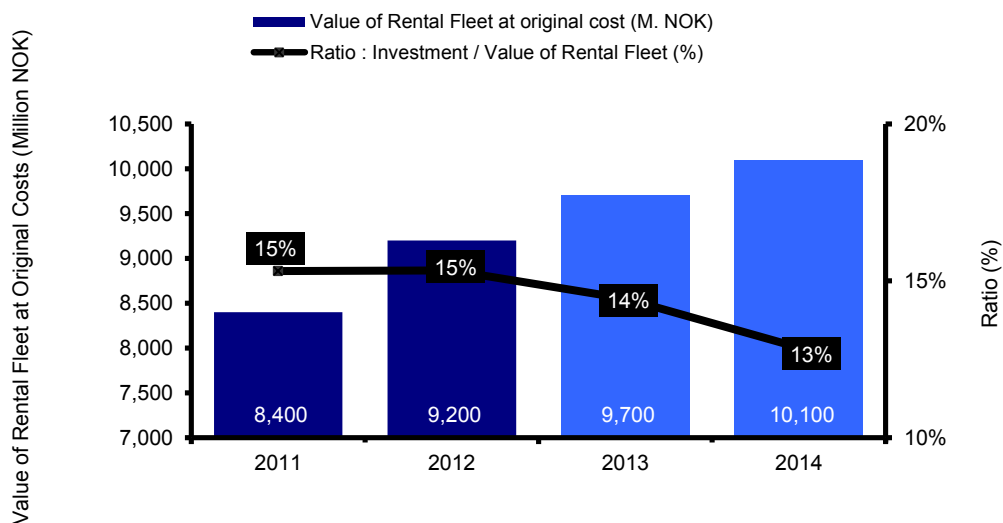
### Investment in Rental Equipment of Rental Companies (without operator)



Source: IHS

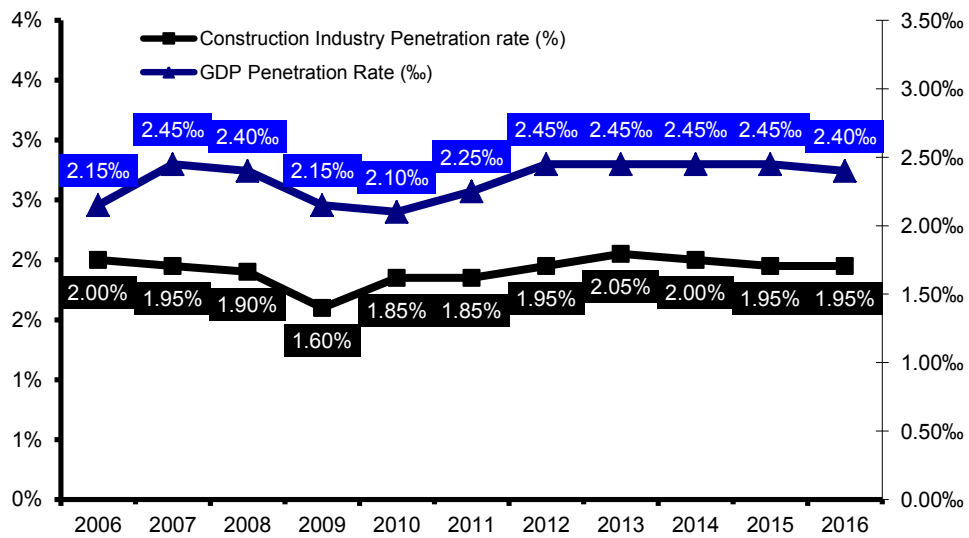
- Rental equipment park value increased to an estimate of NOK 10.1 billion in 2014 (at original cost).
- Average fleet age in Norway is estimated to have decreased moderately, due to the high level of investment in recent years, to an average of 5 years in 2013.

### Rental Fleet Size



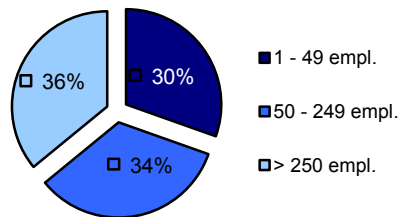
Source: IHS

### Penetration Rates



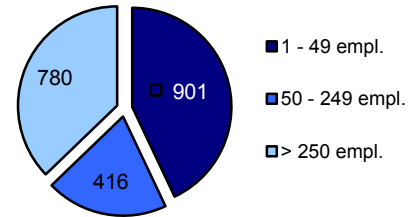
Source: IHS

### Turnover of Rental Companies 2011



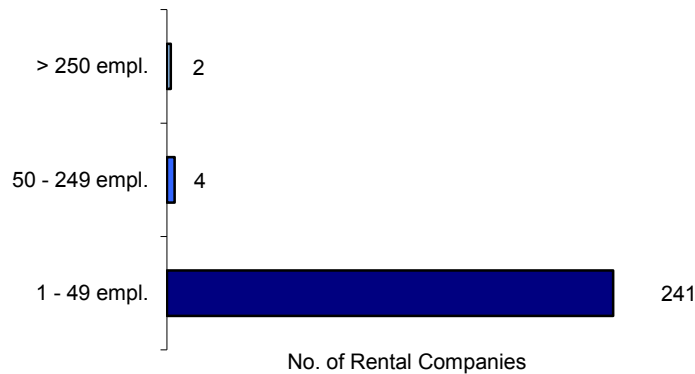
Source: IHS

### Persons Employed by Rental Companies 2011



Source: IHS

### Number of Rental Companies by employees size group 2011



Source: IHS

- The years of exceptional rental revenue growth in Norway are clearly over. As predicted in last year's report, the equipment rental market shows signs of "cooling down". In 2013, rental revenue grew by estimated 4.7%. For 2014, we estimate that rental demand will remain flat, with revenue growth (2.0%) in line with the general inflation rate.
- Due to the rapid growth through to 2013, rental companies did not feel the same pressure for efficiency seen in other countries. However, action is required now. Cost pressure stems from flat rental prices, whilst wages are still growing strongly. There is a real need to focus on cost control and efficient logistics.
- Total construction growth, especially residential construction, has been sluggish in 2014 and has impaired the profitability of rental companies in Norway. In this light, employment and the number of rental depots had remained stable up until recently but large companies have started to close depots and are cautious with staff additions in order to limit their costs.
- Since nominal rental rates are currently flat, and even decreasing in real terms, large companies are in the process of introducing more dynamic pricing elements in their management of rental rates. In this context one of the large Nordic rental actors has started implementing complex price discrimination algorithms in its "Right Price" concept.
- There is not much ongoing M&A activity in the Norwegian market place. Small and mid-sized companies are currently growing faster than the big three, with niche suppliers expanding their product range.
- Time utilisation continued to decrease somewhat in 2014 because of the overinvestment that took place in the boom years.
- Norwegian rental market will show weak growth in 2015 (1.1%), modest growth in 2016 (2.3%).

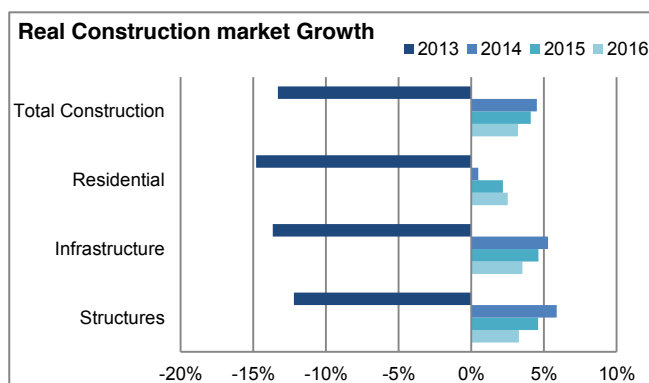
NORWAY (NO), LOCAL CURRENCY	Actual		Estimates		Forecast	
	2011	2012	2013	2014	2015	2016
<b>Market Size</b>						
<b>Total turnover [million NOK]</b>	6,137	7,077	7,409	7,559	7,644	7,820
Rental Companies (without operator)	4,587	5,290	5,538	5,650	5,714	5,845
Other Comp. Providing Rental Services (only rental)	1,550	1,787	1,871	1,909	1,930	1,975
<b># Rental Companies</b> (without operator)	247	n.a.	n.a.	n.a.		
<b># Employed Persons of Rental Companies</b> (without operator)	2,097	n.a.	n.a.	n.a.		
<b>Investments in Rental Equipment [million NOK]</b> (without operator)	1,287	1,411	1,400	1,300		
<b>Value of Rental Fleet at all companies [million NOK]</b> (without operator)	8,400	9,200	9,700	10,100		
<b>Ratio: Investments in Rental Equipment / Value of the Rental Fleet</b>	15%	15%	14%	13%		
<b>Penetration Rates</b>						
GDP [billion NOK]	2,750	2,907	3,011	3,081	3,149	3,244
<b>GDP Penetration Rate</b>	2.25 ‰	2.45 ‰	2.45 ‰	2.45 ‰	2.45 ‰	2.40 ‰
Total Construction Output [million NOK]	289,234	314,955	344,814	361,728	381,600	393,300
<b>Construction Industry Penetration Rate</b>	1.85%	1.95%	2.05%	2.00%	1.95%	1.95%
Country Population [million]	4.88	4.92	4.96	4.99	5.02	5.05
<b>Country Population Penetration Rate [NOK per person]</b>	1,097	1,246	1,426	1,446	1,488	1,519

Source : IHS and Official Statistics data

## 5.9 Poland (PL)

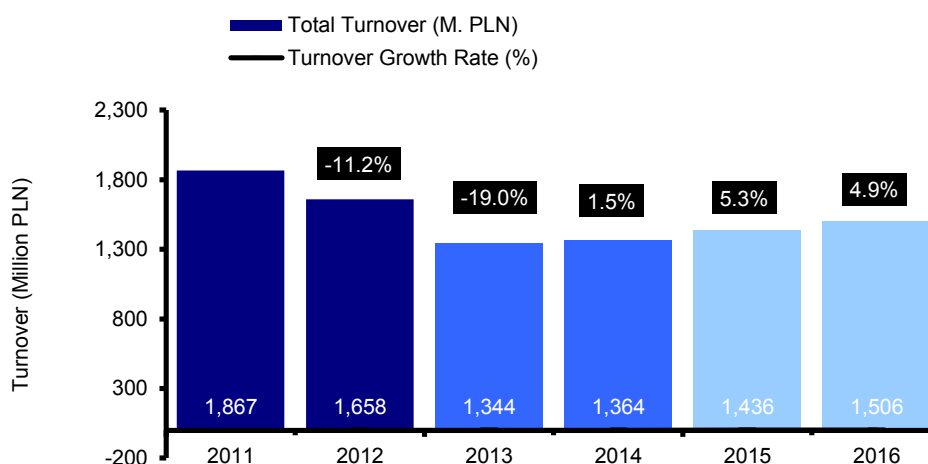
### a. Economic and Construction Context for the Equipment Rental Industry

- **Macroeconomic overview:** Polish GDP growth is accelerating in 2013 (1.5% y/y), thanks to a revival of domestic demand. Nevertheless, the ongoing Ukraine-Russia crisis represents a key downside risk, triggering uncertainty regarding Poland's near-term economic performance. Looking ahead, record-low interest rates and an uptick in demand in key export markets should keep Polish GDP rising. As consequence, the economy is projected to grow by 3.1% in 2014, and 3.4% in 2015.
- **Total Construction:** In 2013, real total construction spending declined 13.3% y/y, due to the uncertain environment, but we believe it to have turned a corner and will increase 4.5% in 2014, and a further 4.1% in 2015.
- **Residential:** Real spending on residential construction contracted 14.8% y/y in 2013 as already weak labour markets held back consumer spending and investment. The segment is expected to grow by 0.5% in 2014 and by 2.2% in 2015. Despite the projected recovery, growth in consumer spending will remain considerably weaker over the next several years than it was prior to 2009.
- **Infrastructure:** In 2013, real infrastructure construction spending declined by 13.7% y/y. However, infrastructure is anticipated to see a substantial growth of 5.3% in 2014, followed by 4.6% in 2015.
- **Structures:** Real spending on structures construction posted a 12.2% y/y loss of in 2013. The segment is expected to grow by 5.9% and 4.6% in 2014 and 2015.



### b. Detailed Results per Country

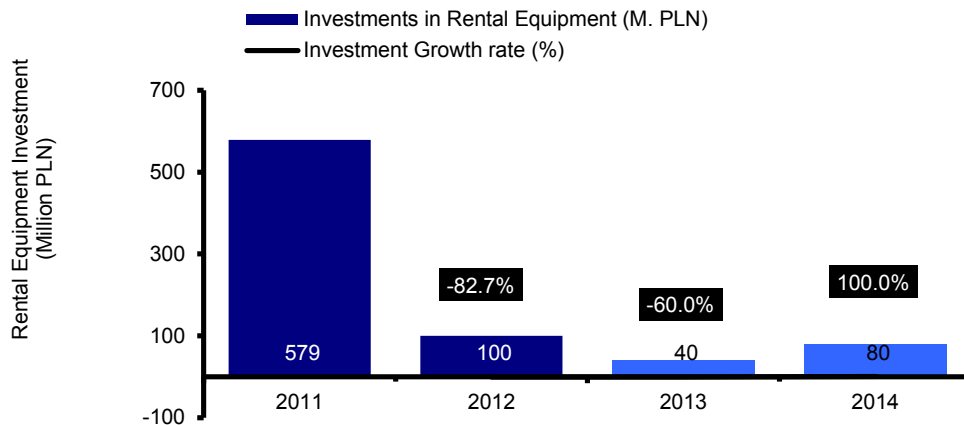
**Turnover\***  
\*as defined in chapter 3.1 of this report



Source: IHS

- As a consequence of the end of publicly funded infrastructure projects in the context of the European 2012 football championships, rental companies reduced investments in the rental park in 2013 to an absolute minimum. 2014 showed an increase in investment estimated at 80 million Złoty in 2014.

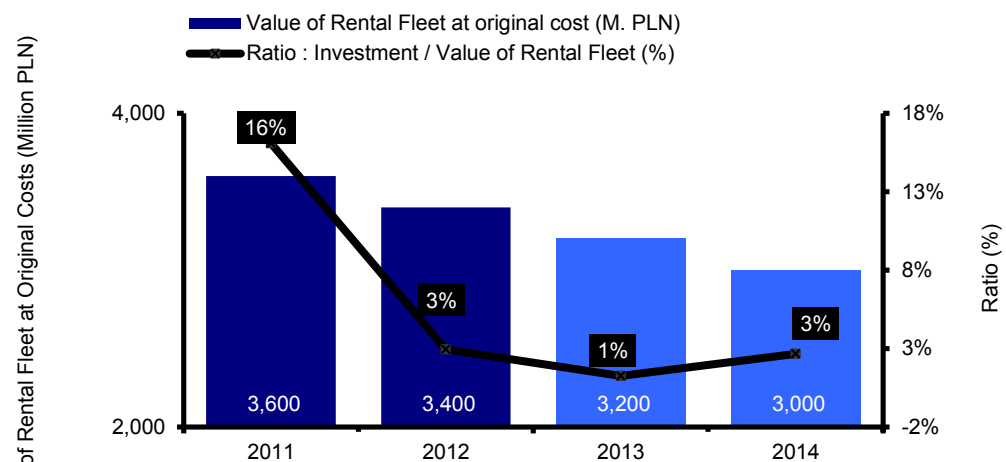
#### Investment in Rental Equipment of Rental Companies (without operator)



Source: IHS

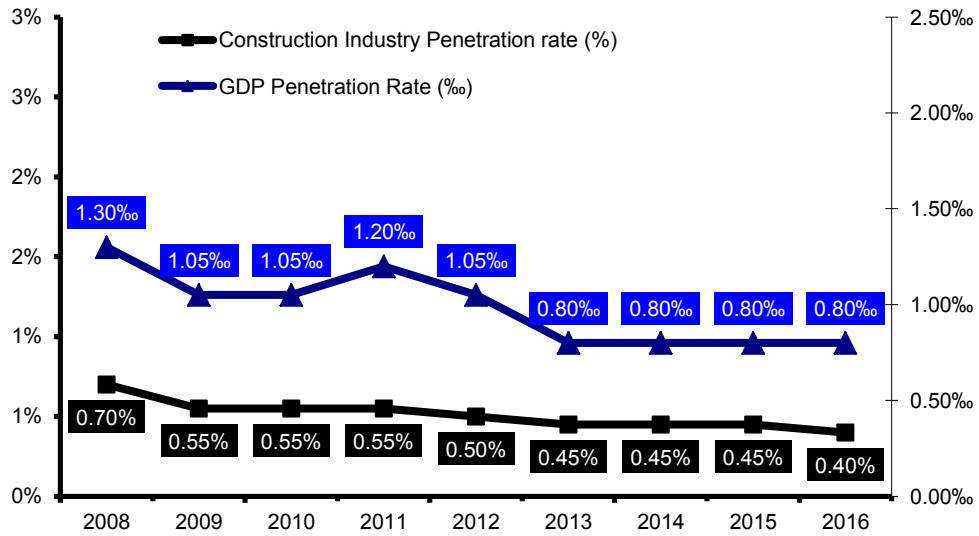
- The change in rental fleet was restricted by weak demand for used equipment and the provisions for co-financing schemes of the European Union, which ran out in 2012. As a consequence, there is still a significant amount of used equipment available on the market at low prices. We estimate fleet value in 2014 will decrease to PLN 3 billion (at original cost).

#### Rental Fleet Size



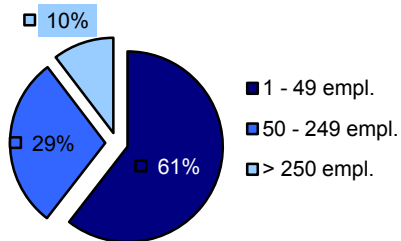
Source: IHS

### Penetration Rates



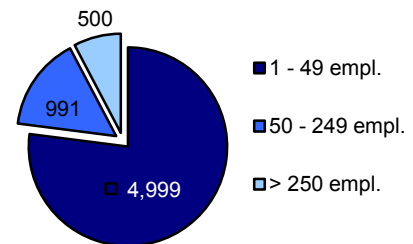
Source: IHS

### Turnover of Rental Companies 2011



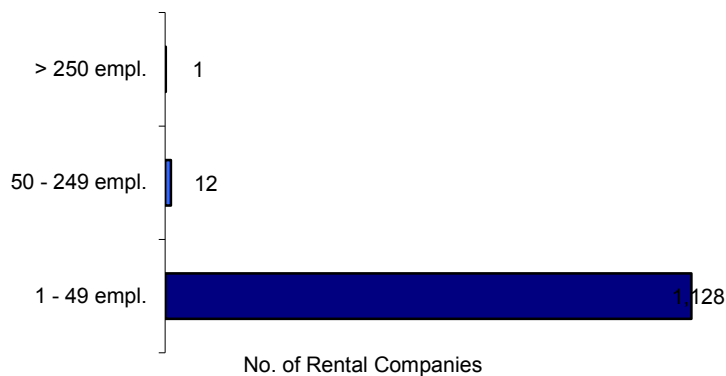
Source: IHS

### Persons Employed by Rental Companies 2011



Source: IHS

### Number of Rental Companies by employees size group 2011



Source: IHS

- Large infrastructure projects have been the basis for strong rental demand from the construction sector up to second quarter 2012. Since then public civil engineering projects have declined rapidly. Since this decline was not compensated for by other building construction, rental demand in Poland has suffered strongly between mid-2012 and late 2013. A mild winter and a more positive economic environment caused rental demand to increase at the beginning of 2014.
- The equipment rental market in Poland is still largely dependent on the health of the construction sector, with other customer segments playing only a minor role. Thus, the decline in construction demand in 2012 and 2013 has caused a substantial decline in equipment rental demand (2013: -19%). While the first half of 2014 featured a recovery of rental demand, the business climate has become a little cloudy this summer. Overall, we estimate rental revenues in 2014 to increase slightly by 1%.
- The availability of cheap used construction equipment in Poland has lowered market entry barriers and supported the entry of new players on the equipment rental market.
- With fleet overcapacity, weak demand, the strong pressure on rental rates continued in 2013 and led to price decreases in excess of 10%. In 2014, rates have been stable or have increased very slightly. Rates for access equipment are more stable than for construction equipment, because of the overcapacity of construction equipment in the market.
- The focus of rental companies is to maintain sufficient cash flow and remain financially liquid. Client's payment behaviour is still a big problem for rental firms. Most companies are at best at break-even.
- Given new public civil engineering projects starting 2nd half 2015 and overall construction growth forecasts we forecast rental revenues to grow by 5.3% (2015) and 4.9% (2016).

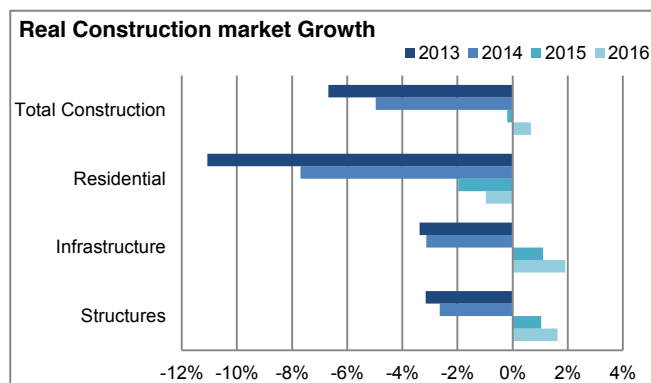
POLAND (PL), LOCAL CURRENCY	Actual		Estimates		Forecast	
	2011	2012	2013	2014	2015	2016
<b>Market Size</b>						
<b>Total turnover [million PLN]</b>	1,867	1,658	1,344	1,364	1,436	1,506
Rental Companies (without operator)	1,848	1,642	1,331	1,351	1,422	1,491
Other Comp. Providing Rental Services (only rental)	18	16	13	13	14	15
<b># Rental Companies</b> (without operator)	1,141	n.a.	n.a.	n.a.		
<b># Employed Persons of Rental Companies</b> (without operator)	6,490	n.a.	n.a.	n.a.		
<b>Investments in Rental Equipment [million PLN]</b> (without operator)	579	100	40	80		
<b>Value of Rental Fleet at all companies [million PLN]</b> (without operator)	3,600	3,400	3,200	3,000		
<b>Ratio: Investments in Rental Equipment / Value of the Rental Fleet</b>	16%	3%	1%	3%		
<b>Penetration Rates</b>						
GDP [billion PLN]	1,528	1,596	1,636	1,668	1,742	1,850
<b>GDP Penetration Rate</b>	1.20 ‰	1.05 ‰	0.80 ‰	0.80 ‰	0.80 ‰	0.80 ‰
Total Construction Output [million PLN]	335,163	328,858	294,630	308,130	337,348	356,014
<b>Construction Industry Penetration Rate</b>	0.55%	0.50%	0.45%	0.45%	0.45%	0.40%
Country Population [million]	38.20	38.20	38.21	38.22	38.22	38.22
<b>Country Population Penetration Rate [PLN per person]</b>	49	43	35	36	38	39

Source : IHS and Official Statistics data

## 5.10 Spain (ES)

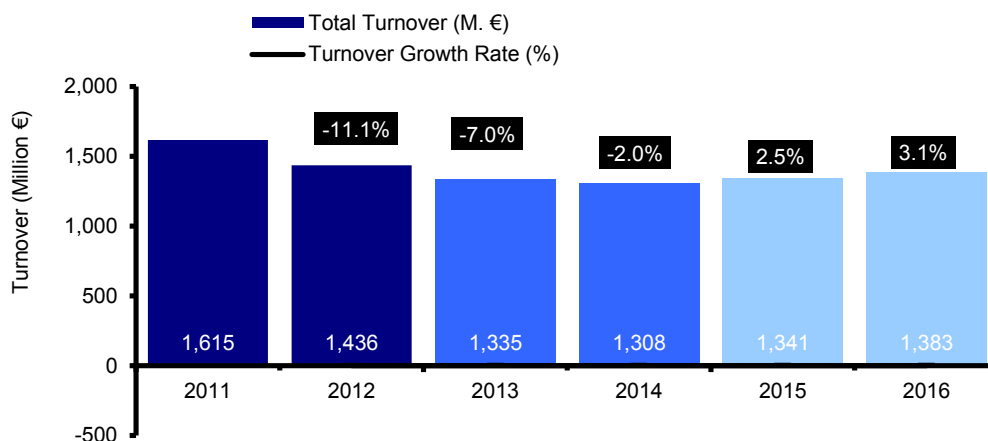
### a. Economic and Construction Context for the Equipment Rental Industry

- **Macroeconomic overview:** Spain has climbed out of its technical recession, but the country remains gripped by the characteristics of a downturn, with key indicators like employment and bank lending still heading south. Although there is growing evidence that Spain has turned the corner, we continue to see the relentless flow of uneven Spanish economic, labour market and fiscal developments. After a contraction of 1.2% in 2013, a 1.2% growth is anticipated in 2014, and a 1.6% growth in 2015.
- **Total Construction:** In 2013, total construction spending in Spain decreased by 6.7% y/y in real terms. As conditions are not expected to improve soon, total construction spending is expected to post a further 5.0% loss in 2014, before a moderate 0.2% decrease in 2015.
- **Residential:** Real spending on residential construction decreased 11.1% y/y in 2013 as economic conditions remained weak and consumers were faced with very high unemployment. The segment is expected to decline 7.7% further in 2014, and will continue to fall in 2015, declining 2.0%, as Spain's housing market has been enveloped by oversupply.
- **Infrastructure:** In 2013, real infrastructure construction spending declined 3.4% y/y, as continued fiscal tightening impacted the activity. Infrastructure is anticipated to decrease 3.1% in 2014, before increasing 1.1% in 2015.
- **Structures:** Real spending on structures construction posted a 3.2% y/y loss in 2013, as confidence and investment were at low levels. The segment is expected to decrease a further 2.6% in 2014, before turning around in 2015 and grow 1.0%.



### b. Detailed Results per Country

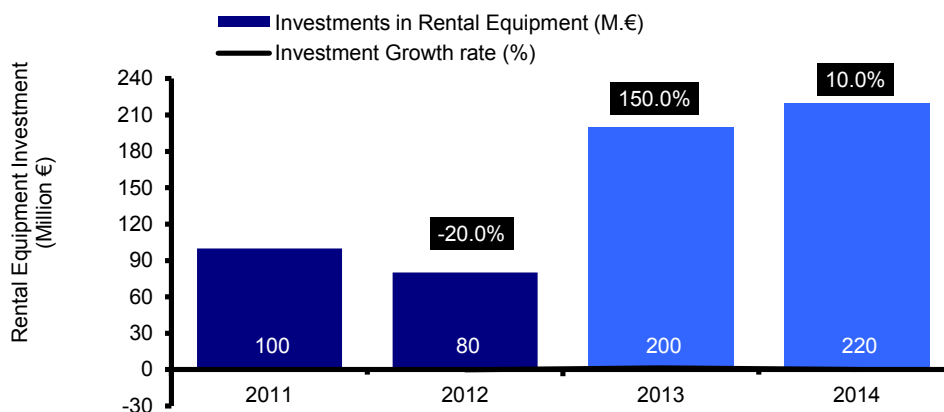
**Turnover\***  
\*as defined in chapter 3.1 of this report



Source: IHS

- After years of low investment, with the Spanish market unattractive for investors, capital expenditure has grown significantly this year. Investments were concentrated on specific equipment types and replacement of very old equipment.

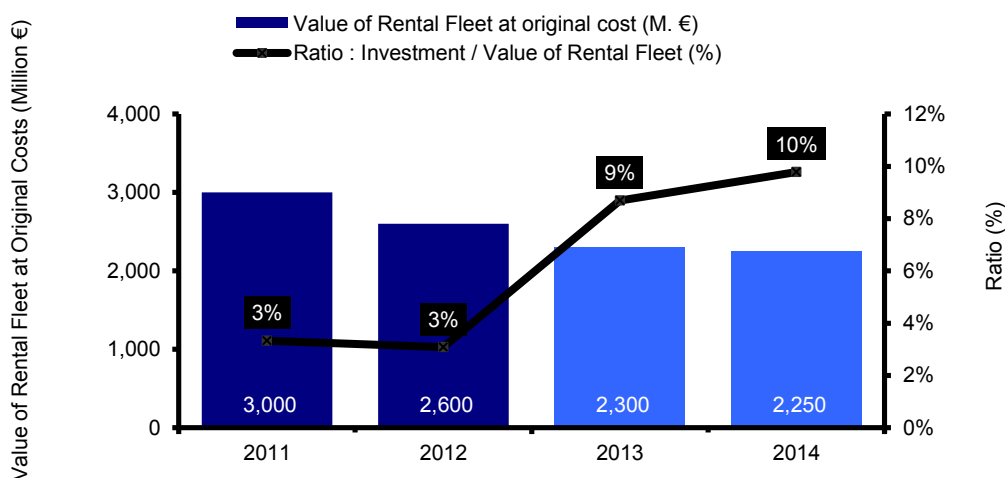
#### Investment in Rental Equipment of Rental Companies (without operator)



Source: IHS

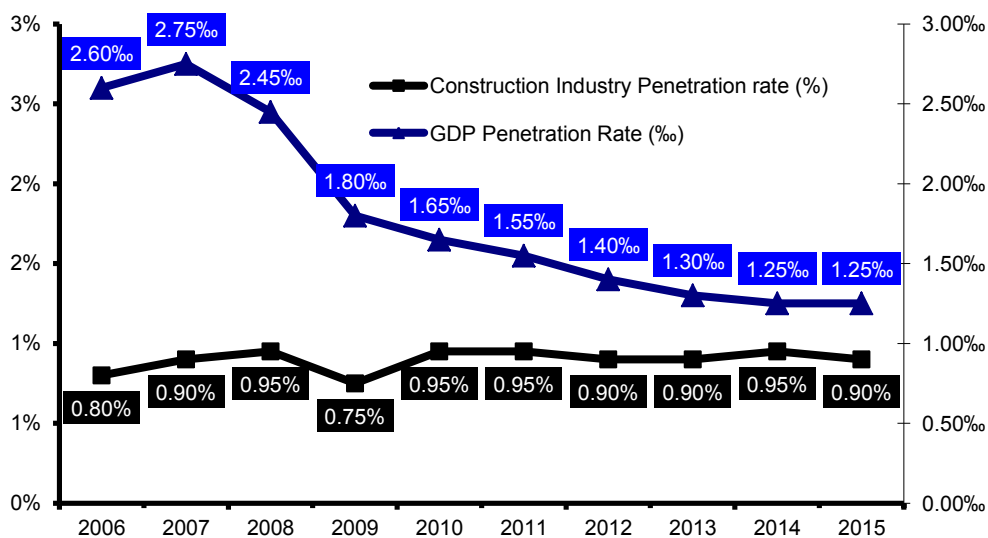
- In line with the contraction of rental demand from virtually all economic sectors, the overall size of the rental fleet has shrunk throughout 2011, 2012, 2013 and 2014, operators concentrating on essential replacement investments only and selling much of their equipment to other markets or transferring equipment within group but to other countries. However, new investments are expected to stop this decline in the near future.
- Rental companies continued, at best, to maintain a stable average fleet age around 7 years.

#### Rental Fleet Size



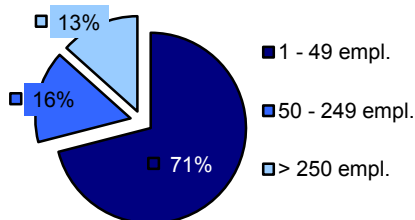
Source: IHS

### Penetration Rates



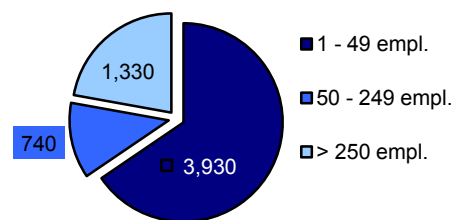
Source: IHS

### Turnover of Rental Companies 2011



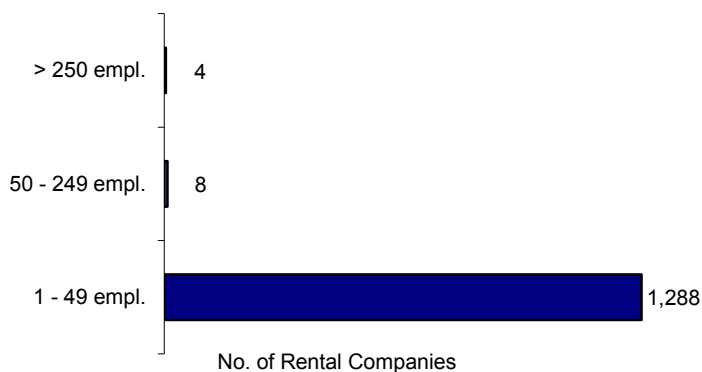
Source: IHS

### Persons Employed by Rental Companies 2011



Source: IHS

### Number of Rental Companies by employees size group 2011



Source: IHS

- The Spanish equipment rental market is characterised by two points:
  - High fragmentation of the market, with more than 70% of the rental industry turnover generated by firms with fewer than fifty employees, mainly small independent companies.
  - Regional split of the market, North-East and South-West, the overall economy as well as the rental activity of the North-East regions doing much better than the South-West regions.
- In the context of crisis, large and medium rental players have continued to reorganise their depots in order to focus their activity on major regional markets. They have also tried, for the last 5 years, to develop their business in Eastern Europe and Latin America in order to absorb part of their excess fleet leveraging large contractors with large projects in these countries.
- Because of the substantial decrease of the fleet size, utilisation rates, as well as rental prices for some types of equipment, especially the more specialized ones, have stabilised during the last two years, and this is expected to affect the whole rental industry in the near future.
- 70% of rental demand comes from the construction sector in Spain, a percentage which has decreased for the last 3 years; to increase the rental penetration of the non-construction sector, rental companies need to invest in new dedicated equipment.
- With a construction industry penetration at 0.90%, Spain is one of the lowest European countries, and this is not anticipated to change in the near future.
- After a drop in 2013 and 2014, rental revenues are forecast to grow throughout 2015 and 2016 by +2.5% and +3.1% respectively, in line with the development of the overall economy.

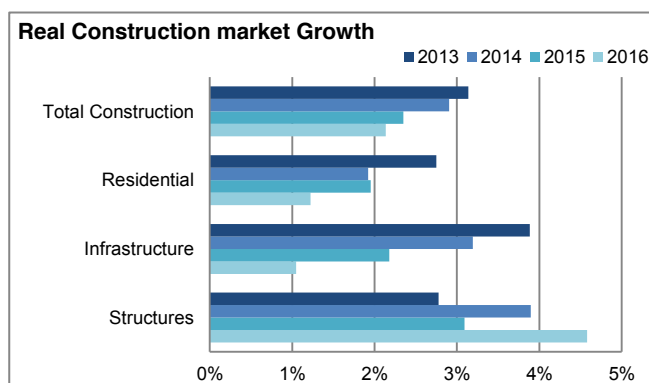
SPAIN (ES), EURO	Actual		Estimates		Forecast	
	2011	2012	2013	2014	2015	2016
<b>Market Size</b>						
<b>Total turnover [million €]</b>	1,615	1,436	1,335	1,308	1,341	1,383
Rental Companies (without operator)	1,530	1,360	1,264	1,239	1,270	1,310
Other Comp. Providing Rental Services (only rental)	85	76	70	69	71	73
<b># Rental Companies</b> (without operator)	1,300	n.a.	n.a.	n.a.		
<b># Employed Persons of Rental Companies</b> (without operator)	6,000	n.a.	n.a.	n.a.		
<b>Investments in Rental Equipment [million €]</b> (without operator)	100	80	200	220		
<b>Value of Rental Fleet at all companies [million €]</b> (without operator)	3,000	2,600	2,300	2,250		
<b>Ratio: Investments in Rental Equipment / Value of the Rental Fleet</b>	3%	3%	9%	10%		
<b>Penetration Rates</b>						
<b>GDP [billion €]</b>	1,046	1,029	1,023	1,036	1,059	1,087
<b>GDP Penetration Rate</b>	1.55 ‰	1.40 ‰	1.30 ‰	1.25 ‰	1.25 ‰	1.25 ‰
<b>Total Construction Output [million €]</b>	165,922	157,994	149,225	140,974	146,340	150,682
<b>Construction Industry Penetration Rate</b>	0.95%	0.90%	0.90%	0.95%	0.90%	0.90%
<b>Country Population [million]</b>	47.02	47.19	47.27	47.06	46.97	47.01
<b>Country Population Penetration Rate [€ per person]</b>	34	30	28	28	29	29

Source : IHS

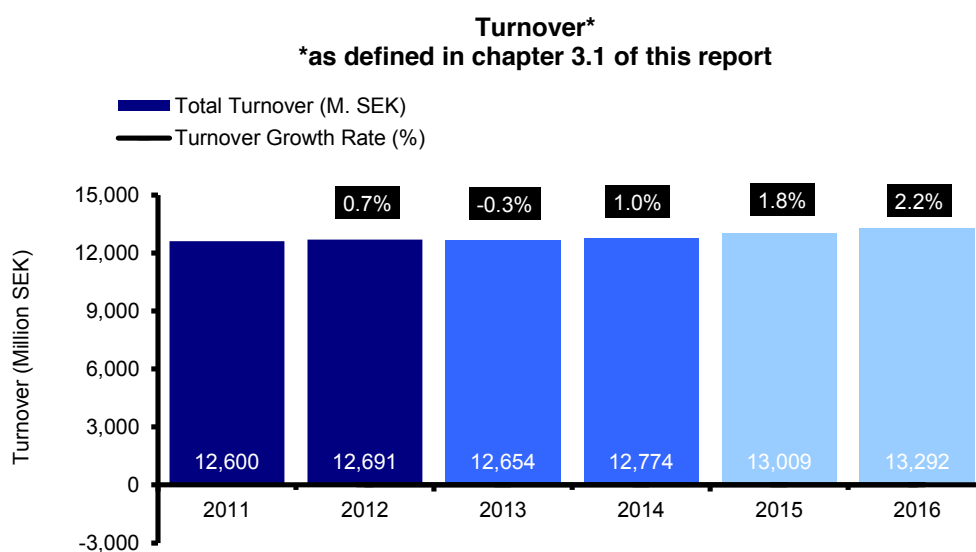
## 5.11 Sweden (SE)

### a. Economic and Construction Context for the Equipment Rental Industry

- **Macroeconomic overview:** Growth is expected to be solid rather than spectacular in the near term. Swedish real GDP is anticipated to grow 1.8% in 2014, and 2.1% in 2015. Positives for the 2014 growth outlook are broad based, but there will be a less-pronounced, positive impetus from consumer spending, despite the prospect of a lower tax burden. Households will probably become increasingly concerned about rising debt levels, which could trigger some deleveraging alongside more cautious spending plans in 2014, particularly when faced with the strong prospect of higher interest rates in 2015.
- **Total Construction:** In 2013, real total construction increased 3.1% y/y, as current economic conditions were favourable for investment. In 2014, total construction spending is expected to post a 2.9% y/y gain, in 2015 a 2.3% growth.
- **Residential:** Real spending on residential construction increased 2.7% y/y in 2013; it is expected to experience growth of 1.9% in 2014 and 2.0% in 2015.
- **Infrastructure:** In 2013, real infrastructure construction spending increased 3.9% y/y. Infrastructure is anticipated to increase 3.2% in 2014, followed by 2.2% growth in 2015. Unlike many other European countries, Swedish public finances are in a strong position and the government is able to allocate funds to infrastructure projects.
- **Structures:** Real spending on structures construction posted a 2.8% y/y gain in 2013. The segment is anticipated to increase 3.9% in 2014, and a further 3.1% in 2015.



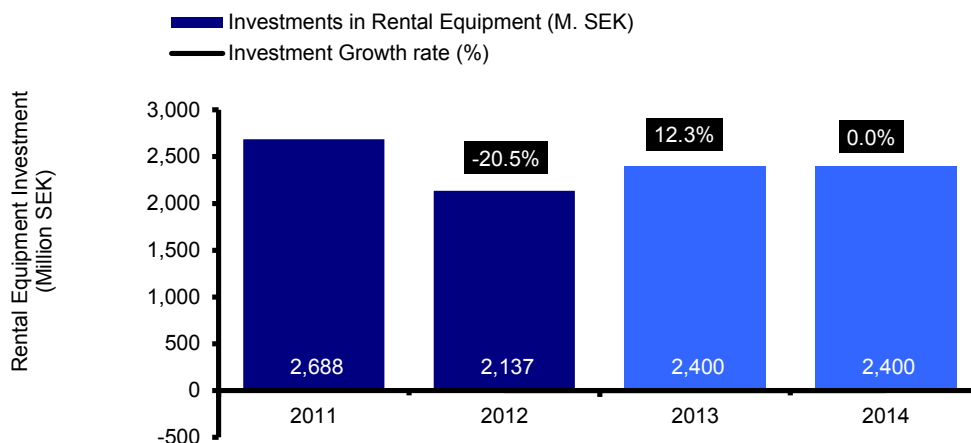
### b. Detailed Results per Country



Source: IHS

- With positive market sentiment from summer 2013 until the beginning of 2014, investment activity regained momentum in 2013, capital expenditure increasing by an estimated 12.3% to SEK 2.4 billion. Investment levels are estimated to have been maintained in 2014, but without further growth, rental companies restricting investment for asset replacement.

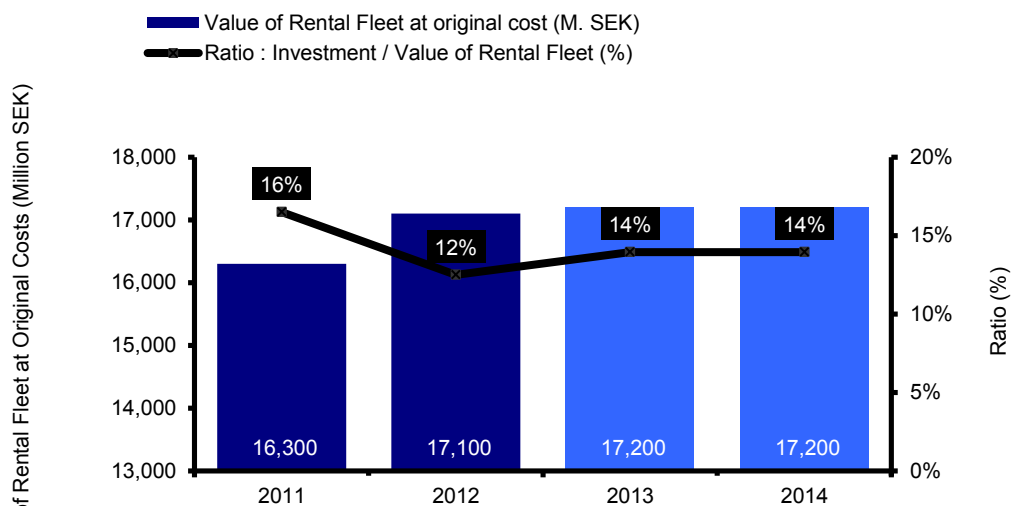
#### Investment in Rental Equipment of Rental Companies (without operator)



Source: IHS

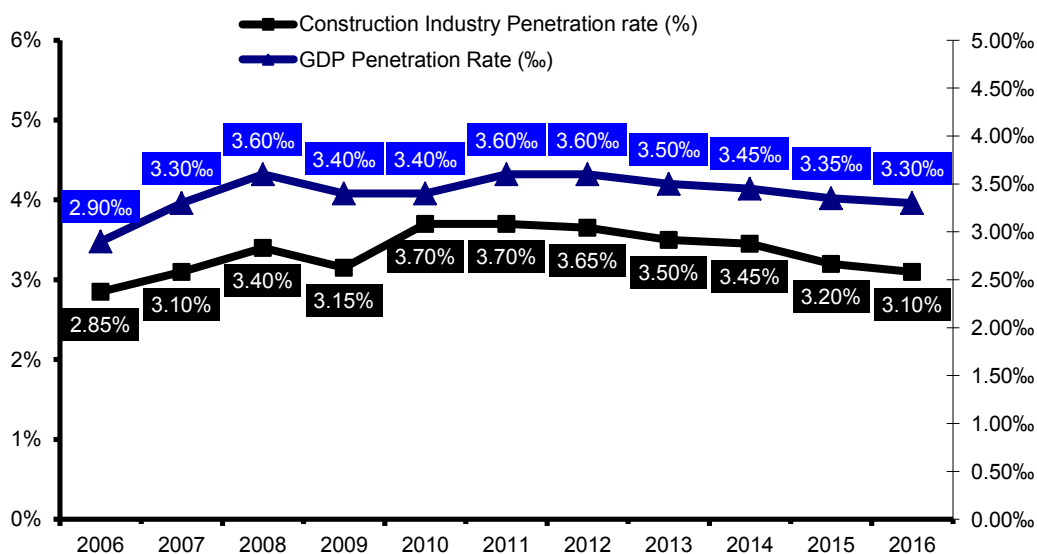
- In line with the development of investment in the rental fleet, the size of the rental fleet increased up to 2013 to SEK 17.2 billion and is estimated to remain constant in 2014.
- Large rental actors are continuing to monitor the market seeking to avoid overcapacity, retain cost efficiency. Because of the focus on investment for fleet renewal / replacement we estimate that average fleet age has decreased slightly to 5.5 years in 2014.

#### Rental Fleet Size



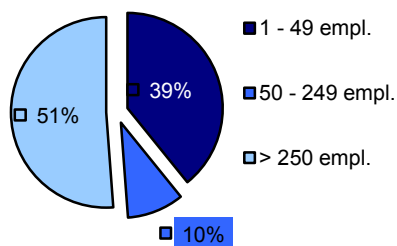
Source: IHS

### Penetration Rates



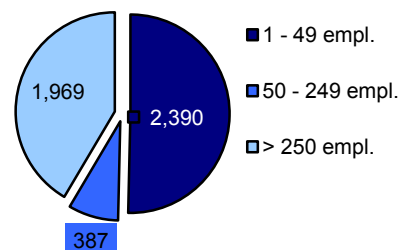
Source: IHS

### Turnover of Rental Companies 2011



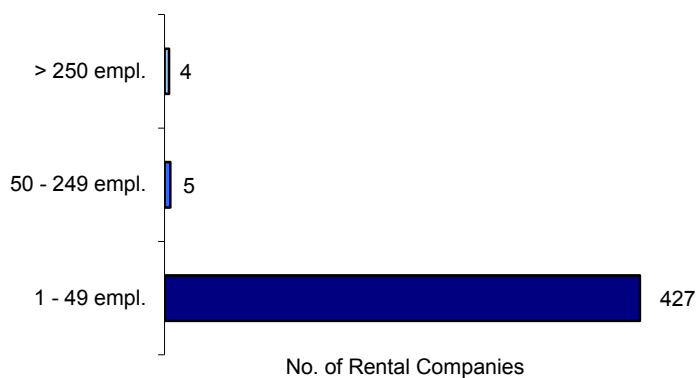
Source: IHS

### Persons Employed by Rental Companies 2011



Source: IHS

### Number of Rental Companies by employees size group 2011



Source: IHS

- The Swedish economy and the Swedish equipment rental market have been among the first ones to recover from the crisis and saw strong growth through to 2012. Since then, however, rental revenue growth has been disappointing. Demand suffers from fiscal austerity, particularly affecting public construction.
- As a result, rental revenues remained virtually flat in 2012 (0.7%) and 2013 (-0.3%) and are estimated to show only sluggish growth (1.0%) in 2014.
- The development of rental rates has been disappointing as they remained flat in 2013 and are expected to be flat in 2014 so not even keeping pace with general inflation. As a result, rental companies have made strong efforts to get costs under control and to operate efficiently. With strict fleet management, time utilisation is fairly high in Sweden and has grown ever so slightly in 2013 and 2014.
- High quality and security standards together with traditionally 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.
- Recently, several regional players have started to expand their interests, possibly indicating a new trend and / or suggesting acquisitions in the future. Market consolidation was very strong until 2010.
- Sustainability and ecological considerations are increasingly important in the rental market as contractors ask for eco solutions and focus on fuel and energy efficiency. In consequence, rental firms are investing strongly in eco-friendly, energy-saving equipment.
- We estimate rental revenues in Sweden to grow by 1.8% in 2014 and by 2.2 % in 2015.

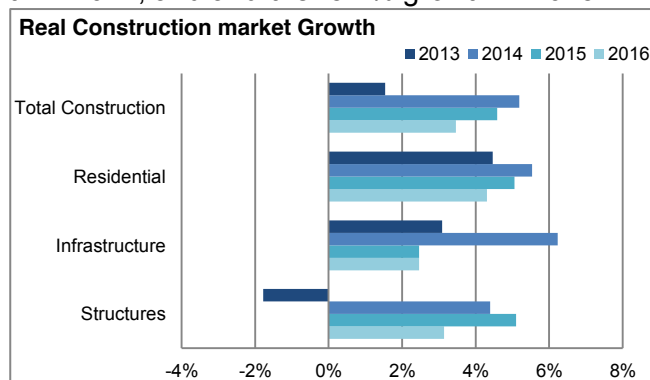
SWEDEN (SE), LOCAL CURRENCY	Actual		Estimates		Forecast	
	2011	2012	2013	2014	2015	2016
<b>Market Size</b>						
<b>Total turnover [million SEK]</b>	12,600	12,691	12,654	12,774	13,009	13,292
Rental Companies (without operator)	12,408	12,498	12,461	12,579	12,810	13,089
Other Comp. Providing Rental Services (only rental)	192	194	193	195	199	203
<b># Rental Companies</b> (without operator)	436	n.a.	n.a.	n.a.		
<b># Employed Persons of Rental Companies</b> (without operator)	4,746	n.a.	n.a.	n.a.		
<b>Investments in Rental Equipment [million SEK]</b> (without operator)	2,688	2,137	2,400	2,400		
<b>Value of Rental Fleet at all companies [million SEK]</b> (without operator)	16,300	17,100	17,200	17,200		
<b>Ratio: Investments in Rental Equipment / Value of the Rental Fleet</b>	16%	12%	14%	14%		
<b>Penetration Rates</b>						
<b>GDP [billion SEK]</b>	3,480	3,550	3,641	3,729	3,858	4,019
<b>GDP Penetration Rate</b>	3.60 ‰	3.60 ‰	3.50 ‰	3.45 ‰	3.35 ‰	3.30 ‰
<b>Total Construction Output [million SEK]</b>	341,832	347,088	360,403	371,805	407,499	428,353
<b>Construction Industry Penetration Rate</b>	3.70%	3.65%	3.50%	3.45%	3.20%	3.10%
<b>Country Population [million]</b>	9.38	9.45	9.51	9.57	9.63	9.69
<b>Country Population Penetration Rate [SEK per person]</b>	1,343	1,343	1,330	1,335	1,351	1,371

Source : IHS and Official Statistics data

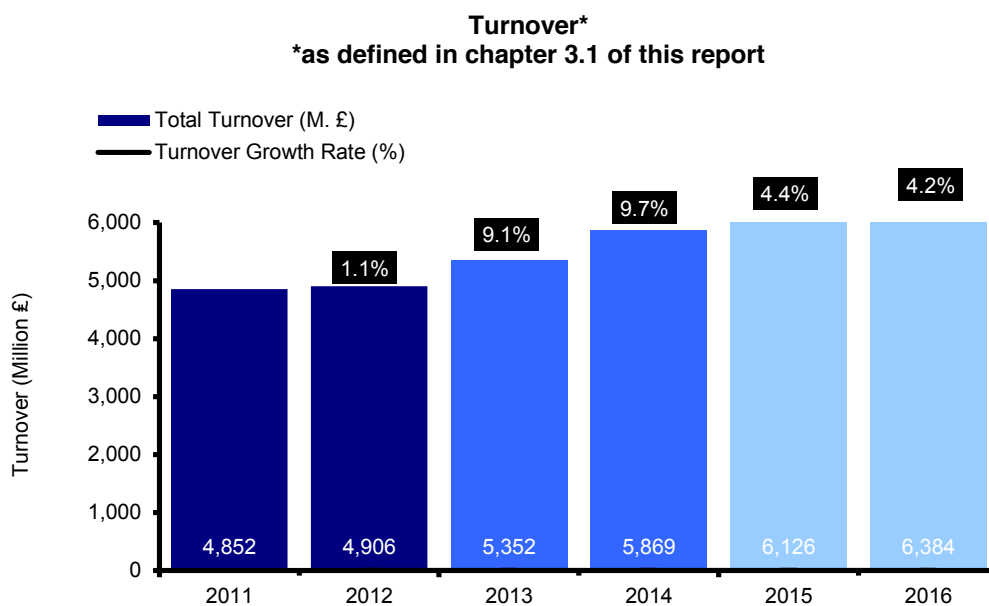
## 5.12 United Kingdom (UK)

### a. Economic and Construction Context for the Equipment Rental Industry

- **Macroeconomic overview:** The economy expanded 1.7% overall in 2013, which was the best performance since 2007 and up from growth of just 0.3% in 2012. The United Kingdom was therefore among the strongest growing major economies in 2013, although this improvement was from a very low base. Looking ahead, prolonged improved economic activity will hopefully sustain recent appreciably healthier business confidence, thereby encouraging firms to further lift their investment and employment. Nevertheless, tight fiscal policy and relatively difficult credit conditions remain significant growth constraints while consumer purchasing power is limited by earnings growth still running modestly below consumer price inflation.
- **Total Construction:** In 2013, real total construction increased by a 1.5% y/y, before posting a 5.2% y/y gain in 2014, and another 4.6% in 2015.
- **Residential:** Real spending on residential construction increased by 4.5% y/y in 2013. The segment is expected to experience 5.5% growth in 2014, and a further 5.1% growth in 2015.
- **Infrastructure:** Real infrastructure construction spending increase of 3.1% y/y in 2013, driven by public health infrastructure. Infrastructure is anticipated to increase 6.2% in 2014, followed by 2.5% growth in 2015.
- **Structures:** Real spending on structures construction posted a 1.8% y/y decline in 2013, before increasing 4.4% in 2014, and 5.1% in 2015, supported by firmer business confidence within a healthier economic situation.

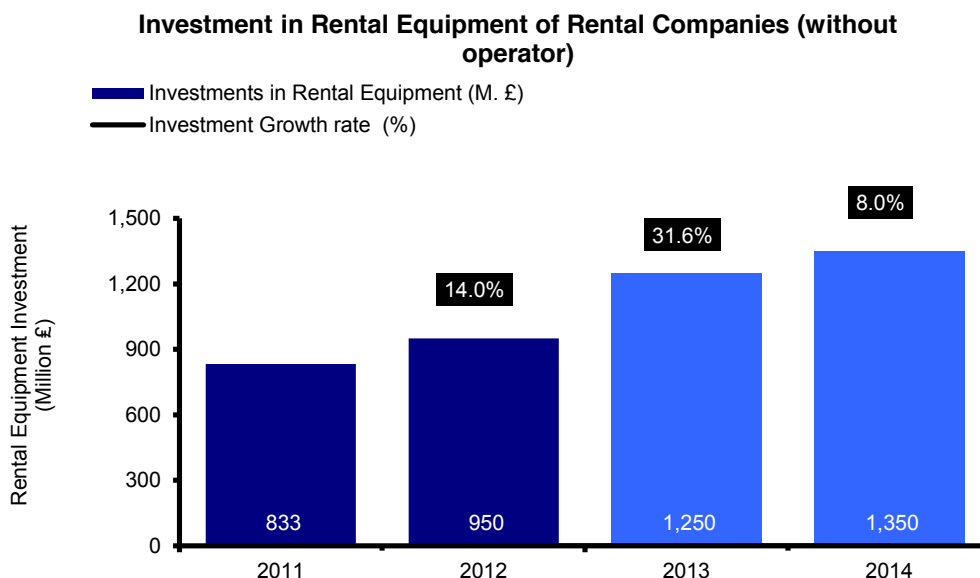


### b. Detailed Results per Country



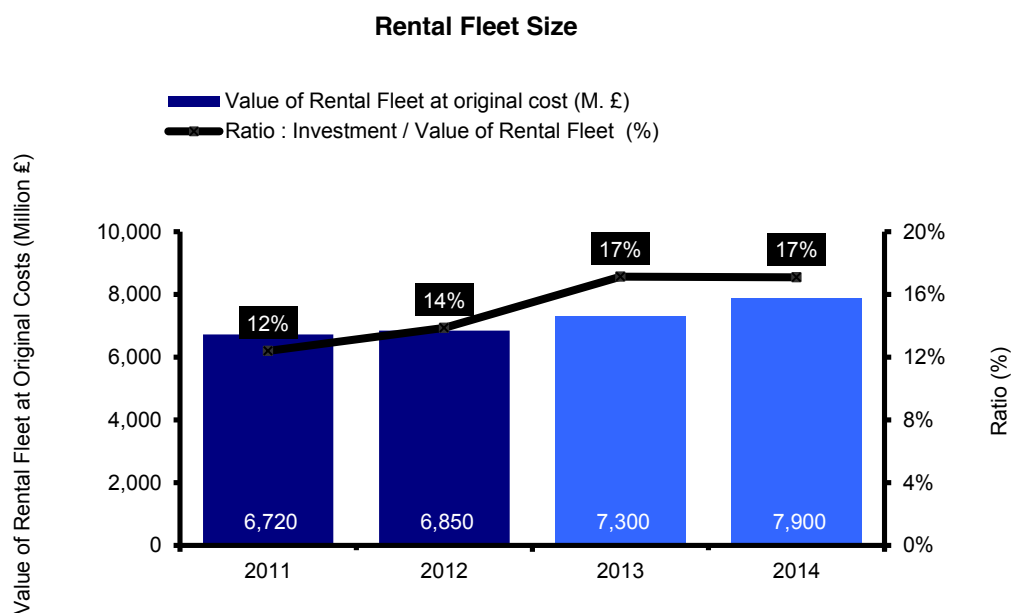
Source: IHS

- After substantial growth in 2013, investment in rental equipment is estimated at more than 1.3 billion GBP in 2014. Companies had been holding back investment after the completion of infrastructure projects for the Olympic Games 2012, but have now recommenced expanding their fleet.
- Recently however, many companies have become more cautious about capital expenditure. With elections in May 2015, and given a lack of both political and economic confidence, there is a tendency to postpone large investment decisions until Q2 2015.



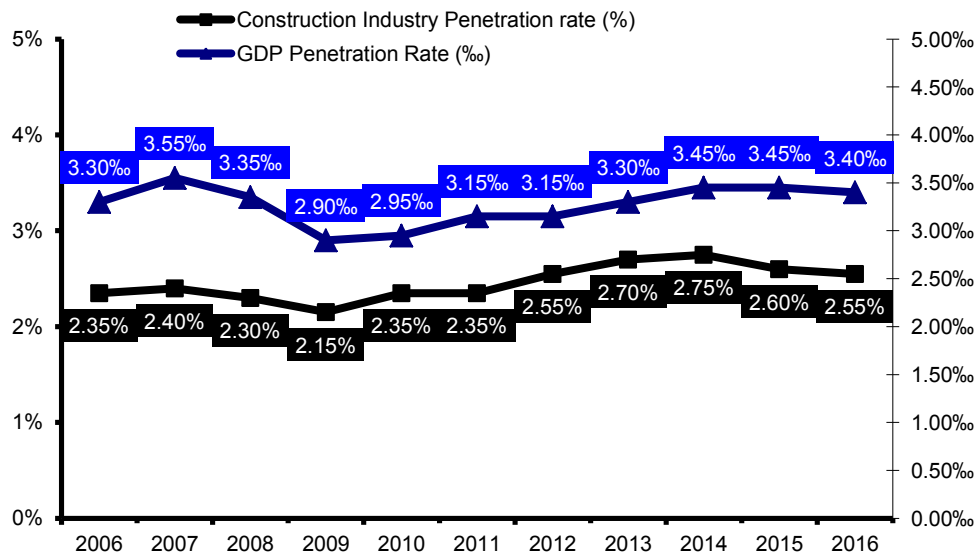
Source: IHS

- The size of the rental park increased substantially in 2013 (+6.6%) and is estimated to expand by an additional 8.2% in 2014 to a value of 7.9 billion GBP (at original cost).
- Average fleet age is estimated to be slightly above 4 years in 2014.



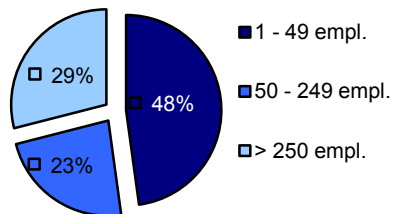
Source: IHS

### Penetration Rates



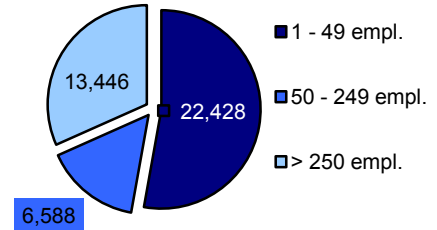
Source: IHS

### Turnover of Rental Companies 2011



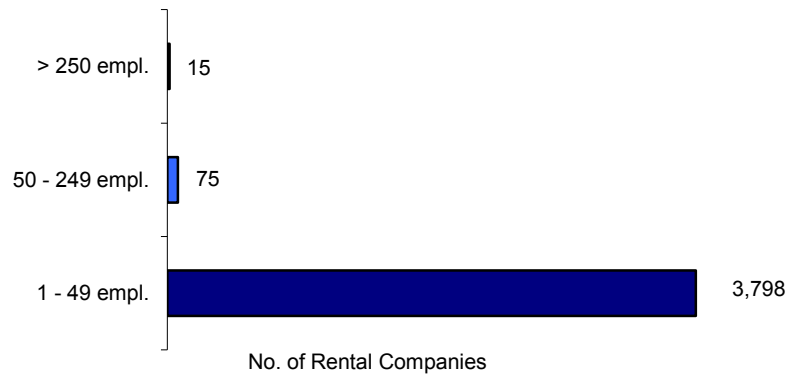
Source: IHS

### Persons Employed by Rental Companies 2011



Source: IHS

### Number of Rental Companies by employees size group 2011



Source: IHS

- After the post-Olympic downturn of activity, construction re-started in summer 2013. Strength in UK construction is now found in residential and infrastructure construction, benefitting from government initiatives. These include the “Help to Buy” scheme for new housing, which has been extended to 2020. Increasing rental demand can be expected especially for small excavators, forklifts and backhoe loaders.
- Rental turnover increased by almost 10% both in 2013 and 2014 and grew stronger than our already positive outlook of 2013 predicted, benefitting certainly from the important investments done in the past few years. Despite this strong growth, the market seems, as of September 2014, to be fragile perhaps reflecting, amongst other things, the geo-political situation.
- For the years 2015 (+4.4%) and 2016 (+4.2%) we therefore forecast a more moderate revenue growth in the equipment rental sector.
- Time utilisation has increased in 2013 and 2014 and is overall at high levels thanks to improved logistics and planning. However, rental rates are not growing, at best keeping pace with inflation. Companies do not feel confident enough to raise rates.
- Large rental companies are reacting to the increasing pressure on rental prices by streamlining fleets and focusing on utilisation rates of core rental products. They are reorganising depot networks to realise high operational efficiency and service quality while simultaneously keeping control on their logistic costs.
- The trend to “one-stop”-solutions continues. Rental firms are increasingly offering services in addition to pure equipment rental in order to satisfy customer demands. The tendency is to diversify, to shift focus away from pure construction equipment rental to facility management, the service sector and industrial customers. This will also fuel the rehire business.
- Builders merchants are moving aggressively in the hire market since 2-3 years and are increasing their number of outlets.

UNITED KINGDOM (UK), LOCAL CURRENCY	Actual		Estimates		Forecast	
	2011	2012	2013	2014	2015	2016
<b>Market Size</b>						
<b>Total turnover [million £]</b>	4,852	4,906	5,352	5,869	6,126	6,384
Rental Companies (without operator)	4,681	4,734	5,163	5,662	5,911	6,159
Other Comp. Providing Rental Services (only rental)	171	173	188	207	216	225
<b># Rental Companies</b> (without operator)	3,888	n.a.	n.a.	n.a.		
<b># Employed Persons of Rental Companies</b> (without operator)	42,462	n.a.	n.a.	n.a.		
<b>Investments in Rental Equipment [million £]</b> (without operator)	833	950	1,250	1,350		
<b>Value of Rental Fleet at all companies [million £]</b> (without operator)	6,720	6,850	7,300	7,900		
<b>Ratio: Investments in Rental Equipment / Value of the Rental Fleet</b>	12%	14%	17%	17%		
<b>Penetration Rates</b>						
GDP [billion £]	1,537	1,558	1,613	1,693	1,776	1,867
<b>GDP Penetration Rate</b>	3.15 ‰	3.15 ‰	3.30 ‰	3.45 ‰	3.45 ‰	3.40 ‰
Total Construction Output [million £]	208,219	193,148	199,755	214,671	235,454	250,615
<b>Construction Industry Penetration Rate</b>	2.35%	2.55%	2.70%	2.75%	2.60%	2.55%
Country Population [million]	62.26	62.74	63.24	63.76	64.27	64.78
<b>Country Population Penetration Rate [£ per person]</b>	78	78	85	92	95	99

Source : IHS and Official Statistics data

## 6. Special report: France (FR)

For this year's edition of the ERA report, we developed a special research activity to investigate, in deeper detail, the structure of the equipment rental market in France. After the work last year with the United Kingdom, the objective was to achieve both a validation of the product and market classifications established through that study, as well as additional information on the French market. Since France is the second most important rental market in Europe, and a less mature market than the United Kingdom, insights into its market structure will serve as a basis for further research on other European countries, starting with Germany in 2015.

In this context, a set of consultation and data exchanges were carried out by the ERA and IHS with key stakeholders of the French rental industry. To develop a global vision of the industry, and to facilitate the intelligence gathering and interpretation, we held a meeting with key representatives of the three main channels to market: Rental companies, Equipment distributors and OEMs having a rental activity. In addition to these companies, we also worked with the French Rental Federation, the DLR.

These consultations have been accompanied by a comprehensive evaluation of the data available from the French Office for National Statistics (Insee) and Eurostat on the equipment rental industry as defined by the respective industry classification codes. A special effort has been made to review and discuss the methodology applied by the DLR in its annual report for the industry in order to understand the main difference in terms of definitions and forecast between DLR and the ERA.

During the stakeholder consultations a set of key topics were identified and addressed. The main topics investigated included:

- The validation of a classification of product by categories, groups, and sub-groups;
- An estimate of revenue broken down by product categories;
- The validation of a classification of market / rental customers by categories, groups, and sub-groups;
- An estimate of revenue broken down by market / rental customers categories and by groups;
- An estimate of revenue broken down by channel to market categories.

The following subchapters present the key results obtained.

### 6.1 Revenue breakdown by product categories

Last year, a three-level classification of rental product categories, groups and sub-groups was constructed in consultation with the United Kingdom industry stakeholders. The hierarchical classification contained 7 product categories (level 1), 30 product groups (level 2) and 75 product sub-groups (level 3).

Defining the level 2 and 3 groups helps clarify which equipment types belong to the respective higher classification level. In the long-term, it is envisioned to collect primary data down to level 2, with level 3 designed to help future data providers to assess product revenue by the respective product groups on level 2, but so far the focus has been put on level 1.

The system of product categories and groups (levels 1 and 2) is intended to serve as a future reference for a breakdown of rental revenue by equipment type in Europe. With the benefit of the French study, two improvements have been proposed and a third option has been left open for further consideration.

- Improvements:
  - Within the first product category, 'General Plant', additional breakdown of the level 3 sub-group, 1.1.2, 'Excavators', 1.1.3, 'Loaders', and 1.1.4, 'Attachments', into two sub-groups: less than 15 t. and more than 15 t..
  - Creation of a new level 1 category: 'Transportation', breakdown into two level 2 ('LCV (Light commercial vehicle) & Lorry / Dump truck' and 'Towing / Trailer'), and five level 3.
- Option left open for further consideration:
  - Consider moving level 2 group 'Material handing' from 'General Plant' to 'Access' in order to build a comprehensive category including access of persons and materials.

As a result, the new classification contains 8 product categories (level 1), 32 product groups (level 2) and 83 product sub-groups (level 3).

In the table below, the complete classification of equipment types is given.

#### Classification of equipment types into product categories, groups and sub-groups

Level 1	Level 2	Level 3
<b>1 - General Plant</b>	1.1 - Earthmoving	1.1.1 Dumpers
		1.1.2 Excavators, less than 15 t.
		1.1.3 Excavators, more than 15 t.
		1.1.4 Loaders, less than 15 t.
		1.1.5 Loaders, more than 15 t.
		1.1.6 Attachments (e.g. Breakers), less than 15 t.
		1.1.7 Attachments (e.g. Breakers), more than 15 t.
		1.1.8 Shoring Equipment (e.g. Trench boxes)
	1.2 - Road Making Equipment	1.2.1 Graders
		1.2.2 Compactors & Rollers
		1.2.3 Planers, Pavers, Hot boxes, Trenchers, etc.
	1.3 - Material Handling	1.3.1 Forklifts, telescopic boom
		1.3.2 Forklifts, vertical mast
		1.3.3 Goods Hoists
		1.3.4 Other Lift & Shift Equipment
	1.4 - Pumping, Crushing & Screening Plant	1.4.1 Concrete Mixers
		1.4.2 Crushing Plant etc.
		1.4.3 Concrete Pumps
		1.4.4 Other Large or Specialist Pumps
		1.4.5 Other Plant
<b>2 - Tools &amp; General Equipment</b>	2.1 - Portable Pumps & Plumbing	2.1.1 Plumbing & Drainage
		2.1.2 Portable Water Pumps
	2.2 - Drilling, Breaking, Cutting, Grinding & all other Concrete Tools	2.2.1 Diamond Drilling & Cutting
		2.2.2 Breakers (Electric / Petrol)
		2.2.3 Floor saws
		2.2.4 Masonry & Concrete Saws
		2.2.5 Other Electrical & Concrete Tools
	2.3 - Carpentry & Woodwork	2.3.1 Saws (Wood)
		2.3.2 Other Carpentry & Woodwork Tools

	2.4 - Cleaning & Floor Preparation	2.4.1 Cleaning and Floor Maintenance 2.4.2 Surface Preparation & Sanding
	2.5 - Gardening & Landscaping	2.5.1 Electrical Gardening and Landscaping Tools 2.5.2 Other Gardening and Landscaping Tools
	2.6 - Other Tools & Equipment	2.6.1 Communications 2.6.2 Cartridge & Gas Nailers 2.6.3 Domestic & Leisure 2.6.4 Hydraulic Tools & Attachments 2.6.5 Pressure Washers 2.6.6 Painting & Spraying 2.6.7 Pollution Control 2.6.8 Survey Equipment 2.6.9 Traffic Lights, Signs, Barriers etc. 2.6.10 Other Tools n.e.c*
	3 - Access	3.1.1 Static Vertical (Vertical personnel platforms - static) 3.1.2 Static Boom (Self-propelled booms (outriggers), trailers / push-around, vehicle-mounted platforms) 3.1.3 Mobile Vertical (Scissor lifts, vertical personnel platforms (mobile)) 3.1.4 Mobile Boom (Self-propelled booms)
		3.2 - Scaffolds, Access Towers 3.2.1 Scaffolds 3.2.2 Access Towers 3.2.3 Ladders
		3.3 - Personnel Lifts & Elevators 3.3.1 Personnel Lifts & Elevators
		3.4 - Mast Climbing 3.4.1 Mast Climbing
	4 - Power Generation & Temperature Control	4.1 - Generators 4.1.1 Generators
		4.2 - Compressors 4.2.1 Compressors 4.2.2 Air Tools
		4.3 - Heating, Cooling & Drying 4.3.1 Air Conditioning 4.3.2 Fans 4.3.3 Dehumidifiers 4.3.4 Heating
		4.4 - Lighting, Welding & Power 4.4.1 Bowsers & Tanks 4.4.2 Lighting 4.4.3 Welding
	5 - Accommodation & Fencing	5.1 - Accommodation & Office Containers 5.1.1 Accommodation & Office Containers
		5.2 - Toilets & Showers 5.2.1 Toilets & Showers
		5.3 - Other Portable Accommodation 5.3.1 Other Portable Accommodation
		5.4 - Fencing & Security 5.4.1 Fencing & Security
6 - Industrial Machinery	6.1 - Turbines & Engines	6.1.1 Turbines & Engines
	6.2 - Mining and Oilfield Equipment	6.2.1 Mining and Oilfield Equipment
	6.3 - Other Industrial Machinery	6.3.1 Other Industrial Machinery
	6.4 - Rail & Other Land-Transport Equipment	6.4.1 Railway 6.4.2 Other Large Transport Equipment

<b>7 - Cranes</b>	7.1 - Tower cranes	7.1.1	Tower cranes
	7.2 - Mobile Cranes	7.2.1	Mobile Hydraulic Cranes
		7.2.2	Lattice Boom Cranes
		7.3.3	Other Crawler Cranes
		7.3.4	Lorry-Mounted Cranes (excl. Lorry Loaders)
	7.3 - Lorry Loaders	7.3.1	Lorry Loaders
	7.4 - Other Cranes	7.4.1	Other Cranes n.e.c*
<b>8 - Transportation</b>	8.1 - LCV (Light commercial vehicle) & Lorry / Dump truck	8.1.1	LCV (Light commercial vehicle), less than 3.5 t.
		8.1.2	LCV (Light commercial vehicle), more than 3.5 t.
		8.1.3	Lorry / Dump truck
	8.2 - Towing / Trailer	8.2.1	Towing
		8.2.2	Trailer

\*n.e.c. = not elsewhere classified

For the year 2013, estimates of revenue by product category for France are given in this report. Based on the product classification a number of the key rental players and rental experts have supplied information on revenue by main product categories. Combining this, as well as publicly available data on the French rental market, a first estimate of the rental revenue breakdown has been established.

According to these estimates, 'General Plant' accounts for more than 40% of the total 2013 rental revenue in France. The second largest category is 'Access' with almost 25%, consisting of 'Powered Access', 'Scaffolds & Access Towers', 'Personnel Lifts & Elevators' as well as 'Mast Climbing' products. A substantial share of overall revenue, just less than 20% is made up of 'Tools & General Equipment', whilst 'Power Generation & Temperature Control' Products represent just less than 10%.

It is interesting then to note that the categories 'Transportation' and 'Accommodation & Fencing' play only a minor role and that 'Cranes' and 'Industrial Machinery' play almost no role in this market analysis.

### French equipment rental without operator revenue by main product categories 2013

Level 1	Share of total revenue
1 - General Plant	41.1%
2 - Tools & General Equipment	18.5%
3 - Access	24.3%
4 - Power Generation & Temperature Control	8.4%
5 - Accommodation & Fencing	2.9%
6 - Industrial Machinery	0.0%
7 - Cranes	0.1%
8 - Transportation	4.8%
<b>Total</b>	<b>100%</b>

## 6.2 Revenue breakdown by market category

Similar to the product classification, a three-level classification scheme has been developed to identify the structure of revenue demand. The hierarchical classification contains 2 market categories (level 1), 6 market groups (level 2) and 15 market sub-groups (level 3).

At its first level, the classification expresses the share of revenue from the construction sector and the non-construction sector respectively. At the second level, 'Construction' is segmented into 'Residential construction', 'Non-residential construction' and 'Infrastructure construction', and the 'Non-construction' is sub-divided into 'Services sector', 'Consumer Sector & Other' and 'Industrial sector'. A further breakdown by demand segments included in the level 2 groups is provided by level 3 of the classification.

The classification scheme is presented below.

### Classification of rental clients into market categories, groups and sub-groups

Level 1	Level 2	Level 3
1 - Construction*	1.1 - Residential Construction	1.1.1 Residential Construction
	1.2 - Non-residential Construction	1.2.1 Institutional (Health, Education, Government, Other)
		1.2.2 Commercial (Retail, Warehouses, Service Centres, Hotels, Leisure centres etc.)
		1.2.3 Offices
		1.2.4 Industrial
	1.3 - Infrastructure Construction	1.3.1 Transportation Infrastructure
2 - Non-Construction	2.1 - Services Sector	1.3.2 Utilities (Energy, Water, Sewage, Communications, Other)
	2.2 - Consumer Sector & Other	2.1.1 Facilities Management, Maintenance and Cleaning
		2.1.2 Other Services
		2.2.1 DIY (Do-It-Yourself)
	2.3 - Industrial Sector (excl. Industrial construction)	2.2.2 Party & Events
		2.2.3 Other Consumer
		2.1.1 Manufacturing
		2.1.2 Oil & Gas
		2.1.3 Mining

\*Note: Construction means all construction: i.e. new build and renovation

Based on this classification a first estimate of the French rental revenue breakdown by market categories has been established. According to that estimate, rental demand from the construction sector in 2013 was some 68% of rental revenues, while non-construction demand accounts for the other 32%.

Looking at the rental shares by market categories, it is interesting to note that the construction-related rental revenues are mainly driven by the 'Infrastructure construction', and that the non-construction-related rental revenues are mainly driven by the 'Service sector'.

### French equipment rental without operator revenue by main market categories 2013

Level 1	Share of total revenue	Level 2	Share of total revenue
1 - Construction	67.7%	1.1 - Residential Construction	18.4%
		1.2 - Non-residential Construction	18.4%
		1.3 - Infrastructure Construction	30.9%
2 - Non-Construction	32.3%	2.1 - Services Sector	16.5%
		2.2 - Consumer Sector & Other	6.2%
		2.3 - Industrial Sector (excl. Industrial construction)	9.7%
<b>Total</b>	<b>100%</b>	<b>Total</b>	<b>100%</b>

### 6.3 Revenue breakdown by channel to market

In addition to the first two classifications, we investigated further the question of the structure of the market, and created a channel to market breakdown.

For the year 2013, estimates of revenue by channel to market categories for France are given in this report. Combining information supplied by key rental players and rental experts, and publicly available data on the French rental market, a first estimate of the rental revenue breakdown has been established.

According to these estimates, 'Rental companies' account for the majority of the rental turnover, with more than 90% of the total rental revenue in France. This category, gathering many kinds of companies from the large international one to the small entity operating with few machines in a local market, a further segmentation of this category could be useful in the future. The second category is 'Equipment distributors having a rental activity' with around 7%. It is then useful to note that the categories 'OEMs having a rental activity' now plays only a minor role in France.

### French equipment rental without operator revenue by main channel to market categories 2013

Level 1	Share of total revenue
1 - Rental companies	92.5%
2 - Distributors having a rental activity	7.0%
3 - OEMs having a rental activity	0.5%
<b>Total</b>	<b>100%</b>

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## 7. Rental Tracker

ERA and its media partner, International Rental News (IRN), are publishing the ERA/IRN RentalTracker, a quarterly online survey of business sentiment in Europe's equipment 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 now (improving, stable or 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), allow 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](http://www.zoomerang.com). The results of the survey for the second quarter of 2014 are included in this report.

### Survey Results Q2 - 2014

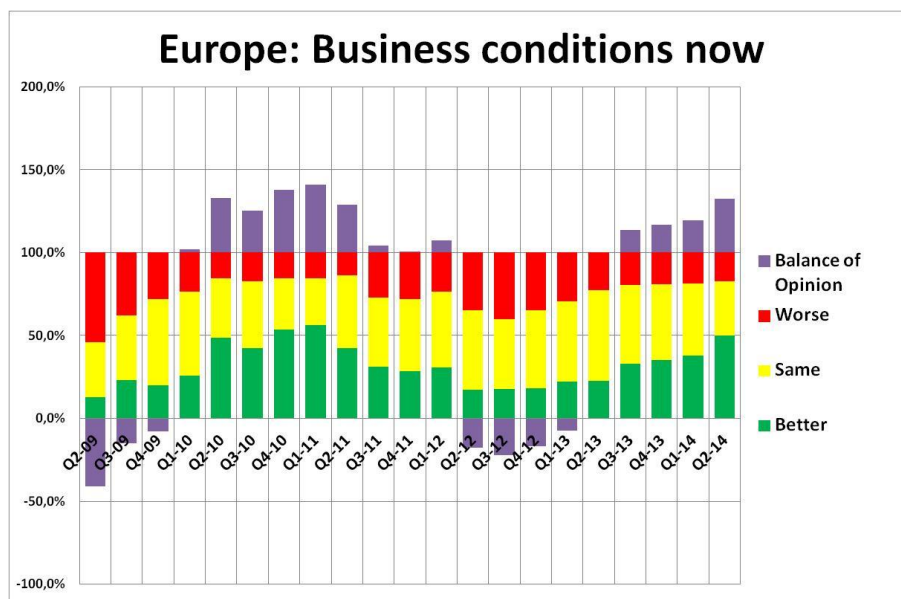
#### Overall trends

Encouraging signs for the industry continued in the results of the second quarter ERA/IRN RentalTracker survey, albeit with a little more caution in some areas.

Nevertheless, the survey should bring further comfort to the European rental industry where the positive signs for the UK and Germany continue, for instance, making these the two most confident and optimistic markets in Europe at the moment.

In the UK, the balance of opinion on current conditions (the difference between the proportions of respondents reporting improvements and those reporting deteriorating conditions) shows at a healthy +69%, albeit down against a balance of +79% compared to the first quarter.

In Germany the figure was +58%, a marked increase from a balance of +27% at the end of the first quarter.

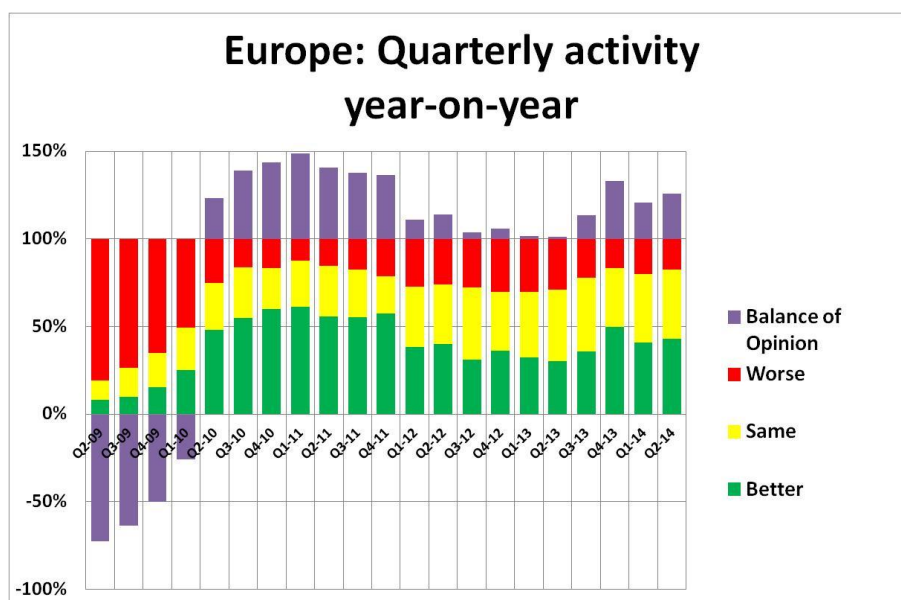


## Business Conditions

The balance of opinion of respondents reporting improving business conditions at the end of the second quarter is at 33%, up from 19% at the end of the first quarter.

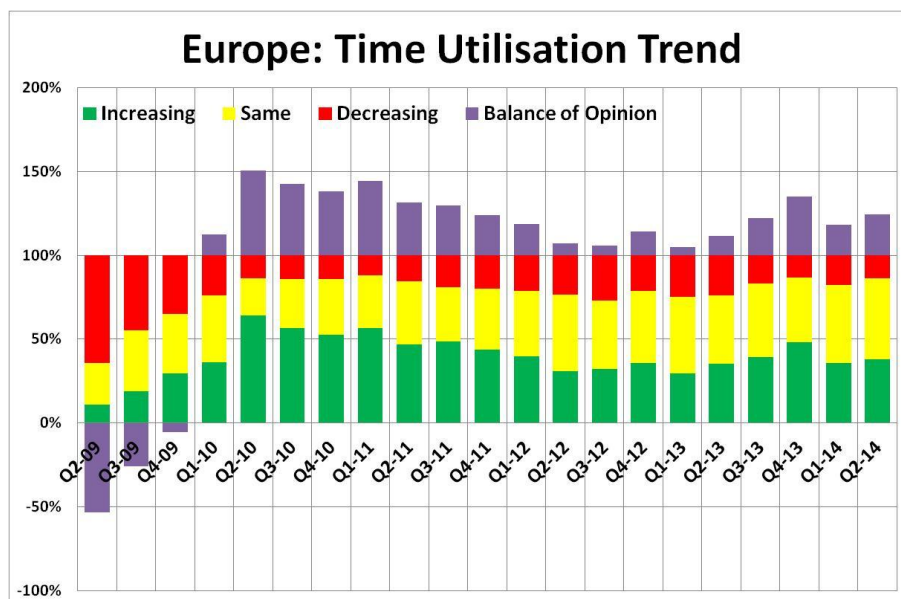
Compared to a year ago, a balance of +26% of all respondents said quarterly activity had improved, up from a balance of +21% in the first quarter of 2014. (See below)

However, this positivity is tempered somewhat by a more cautious outlook, with 54% of respondents expecting improving conditions a year from the end of the second quarter, compared to 56% in the first quarter.



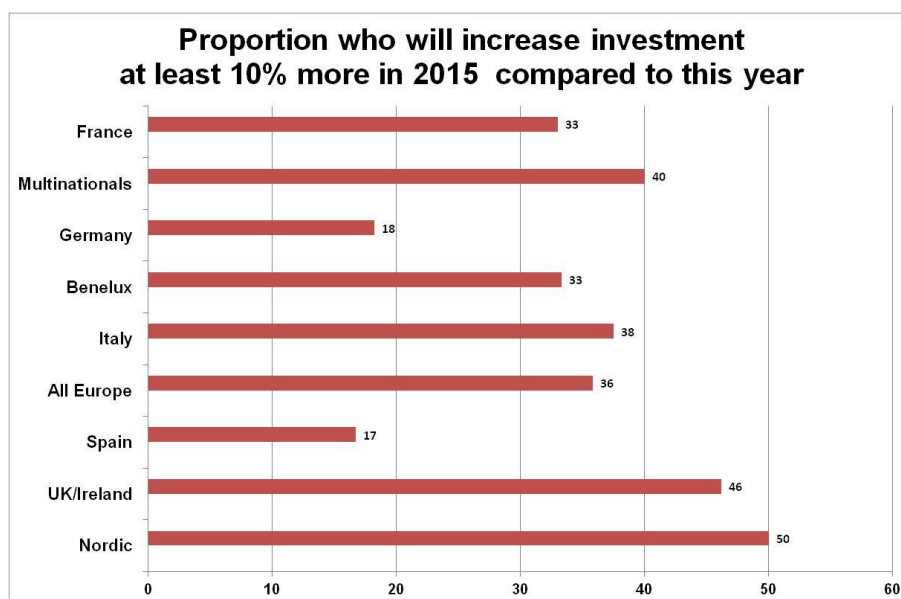
## Time Utilisation

The time utilisation trend is also positive, with 38% of respondents feeling that fleet time utilisation was increasing, up from 36% in the first quarter. The balance of opinion on this measure is +24.5%, up from +18.4% at the end of the first three months of the year.



## Capital investment

In the UK, 69% of respondents expect to increase investment in their fleets this year compared to last year. However, a more conservative 27% of German respondents expect to increase investment in their fleets this year, down from 40% in the first quarter.

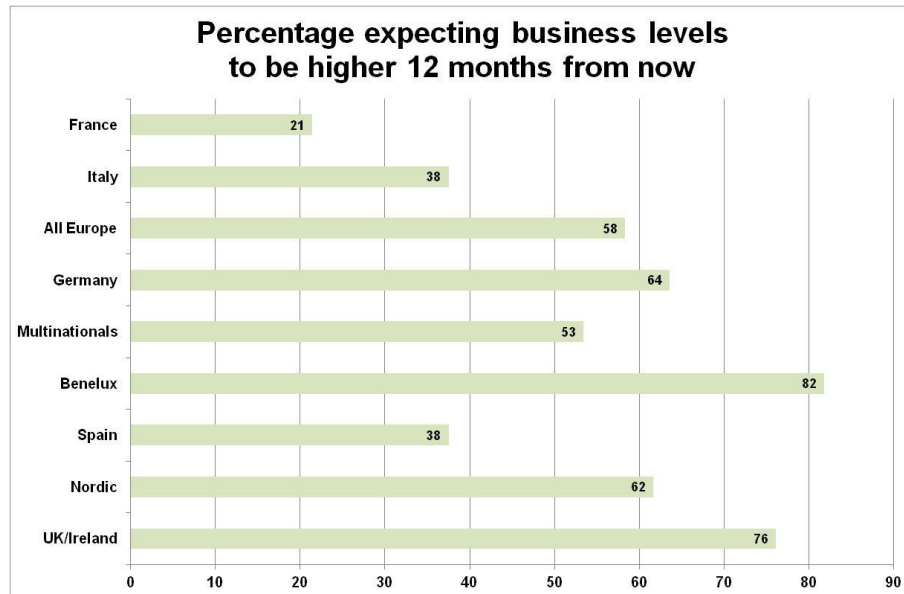


## Regional Situations

A mixed picture emerges from the Nordic region, where a balance of 39% of respondents said business conditions were currently improving (compared to +27% at the end of the first quarter), when only 31% of respondents from the Nordic region reported year-on-year growth in the second quarter, compared to 45% in the first quarter.

French companies are still rather downbeat and not particularly optimistic for the future; in fact just 21% of respondents expect business conditions improving in 12 months' time.

Spain and Italy are more optimistic about the future than France. In Spain as well as in Italy, 38% of respondents to the second quarter ERA/IRN RentalTracker forecast improving business conditions in 12 months' time, for instance.



### Cautious multinationals

There are signs that multinationals are a bit more cautious than three months ago. Indeed, 40% of those companies with businesses in more than one country report seeing second quarter growth, compared to the same quarter last year. This is down from 65% of respondents reporting year-on-year growth in the first quarter survey.

This increased caution is also reflected in multinationals' investment plans, with 20% of respondents now expecting to increase year-on-year capital expenditure on their fleets in 2014, compared to 53% in the first quarter.

Importantly, the balance of opinion for multinationals shifts significantly down to +7% for the second quarter, compared to a very positive +50% in the first quarter.

**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](http://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](mailto:era@erarental.org)) or Murray Pollok, IRN Managing Editor ([murray.pollok@khl.com](mailto:murray.pollok@khl.com)).

ERA and IRN would like to thank all companies and individuals who complete the survey every quarter, and we encourage you to send the link to colleagues on the rental market in Europe.

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