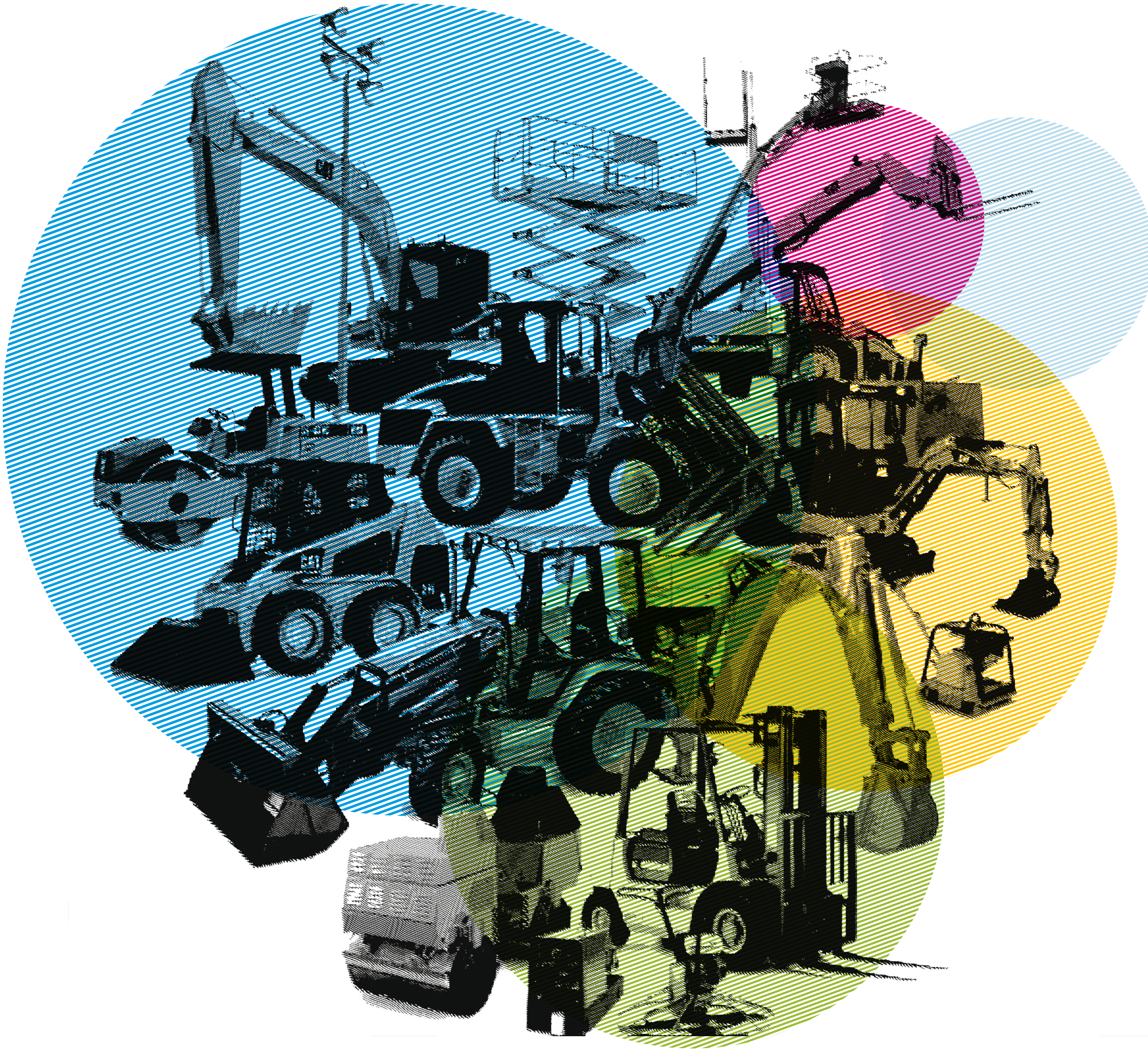
EUROPEAN
RENTAL
ASSOCIATION

The European Equipment Rental Industry 2013 Report



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The Copyright Statement

Foreword

Dear ERA member, dear reader,

The ERA is releasing its 2013 Report, showing that the equipment rental without operators market in Europe in 2012 amounted to a total turnover of 22.95 billion Euros, representing a decrease, at 2012 exchange rates, of 0.1% compared to 2011.

The estimate for 2013 is showing an increase of 0.7% over 2012 at 23.57 billion Euros.

It is the aim of the ERA to develop the European Equipment Rental Industry Report further as a strategic publication for wider dissemination among the industry as well as political and economic actors and stakeholders.

A special focus in this 2013 edition of the report has been to enhance the understanding of the rental market for the UK, which is regarded as the most mature and yet, most complex rental market in Europe. It is also Europe's largest rental market, so market estimates draw a lot of public attention.

The objective was thus to undertake a special effort to increase the quality of the UK market estimates and to shed a brighter light on several important topics. During the stakeholder meeting and consultations, a set of key topics were identified and addressed.
- The construction of a classification of product categories, groups and sub-groups with an estimate of UK revenue broken down by product categories
- The construction of 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.

The validation of the UK equipment rental market, following a first and modest attempt in Sweden in 2012, confirms the value of such effort and it is envisioned to repeat it in more rental markets of significance in the future.

As data sourcing is improving, our market sizing is also improving, always with respect to the consistency of our definitions and methodologies.

Rental penetration has seen much attention over the past years as a critical measurement of the overall trend of the equipment rental industry worldwide. This year will still be a transition year before an agreement is found, probably in 2014 and at the international level, on the various potential definitions of rental penetration.

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

Michel Petitjean – ERA Secretary General

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1. Introduction

1.1 The European Rental Association (ERA)

The European Rental Association was created in 2006 to represent national rental associations and equipment rental companies in Europe. Today our membership includes over 4,700 rental companies, either directly or through 13 national rental associations. ERA is active through its working groups in the fields of Promotion, Safety and Sustainability, Statistics, Equipment Technology and Theft, General Rental Conditions. The next ERA convention is scheduled in Amsterdam on June 24 - 26, 2014.

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

1.2 IHS

IHS offers information and expert analysis in the pivotal areas that shape today's business landscape. That analysis, combined with extensive knowledge of customer requirements, challenges and business objectives, allows us to provide critical information and to design and develop solutions that help our customers make their most important decisions every day. IHS employs 6000 people in more than 30 countries, speaking 50 languages.

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

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

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

1.3 Purpose of the Study

IHS and the ERA have together strived to develop the reference source for intelligence concerning the European equipment rental market; this study provides an update of the “The European Equipment Rental Industry Report”, published in 2012. 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 the United Kingdom. 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 16 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 (2010/2011) and estimates (2012/2013) 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 2012. Please note that European growth for 2012 is calculated at constant exchange rates and is based upon slightly revised estimates for 2011 taking advantage of more recent statistical data. Therefore, please be aware that it is not possible to calculate the 2012 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 2014 and 2015; and at the end of the report, a special chapter is provided on the rental market in the United Kingdom.
- For those countries that had benefited recently from a period of substantial recovery the economic environment has become cloudier since the third quarter of 2012. Norway has been the only exception showing strong growth throughout 2012; for other equipment rental markets, revenue growth was flat or moderately positive at best. Rental revenue in Italy, Spain and Poland declined markedly in 2012. Moving on to 2013, the United Kingdom is the only country in which the economic environment has significantly improved recently, leading us to the expectation that the UK will show the strongest revenue growth among all countries under investigation in this period.
- Rental companies in all countries remained – probably as a consequence of lessons learnt in the crisis – cautious with their investment policy and with the expansion of their fleet. The more troubled economic environment, in most cases, did not affect time utilisation, which remained at a fairly stable level; however, fierce competition generally prevented increases of rental rates.
- Also noteworthy is the ongoing trend of contractors to outsource the management of their entire equipment fleet as well as to demand for more complex logistics solutions than pure equipment rental. Market consolidation on the client side increasingly favours "one-stop-shop" solutions and is expected to strengthen the position of rental generalists.
- The special chapter on the construction and rental markets in the United Kingdom combines quantitative and qualitative facts on the UK construction market. In the context of this specific effort to examine the equipment rental market in the United Kingdom in greater detail, estimates have been established of the breakdown of rental revenues by equipment type and by market category/customer segment. In addition, we have researched the total rental turnover inclusive of both rental companies primarily with operator as well as those primarily without operator: we estimate that turnover for equipment rental with operator in the UK is about 25-30% of the total rental with and without operator revenues. Total equipment rental revenue in 2012 from companies whose primary activity is rental, either with or without operator, is estimated at 5.7 billion GBP.
- Attention is drawn to the basis of the calculation of the Construction Industry Penetration rate. The measurement of construction output that is used in the calculation is the **gross** figure: **"Total construction put in place".** This figure is significantly higher than the other measure 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.

The key results of the study can be summarized as:

- In the EU-27 and EFTA countries, in 2012, equipment rental companies, and other companies providing rental services, generated a total rental turnover (as defined in chapter 3.1) of € 23.0 billion, at 2012 exchange rates, a decrease of 0.1% compared to 2011.
- As with the overall economy, national rental markets across Europe remain heterogeneous. The picture shows that – by far – the strongest growth in 2012 among the countries under investigation was observed in Norway, with an increase of +15.4% for an already mature market. Sweden (+3.2%) and France (+2.7%), also showed reasonable growth in 2012. Finland (+1.3%), the United Kingdom (+0.9%) and Germany (+0.6%) remained slightly positive, whereas rental turnover in Belgium, the Netherlands and Denmark was constant or declined slightly.
- Depressed economic conditions continued to cause substantial declines of 2012 rental turnover in both Italy (-10.1%) and Spain (-11.2%). Poland's rental market, which was still booming in 2011, experienced a hard landing in 2012 and contracted by 11.2%.
- It appears that fierce competition between companies, in most countries, has led to fewer partnerships and alliances, reducing the share of re-rental activity. It has also led to increasing internationalisation. Many large companies, but also medium size ones, are looking outside of their borders to find growth opportunities.
- The difficult economic environment in 2012 for the construction sector, as well as for most industry sectors, pushed rental companies in many countries to reduce prices in order to increase time utilisation of their equipment.
- In some countries, especially in Spain and Italy, but also in the Netherlands, the financial health of contractor companies caused concern. The question of the extension of payment terms (up to more than 200 days, in Spain, for instance) has put a very high pressure on business recovery.
- Average construction industry penetration in the 12 countries in the report in 2012 was 1.55%, clearly above the average for the remaining EU27 + EFTA countries (0.70%).
- Many rental companies are expecting rental penetration to increase in the near future, the general sentiment being that more customers are experimenting with rental services during the difficult economic environment and that these customers will adopt rental in the long term.
- After a strong rebound in expenditure in many European countries in 2011, total investment in 2012 was down 3.3%. There are really two distinct groups of countries in 2012 concerning investment:
    - Those with a severe drop mainly Spain (-20%), Finland (-16%), Italy (-13%), Sweden (-25%) and Poland (-83%).
    - Those increasing their investment, Denmark (+11%) Norway (+51%) and the United Kingdom (+8%).
- Where rental companies have experienced weakening demand, they have tended to reorganise their fleets to focus on product ranges with less competition. In most countries, legacy over-investment for powered access has prevented a substantial recovery of rental rates in this segment. Earthmoving equipment, on the other hand, has been hit more recently, in some countries, by the reduction of governmental infrastructure expenditure.
- The size of the rental fleet 2012 increased on average by 0.9%, increasing especially in Norway (9.5%) and France (4.1%), and decreasing most substantially in Spain (-6.9%) and Poland (-6.9%). Average fleet age increased slightly in the countries with low investment while it remained fairly constant or decreased slightly in the remaining countries.
- Overall, we expect moderate growth of rental volumes in 2014 and 2015 of +2% and +3% respectively. The strongest growth in 2014 is estimated to take place in the United Kingdom.

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 2015.

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 2010-2013. Forecasts of rental turnover are provided for the years 2014 and 2015. Three different concepts have been applied, depending on the availability of data. Throughout the report, a colour code has been assigned for each concept in order to facilitate the understanding of the underlying data basis for each year:

Years	*Concept*	*Colour Code*
2010-2011	**Actual data** *based on official statistics*	dark blue
2012-2013	**Estimates** *based on interviews and field research*	lighter blue
2014-2015	**Forecast Values** *based on IHS Global Insight driver forecasts*	light blue

Definition of Rental Turnover

Market Sizing for equipment rental companies refers to the concept of rental turnover, including rental-related revenues, merchandise as well as sales of used equipment 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 2012 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 2012, the European growth rates presented are calculated at constant currency and thus represent market developments without exchange rate effects.

3.2 Consistency of Approach

Introduction of NACE classification Rev.2

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

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 2012 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 2012 by using the available data on the number of rental companies, revenue, employees and tangible assets.
- To provide a more thorough analysis of companies who provide rental solutions (without operator) as a secondary business (in eight of the countries).

3.3 Equipment Rental Market Indicators

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

Indicator	Time Period	Breakout per company size class*
Market Sizing		
Rental Turnover (rental & other companies providing rental services)	2010-2015	yes (2010)
Investments in Rental Equipment	2010-2013	-
Value of the Rental Fleet *(at original costs)*	2010-2013	-
Number of Rental Companies *(without operator)*	2010	yes (2010)
Persons Employed	2010	yes (2010)
Penetration Rates		
Construction Industry Penetration	2010-2015	-
Country Population Penetration	2010-2015	-

For the time period 2010-2011 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 2012 and 2013 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 16 structured interviews with rental industry experts in nine countries
IHS Global Construction Outlook, IHS World Economic Service
Field data from additional web-research, industry newsletters and association reports

3.5 Forecast

A common forecast approach was applied for the rental turnover outlook for 2014 and 2015. Based on the estimation of rental demand elasticity with respect to construction output per segment (residential, non-residential, infrastructure), GDP and Industrial Production, the IHS forecasts for these drivers have been applied to predict the development of rental volumes over 2014-2015. These forecasts have then been corrected for national rental rates trends in order to come up with a nominal forecast on the development of rental revenues per country.

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

3.6 Penetration Rates

Two penetration rates have been calculated and forecasted for each country for 2006-2015:

- Construction Industry Penetration
- Country Population Penetration

Construction Industry Penetration

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

Construction Population Penetration

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

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 2015 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 2010-2013 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 2012. For each of the countries under investigation, forecasts of rental turnover are also provided for 2014-2015.
- In addition, this report features a special chapter on the construction and rental markets in the United Kingdom. The chapter combines quantitative and qualitative facts and forecasts on the UK construction market. In the context of this specific effort to examine the equipment rental market in the United Kingdom in greater detail, estimates have been established of the breakdown of rental revenues by equipment type and by market category/customer segment.

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 almost € 23.0 billion in 2012, at 2012 exchange rates, a decrease of 0.1% compared to 2011. This is in line with the 2012 growth estimate of +0.1% in the foreword of the previous report.
- As with the overall economy, national rental markets across Europe remain quite heterogeneous. The picture shows some countries with strong growth, like Norway (+15.4%); many countries with growth levels comparable to their national economies, while other countries, with young rental industries like Poland (-11.2%), as well as mature rental industries like Spain (-11.2%) or Italy (-10.1%), have had a very difficult year due to the economic environment.
- The strongest growth among the countries under investigation was observed in Norway, with an increase of +15.4% for an already mature market. Even if Norway has the third highest construction industry penetration, after Sweden and the United Kingdom, we believe that there is still room to grow.
- Among European countries only mature rental industries with a high rental penetration grew in 2012: so Norway, but also Finland (+1.3%), France (+2.7%), Sweden (3.2%) and UK (+0.9%)
- Based on 2010 statistics, and for the 12 countries covered under the study, the structure of the European equipment rental industry (without operators) is as follows:
  - # of rental companies (without operators): 13,900
  - # of employed persons in rental companies (without operators): 114,600

Key figures on the European Construction Equipment Rental Industry for 2012

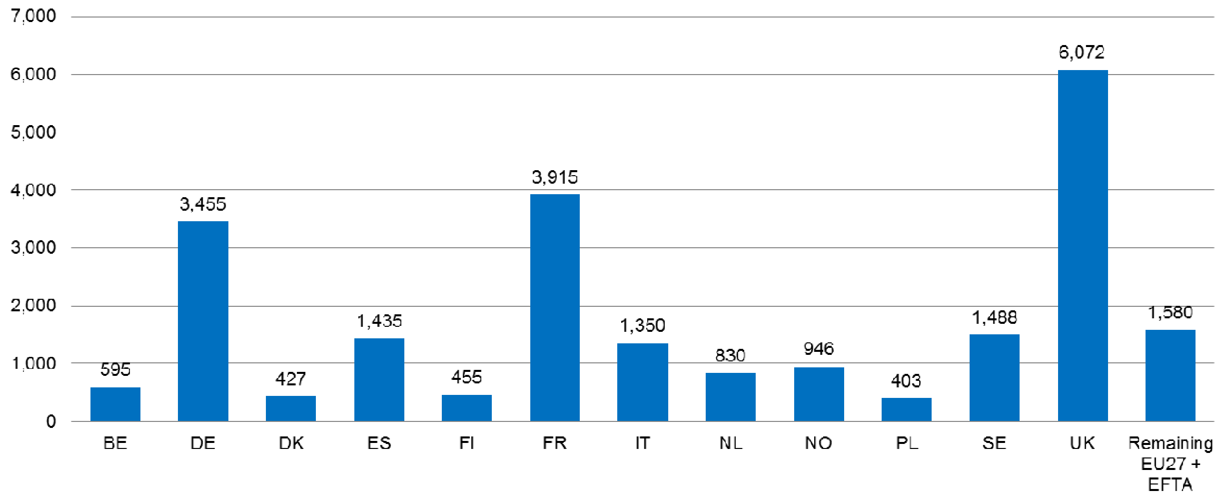
2012	BE	DE	DK	ES	FI	FR	IT	NL	NO	PL	SE	UK	Total / Average 12 countries	Remaining EU27 + EFTA	Total / Average
Total Turnover [million Euro]	595	3,455	427	1,435	455	3,915	1,350	830	946	403	1,488	6,072	21,371	1,580	22,951
Rental Companies *	575	2,750	425	1,360	430	3,710	705	765	707	399	1,465	5,849	19,140	N/A	N/A
Other Comp. Providing Rental Services (only rental)	20	705	2	75	25	205	645	65	239	4	23	223	2,231	N/A	N/A
Investment in Rental Equipment * [million Euro]	150	600	65	80	75	560	130	160	201	24	229	1,115	3,388	N/A	N/A
Value of Rental Fleet ** [million Euro]	960	4,900	787	2,700	650	5,830	2,300	1,270	1,230	800	2,003	8,675	32,104	N/A	N/A
Ratio: Investment in Rental Equipment / Value of the Rental	16%	12%	8%	3%	12%	10%	6%	13%	16%	3%	11%	13%	11%	N/A	N/A
Total Construction Output [million Euro]	62,941	251,094	25,195	137,526	30,898	245,629	162,646	73,697	46,092	81,410	44,501	234,375	1,396,003	221,771	1,617,774
Construction Industry Penetration	0.95%	1.35%	1.70%	1.05%	1.45%	1.60%	0.85%	1.15%	2.05%	0.50%	3.35%	2.60%	1.55%	0.70%	1.40%
Country Population [million]	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	107.68	516
Country Population Penetration [Euro per person]	55	42	76	30	84	62	22	50	191	11	156	96	52	15	45
2012 year-on-year percent change															
Turnover	0.1%	0.6%	-0.5%	-11.2%	1.3%	2.7%	-10.1%	-0.2%	15.4%	-11.2%	3.2%	0.9%	-0.1%	N/A	N/A
Investment	-3.2%	-5.8%	11.6%	-20.0%	-16.7%	3.7%	-13.3%	0.0%	51.3%	-83.3%	-25.6%	8.3%	-3.3%	N/A	N/A
Rental Fleet	0.5%	1.7%	-2.5%	-6.9%	-0.8%	4.1%	-3.0%	0.0%	9.5%	-6.9%	2.3%	2.2%	0.9%	N/A	N/A
Exchange rate 2012, aop*** [Euro/ LCU]	-	-	0.134	-	-	-	-	-	0.134	0.239	0.114	1.239			

** Equipment rental without operator only*

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

****average of period*

Total Turnover 2012 [million Euro]

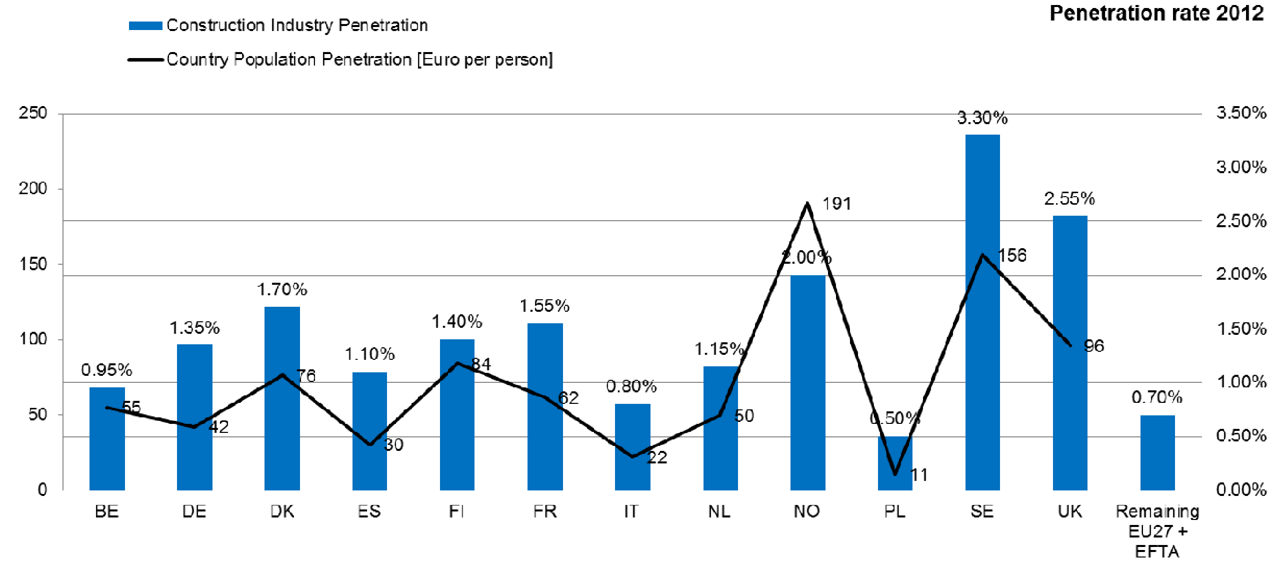


Source: IHS

4.3 Competitive Environment

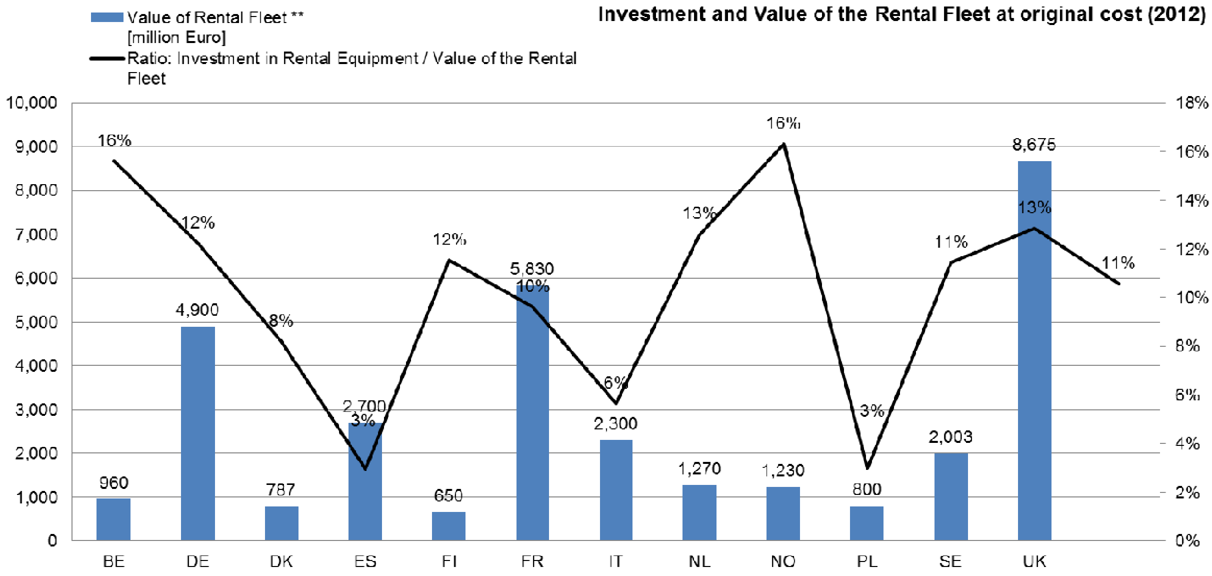
- The already fierce degree of competition has increased during this last year in most countries. However, diverse national industry structures, organisation and economic policies caused heterogeneous development of rental rates.
- It appears that this fierce competition between companies, in most countries, has led to fewer partnerships and alliances, reducing the share of re-rental activity. It has also led to increasing internationalisation. Many large companies, but also medium size ones are looking outside their borders to find growth opportunities.
- The difficult economic environment in 2012 for the construction sector, as well as for most industry sectors, pushed rental companies in many countries to reduce prices in order to increase time utilisation of their equipment.
- And a strong rental volume demand does not necessarily mean that prices recover from previous downward corrections. In Germany, for instance, rental rates have continued to be under pressure throughout the last few years, even in times of strong demand.
- Where rental companies have experienced weakening demand, they have tended to reorganise their fleets to focus on product ranges with less competition and higher time utilisation. In most countries, powered access is still one of the most competitive segments, since legacy over-investment has prevented a substantial recovery of rental rates. Earthmoving equipment, on the other hand, has been hit more recently, in some countries, by the reduction of governmental infrastructure expenditure.
- Even if rental companies are still mainly focusing on the construction sector, hoping that the sector will adopt, more intensely, the trend to outsource equipment from rental companies, they are also looking carefully at new customer segments in the non-construction sector. It would seem that rental companies have begun to increase their penetration of these customer segments in the non-construction sector even without an investment in specialized equipment which would be helpful to develop this part of the business.
- In some countries, especially in Spain and Italy, but also in the Netherlands, the financial health of contractor companies is causing concern. The question of the extension of payment terms (up to more than 200 days, in Spain, for instance) is putting a very high pressure on recovery.

- During the last year, M&A activities have been relatively low in most countries. One of the main reasons could be the important debt contracted by companies during the last 3 years, making the private owners of these companies unwilling to sell at what would be a substantial discount.



4.4 Penetration Rates

- Because of the improved data underpinning our market estimates for the size of the national construction markets, as well as corrections to the rental market volumes for some countries, construction industry and country population penetration have changed: These changes in absolute values do not, however, affect the trend development of penetration rates over time.
- Average construction industry penetration in the 12 countries in the report in 2012 was 1.55%, clearly above the average for the remaining EU27 + EFTA countries where the penetration rate in 2012 was 0.70%.
- Country population penetration in 2012 averaged 52 Euro per inhabitant in the 12 countries in the report and 45 Euro per inhabitant in the EU27 + EFTA.
- Construction Industry Penetration is still highest in Sweden (3.3%) and in the United Kingdom (2.6%), followed by Norway (+2.0%). These countries can be regarded as being the most advanced rental markets in Europe.
- For Europe as a whole, there has been no substantial increase or decrease in construction industry penetration since 2006.
- Country Population Penetration is highest in Norway (191€) (and note that Construction Output per capita in Norway is significantly higher than in all other countries) and Sweden (156€). After them, country population penetration is highest in the United Kingdom, Finland and Denmark.
- Many rental companies are expecting rental penetration to increase in the near future, the general sentiment being that more customers are experimenting with rental services during the difficult economic environment and that these customers will adopt rental in the long term.

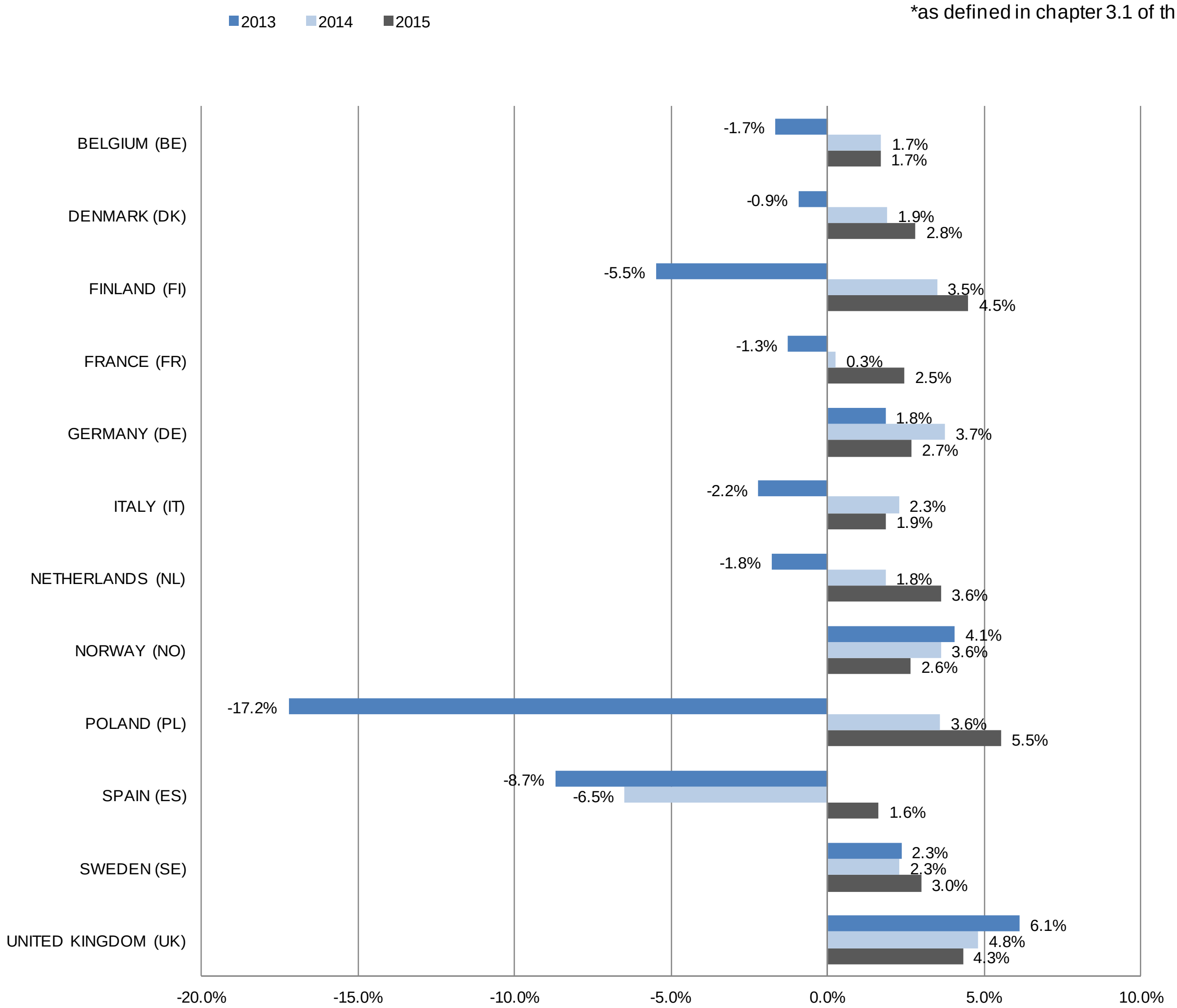


Source: IHS

4.5 Investments and Rental Fleet Size

- After the gentle recovery in total investment in 2011, capital expenditure decreased again in 2012 with a 3.3% drop.
- After a strong rebound in expenditure in many European countries in 2011, there are really two distinct groups of countries in 2012 concerning investment:
  - The ones with a severe drop in investment in 2012, mainly Spain (-20%), Finland (-16%), Italy (-13%), Sweden (-25%) and Poland (-83%).
  - The ones which are increasing their investment, Denmark (+11%) and Norway (+51%) and the United Kingdom (+8%).
- The buoyancy of fleet investment can best be compared by calculating the level of expenditure for new equipment as a percentage of the original purchase cost of the rental fleet (investment ratio).
- The investment ratio in 2012 was highest in Norway at 16%, followed by Belgium, Germany, Finland, France, the Netherlands, Sweden and the United Kingdom. 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 and Spain at 3%.
- The size of the rental fleet 2012 increased on average by 0.9%, increasing especially in Norway (9.5%) and France (4.1%), and decreasing most substantially in Spain (-6.9%) and Poland (-6.9%)
- Among all countries considered, Germany continues to feature the youngest fleet. Average fleet age increased slightly in the countries with low investment activities while it remained fairly constant or decreased slightly in the remaining countries.

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



Source: IHS

4.6 Forecast

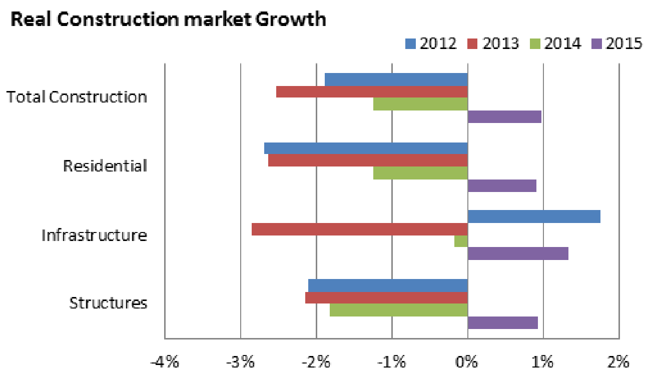
- The strongest growth in 2014 is estimated to take place in the United Kingdom with +5%, followed by Germany, Poland and Norway, all with +4%.
- Overall, we expect moderate growth of rental volumes in 2014 and 2015 of +2% and +3% respectively. Exceptionally high growth, as seen in some countries in 2011, is not likely to be repeated.
- With the exception of Spain, all 12 countries are expected to see total rental revenues growing in 2014 (although, for France, for instance, this will be marginal): the Spanish equipment rental market is not forecast to bottom out before the end of 2014.
- After substantial growth in 2010 and 2011, the young Polish rental market has experienced a severe drop in 2013 because of significant decreases in public infrastructure spending and weak private demand, but it is expected to see growth in 2014
- The nominal forecasts of rental revenue development presented in the graph are driven by a combination of the developments of rental volume demand and rental rates.

5. Country Overview

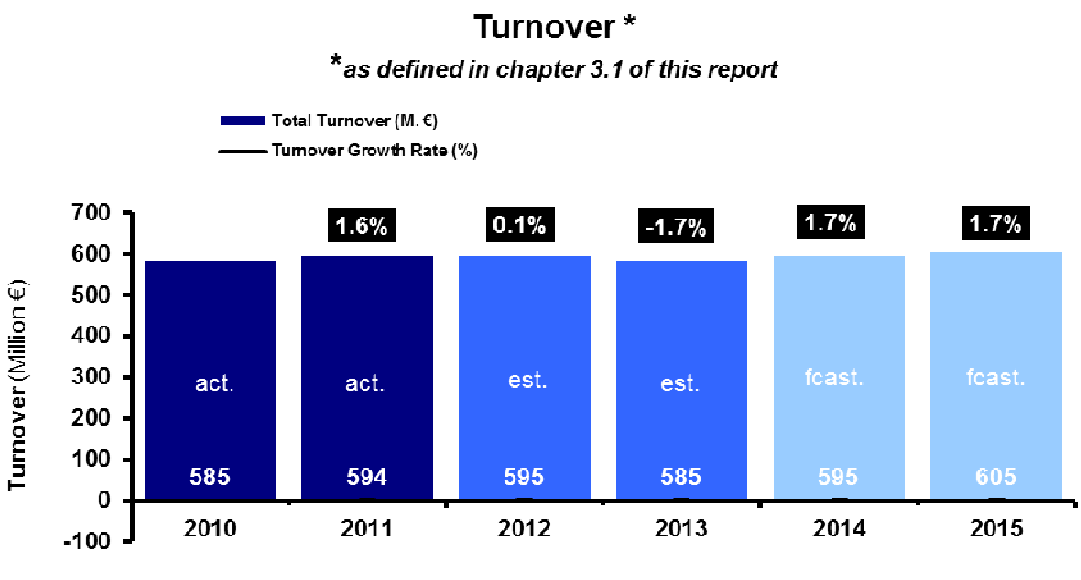
5.1 Belgium (BE)

1. Economic and Construction Context for the Equipment Rental Industry

- **Macroeconomic overview:** The Belgian economy is expected to contract by 0.3% in 2013 and grow marginally by 0.5% in 2014. In addition to poor domestic demand conditions, exports are expected to edge down in 2013 and recover only fitfully in 2014, which poses a key obstacle to any recovery prospects, as exports account for around 80% of the country's GDP.
- **Total Construction:** In 2012, real total construction spending declined 1.9% y/y as economic weakness related to the Eurozone crisis continued. In 2013, total construction spending is expected to post a 2.5% decline as conditions remain fragile and a 1.2% further decline in 2014.
- **Residential**: Real spending on residential construction declined 2.7% y/y in 2012 because of poor consumer markets and continued weakness in the overall economy. The segment is expected to experience a 2.6% decline in 2013 and a 1.2% further decline in 2014.
- **Infrastructure**: In 2012, real infrastructure construction spending increased 1.8% y/y. The segment is expected to decline 2.9% in 2013, followed by negative growth of 0.2% in 2014.
- **Structures**: Real spending on structures construction declined 2.1% y/y in 2012 as the economy was pulled down by the Eurozone crisis. The segment spending is expected to fall another 2.1% in 2013 and a 1.8% further decline in 2014.

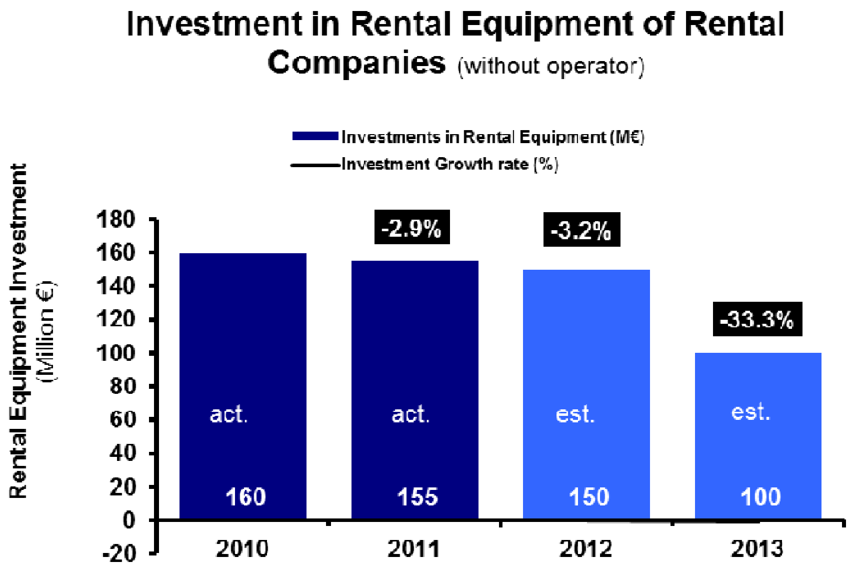


2. Detailed Results per Country



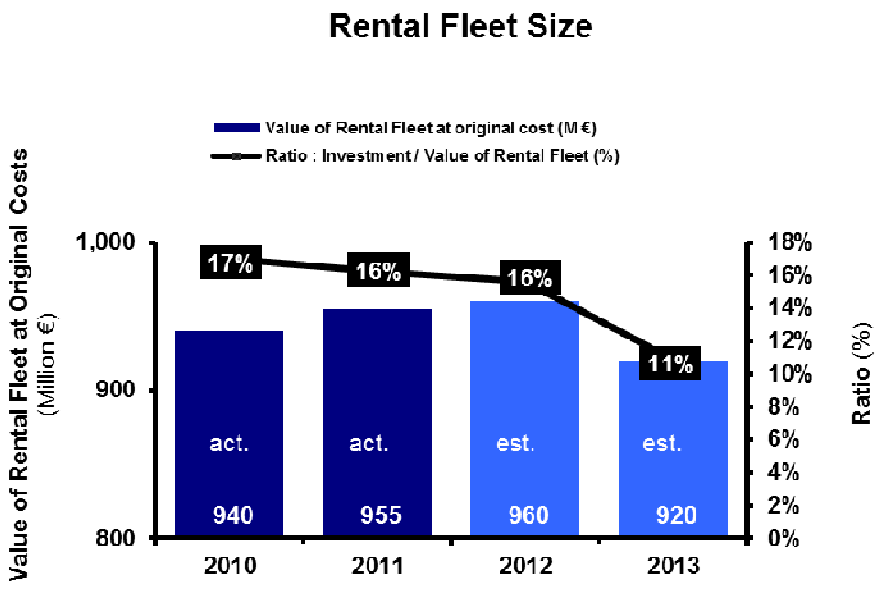
Source: IHS

- Due to difficult credit conditions and because of the uncertainties of the business environment, rental companies were forced to cut their fleet investments significantly in 2013 after 3 years of almost stable level of investment.

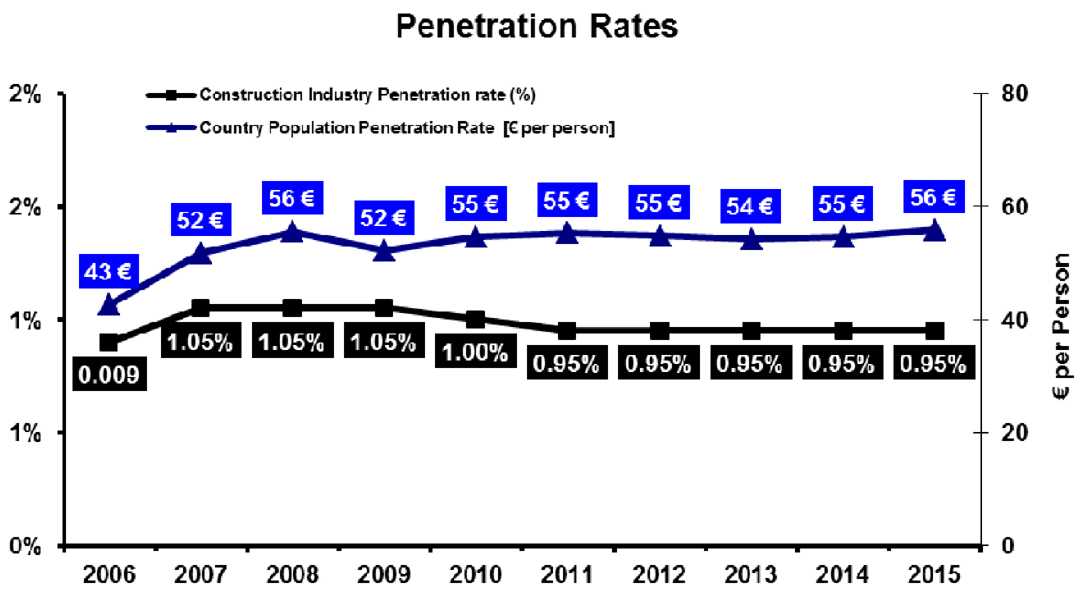


Source: IHS

- In line with decreased investment, fleet size decreased in 2013 since the investments served mostly to replace old equipment.
- In addition, rental companies continued to age their fleet in 2012 and 2013. It is estimated that the average fleet age has increased to 5.5 years in 2013.



Source: IHS



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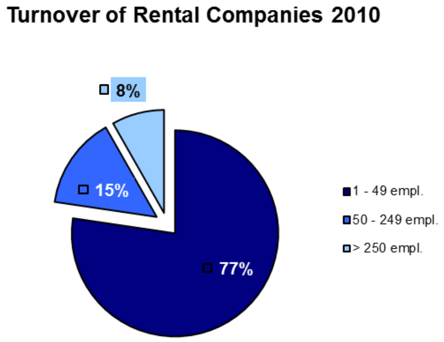

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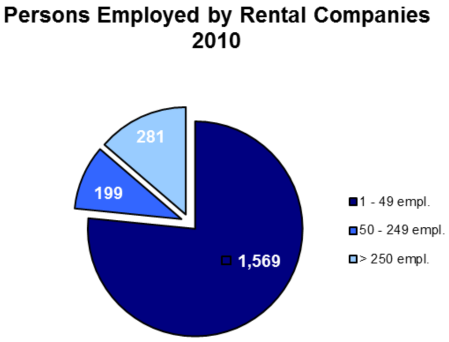
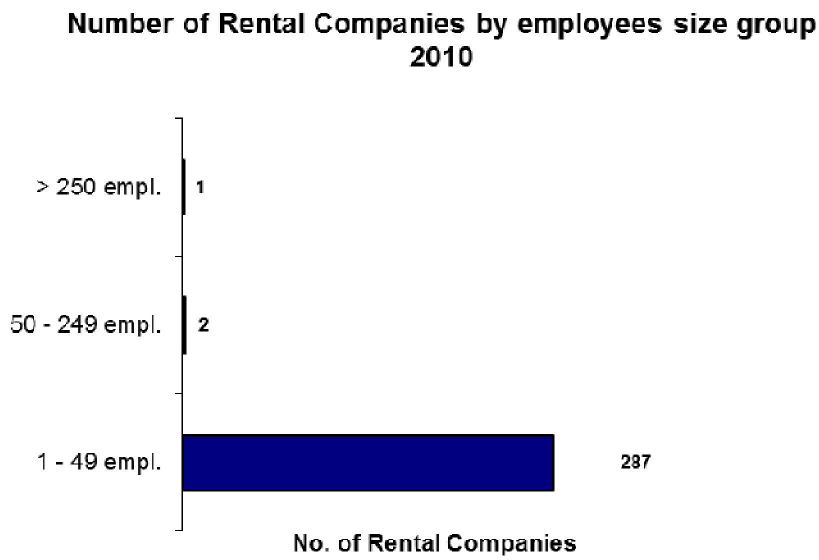


Source: IHS



Source: IHS

- The Belgian equipment rental market is characterised by two points:
  - the high 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 organisation 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. This trend could cause some consolidation of the market in the coming years.
- After hitting their lowest level in 2010, rental rates started to increase and have showed a very moderate upwards trend since. With contraction of the fleet size and replacement investments focusing mostly on equipment with a high utilisation rate, time utilisation has remained stable in the last two years.
- Construction industry penetration is, at 0.95%, still low compared to most other European countries. We expect that the penetration rate will remain virtually constant in the near future.
- The share of rental revenue stemming from demand in the construction sector is estimated to average 60%, but with a clear distinction between Wallonia and Flanders.
- After a drop of 1.7% in 2013, rental revenues are forecast to grow modestly throughout 2014 and 2015, in line with the development of the overall economy.

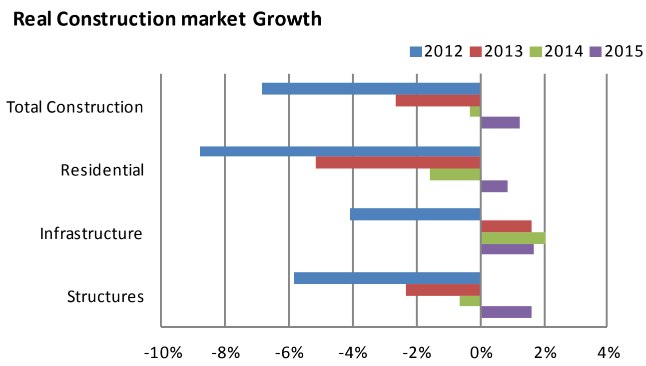
BELGIUM (BE), EURO	Actual		Estimates		Forecast	
	2010	2011	2012	2013	2014	2015
Market Size						
Total turnover [million €]	585	594	595	585	595	605
Rental Companies (without operator)	566	575	575	565	575	585
Other Comp. Providing Rental Services (only rental)	19	19	20	20	20	20
# Rental Companies (without operator)	290	n.a.	n.a.	n.a.		
# Employed Persons of Rental Companies (without operator)	2,049	n.a.	n.a.	n.a.		
Investments in Rental Equipment [million €] (without operator)	160	155	150	100		
Value of Rental Fleet at all companies [million €] (without operator)	940	955	960	920		
Ratio: Investments in Rental Equipment / Value of the Rental Fleet	17%	16%	16%	11%		
Penetration Rates						
Total Construction Output [million €]	58,770	62,922	62,941	62,353	62,300	63,800
Construction Industry Penetration Rate	1.00%	0.95%	0.95%	0.95%	0.95%	0.95%
Country Population [million]	10.71	10.75	10.78	10.81	10.83	10.85
Country Population Penetration Rate [€ per person]	55	55	55	54	55	56

Source : IHS and Official Statistics data

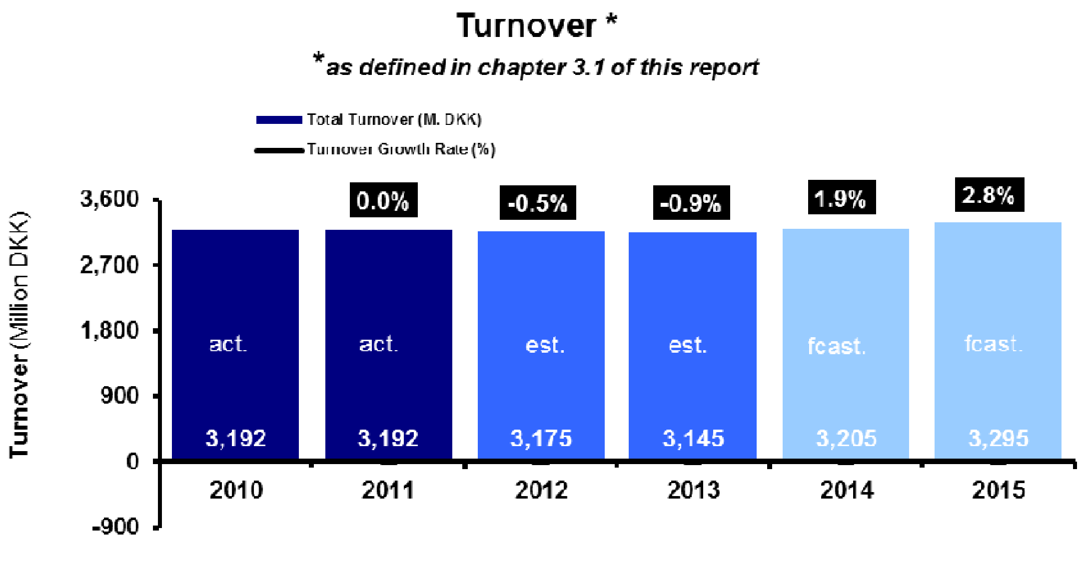
5.2 Denmark (DK)

1. Economic and Construction Context for the Equipment Rental Industry

- **Macroeconomic overview:** Denmark avoided technical recession (defined as two successive quarters of quarter-on-quarter growth) in the first quarter of 2013 after posting 0.2% q/q growth, following 0.9% q/q contraction in the last three months of 2012; however, growth is likely to fall back in the next few quarters. Real GDP is expected to contract 0.2% in 2013 and to recover slightly in 2014, growing to 0.3%.
- **Total Construction:** In 2012, real total construction spending declined 6.9% y/y as domestic and global weakness prevailed. In 2013, total construction spending is expected to see a 2.6% y/y decrease, followed by a virtually flat market (-0.3%) in 2014.
- **Residential:** Real spending on residential construction declined 6.9% y/y in 2012 as poor labour-market conditions and economic uncertainty dampened consumer demand. The segment is expected to decline 5.1% in 2013, followed by a reduced decrease of 1.6% in 2014.
- **Infrastructure**: In 2012, real infrastructure construction spending declined 4.1% y/y. The segment is expected to see spending increase 1.6% in 2013 followed by a 2.1% growth in 2014.
- **Structures**: Real spending on structures construction posted a decline of 5.9% y/y in 2012. Weak domestic demand and low exports due to the Eurozone recession have limited business investment. The segment is expected to fall by 2.3%.6% decrease of in 2013, followed by another slight decrease of 0.6% in 2014.



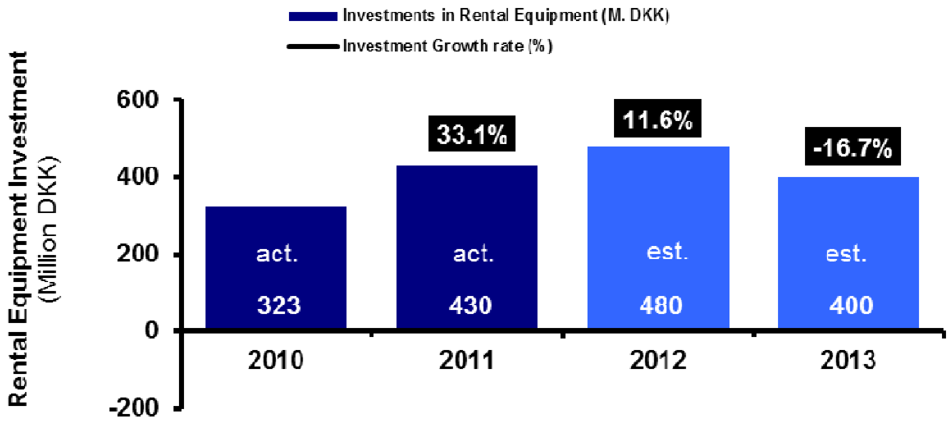
2. Detailed Results per Country



Source: IHS

- After investment in the rental fleet increased substantially during 2011 (+33%) and continued to grow by some 12% in 2012, we estimate a drop of capital expenditure (-16.7%) to average some DKK 400 million in the year 2013.

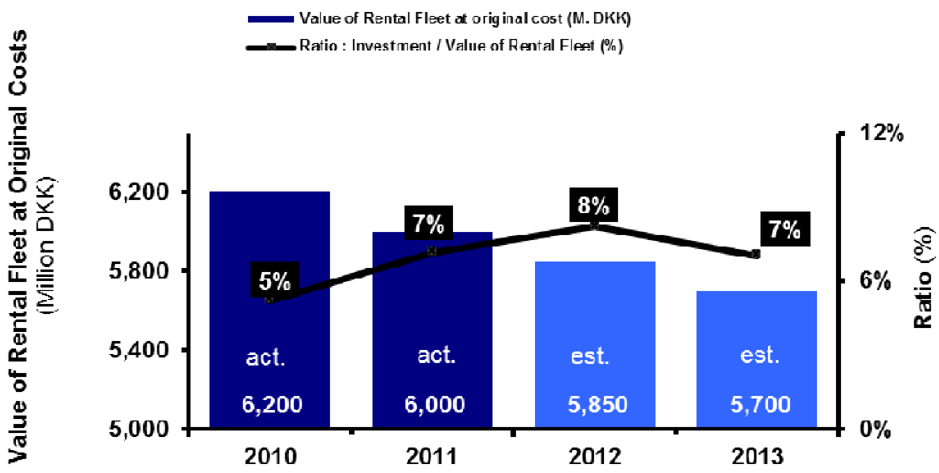
Investment in Rental Equipment of Rental Companies (without operator)



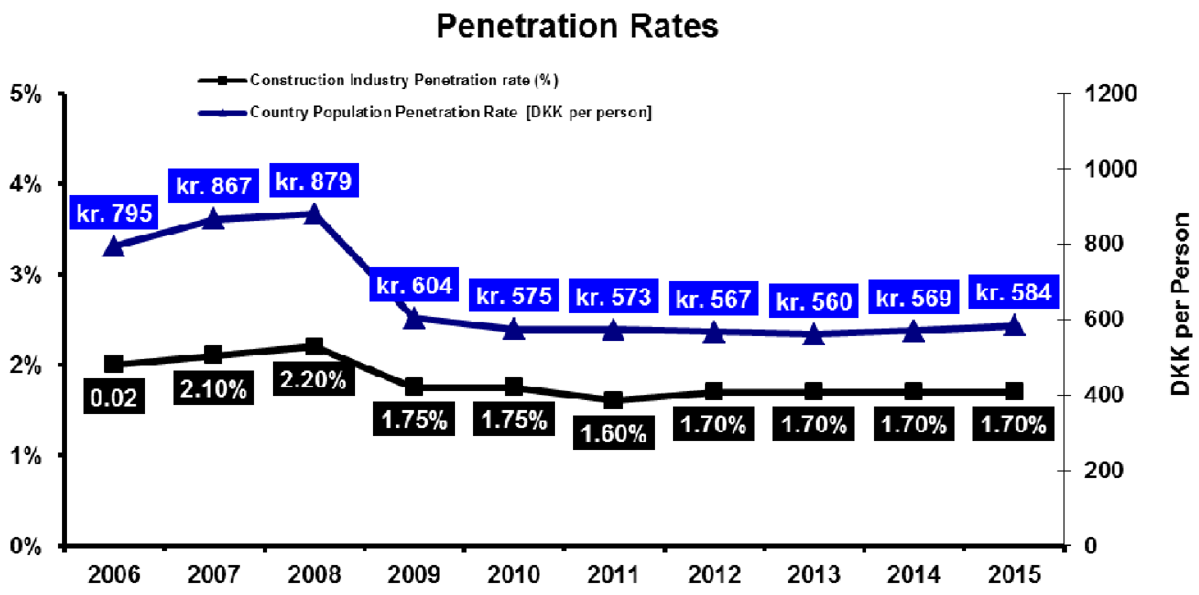
Source: IHS

- Because investment levels since 2011 served mainly to replace old equipment and to expand capacity only on selected specialised equipment, we estimate that the size of the rental fleet continued to decrease throughout the time period reviewed to some DKK 5.7 billion (at original cost) in 2013.

Rental Fleet Size



Source: IHS



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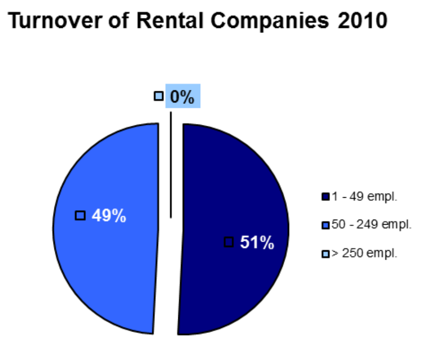
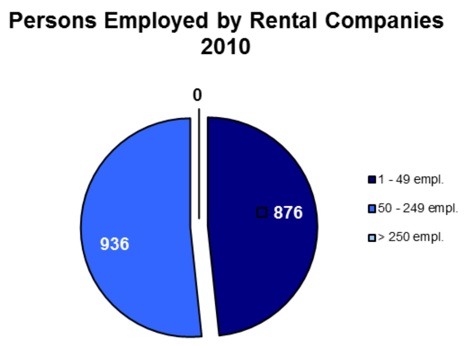
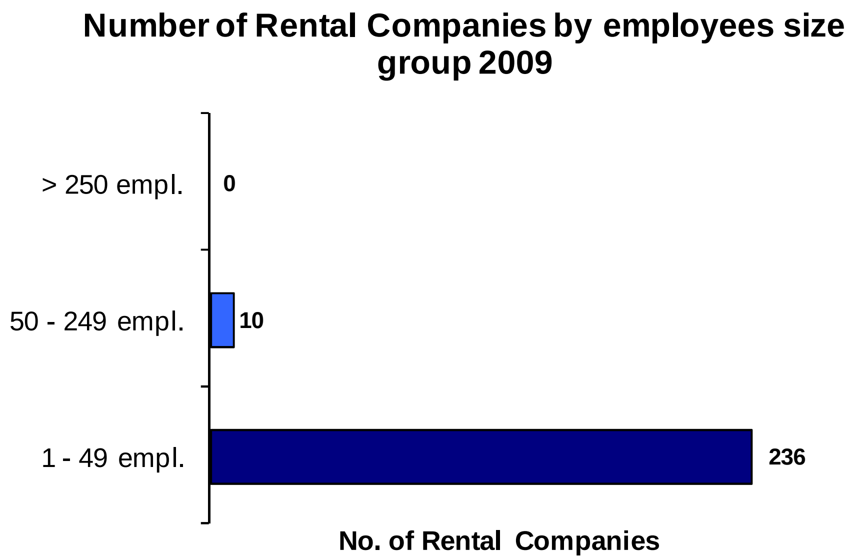


Source: IHS



Source: IHS



Source: IHS

- While there are some large rental actors active in the Danish market, no Danish rental company has more than 250 employees. However, some 10 companies with more than 50 employees generate almost 50 percent of the overall turnover from equipment rental without operator.
- The Danish rental market has not yet recovered from the revenue slump of 2010. Since then, it has remained flat at best with slight revenue decreases (below – 1%) occurring in 2012 and 2013. Of particular importance, demand from building construction remained sluggish and prevented an overall increase of revenue.
- After a dramatic drop of time utilisation in 2010, utilisation rates have increased by an estimated 5 percentage points through to 2013.
- Because of the still unsatisfactory levels of demand and time utilisation rental rates could not yet recover from the decline experienced in the economic crisis in 2010.
- The share of rental demand from the construction sector in Denmark is estimated at 70%.
- In the light of a – albeit only slowly – brightening construction outlook we estimate a moderate growth of rental turnover by 1.9 percent in 2014 and 2.8 percent in 2015 respectively.

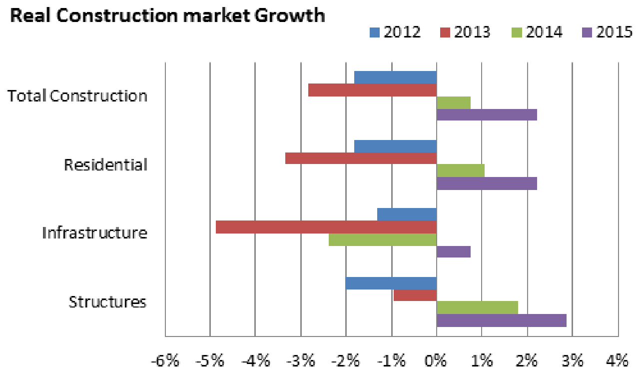
DENMARK (DK), LOCAL CURRENCY	Actual		Estimates		Forecast	
	2010	2011	2012	2013	2014	2015
Market Size						
Total turnover [million DKK]	3,192	3,192	3,175	3,145	3,205	3,295
Rental Companies (without operator)	3,178	3,178	3,160	3,130	3,190	3,280
Other Comp. Providing Rental Services (only rental)	14	14	15	15	15	15
# Rental Companies (without operator)	278	n.a.	n.a.	n.a.		
# Employed Persons of Rental Companies (without operator)	1,812	n.a.	n.a.	n.a.		
Investments in Rental Equipment [million DKK] (without operator)	323	430	480	400		
Value of Rental Fleet at all companies [million DKK] (without operator)	6,200	6,000	5,850	5,700		
Ratio: Investments in Rental Equipment / Value of the Rental Fleet	5%	7%	8%	7%		
Penetration Rates						
Total Construction Output [million DKK]	180,485	197,112	187,377	186,200	189,400	195,800
Construction Industry Penetration Rate	1.75%	1.60%	1.70%	1.70%	1.70%	1.70%
Country Population [million]	5.55	5.58	5.60	5.61	5.63	5.65
Country Population Penetration Rate [DKK per person]	575	573	567	560	569	584

Source : IHS and Official Statistics data

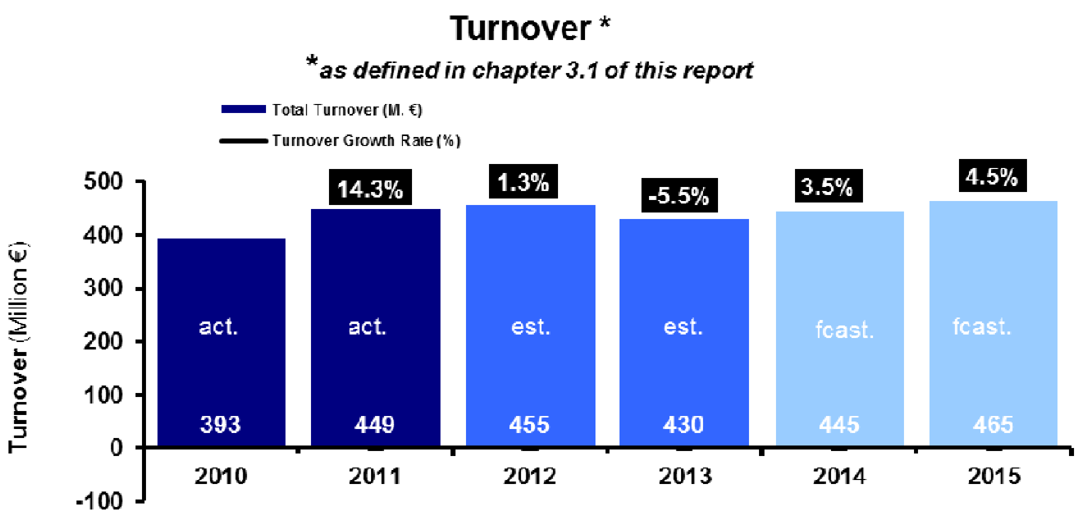
5.3 Finland (FI)

1. Economic and Construction Context for the Equipment Rental Industry

- **Macroeconomic overview:** The downturn of the Finnish economy is even more severe than previously expected. This export-driven economy is suffering badly from weakness in external demand, particularly from some important European markets. In addition, domestic-grown problems in several typically very important export sectors, such as telecommunications, paper, and metal output, are becoming increasingly clear. Therefore, GDP contracted by 0.8% in 2012 and is anticipated to continue to contract by 0.7% in 2013, followed by a 1.2% growth in 2014.
- **Total Construction:** In 2012, real total construction spending contracted 1.8% y/y as weak demand hindered investment across all segments. In 2013, total construction spending is expected to post a loss of 2.8% as economic conditions remain impacted by the Eurozone crisis before a 0.7% increase in 2014 as economic growth strengthens across the region.
- **Residential:** Real spending on residential construction declined 1.8% y/y in 2012. General weakness in the Finnish economy has pulled down demand from consumers. Residential construction is expected to experience a 3.3% decline in 2013 before a pick-up of 1.1% in 2014 as economic conditions improve.
- **Infrastructure**: In 2012, real infrastructure construction spending declined 1.3% y/y. The segment is expected to contract another 4.9% in 2013, followed by a further 2.4% decline in 2014.
- **Structures**: Real spending on structures construction posted a 2.0% y/y loss in 2012. Moving forward, the segment is expected to decrease 0.9% in 2013 and increase by 1.8% in 2014.

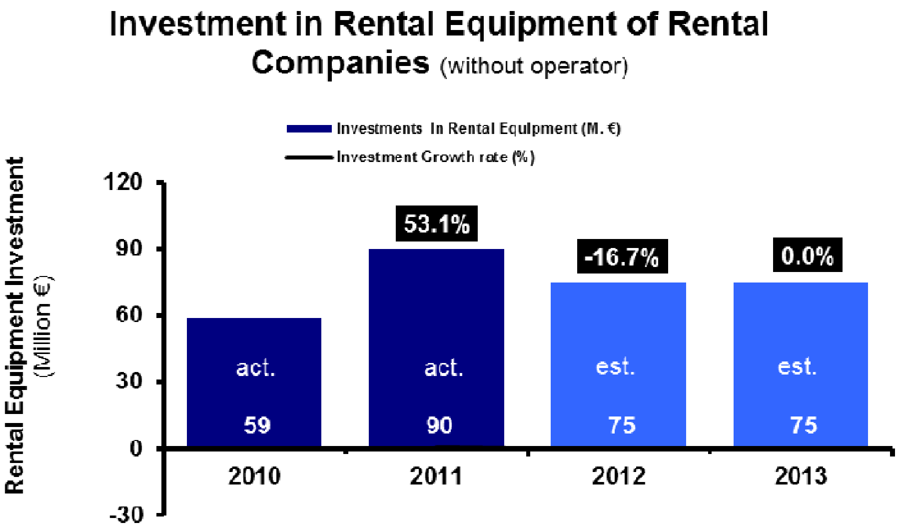


2. Detailed Results per Country



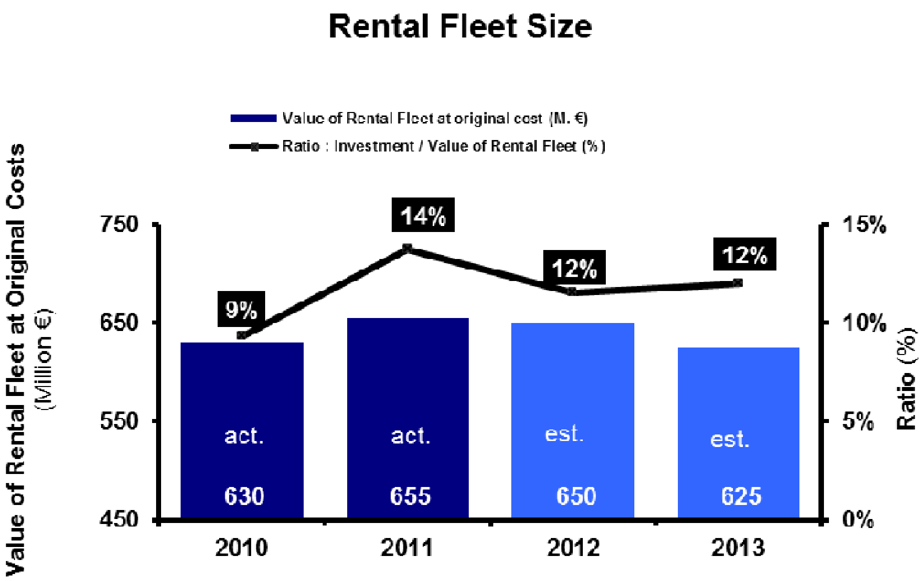
Source: IHS

- Companies were forced to cut their fleet investments significantly in 2012 and fleet investment is expected to remain flat in 2013 reflecting the difficult economic environment.

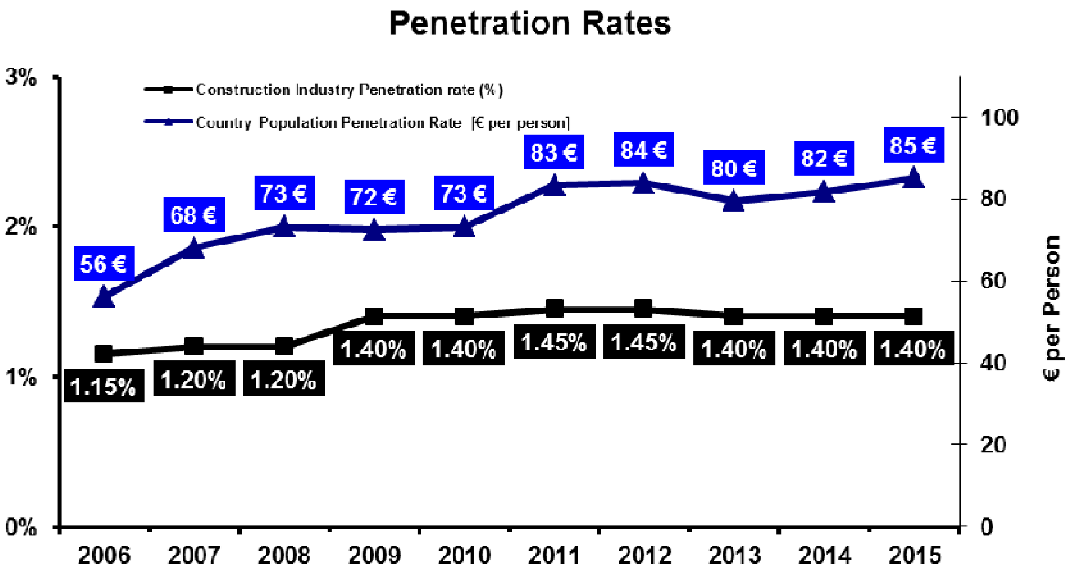


Source: IHS

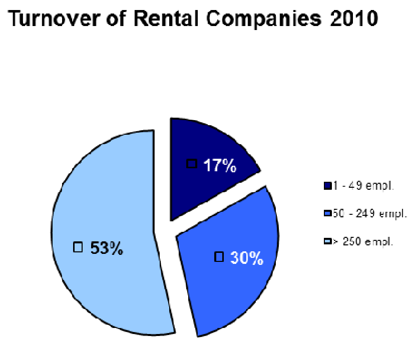
- It is estimated that the rental fleet size reduced marginally (by some 4%) in 2013, the moderate investment levels of 2012 and 2013 serving mainly to replace old equipment.
- Companies continued to age their fleet in 2013. It is estimated that the average fleet age has increased to 6 / 7 years.



Source: IHS



Source: IHS



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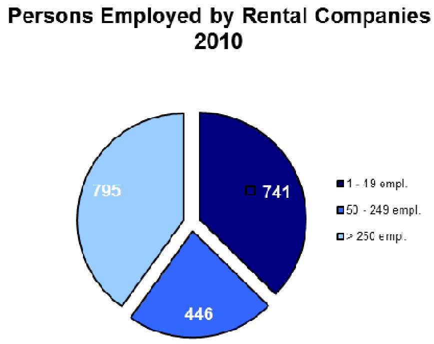

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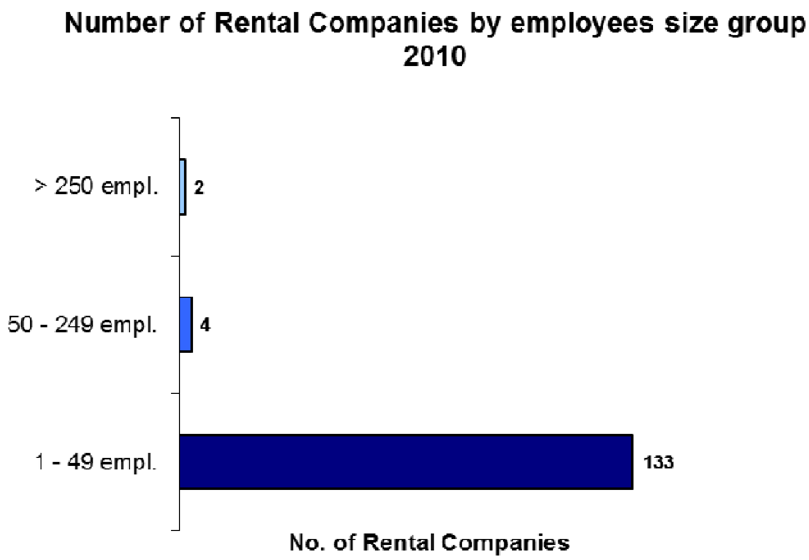


Source: IHS

- The Finnish market is characterised by two large rental players with more than 250 employees, accounting for more than 50% of the total revenues of the rental industry and a few rental companies with more than 50 employees active on the market. Together, these large and medium size companies generate more than 80% of the total revenue.
- The organisation of the market has been stable for some years; one of the reasons could be that the two large rental companies are looking abroad for growth and that the medium size companies are family owned business not looking for international expansion or merger.
- Since mid 2010, rental volumes, time utilisation and rental tariffs have increased moderately. Time utilisation has increased more strongly than rental rates, mainly because some rental companies have started to reduce their fleet and to focus on equipment with a high utilisation rate.
- The share of rental demand from the construction sector in Finland is estimated at 70% and the rental industry remains strongly linked to the construction sector.
- After a drop in 2013, rental revenues are forecast to grow throughout 2014 and 2015 by 3.5% and 4.5% respectively, in line with the development of the overall economy.
- A main source for future rental revenue growth could be a new boost coming from construction companies outsourcing their equipment fleets to the rental industry.

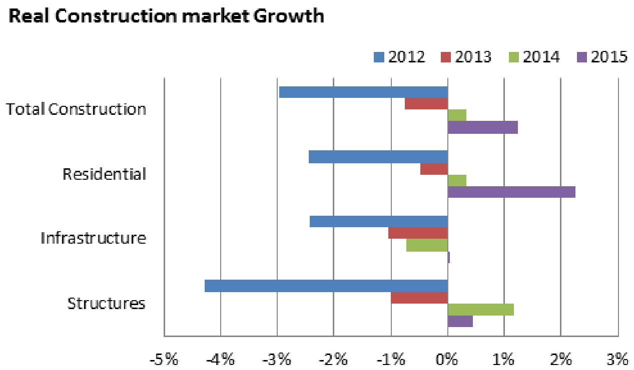
FINLAND (FI), EURO	Actual		Estimates		Forecast	
	2010	2011	2012	2013	2014	2015
Market Size						
Total turnover [million €]	393	449	455	430	445	465
Rental Companies (without operator)	373	426	430	410	420	440
Other Comp. Providing Rental Services (only rental)	20	23	25	20	25	25
# Rental Companies (without operator)	139	n.a.	n.a.	n.a.		
# Employed Persons of Rental Companies (without operator)	1,982	n.a.	n.a.	n.a.		
Investments in Rental Equipment [million €] (without operator)	59	90	75	75		
Value of Rental Fleet at all companies [million €] (without operator)	630	655	650	625		
Ratio: Investments in Rental Equipment / Value of the Rental Fleet	9%	14%	12%	12%		
Penetration Rates						
Total Construction Output [million €]	28,267	30,598	30,898	30,807	31,700	33,200
Construction Industry Penetration Rate	1.40%	1.45%	1.45%	1.40%	1.40%	1.40%
Country Population [million]	5.36	5.38	5.40	5.42	5.43	5.44
Country Population Penetration Rate [€ per person]	73	83	84	80	82	85

Source : IHS and Official Statistics data

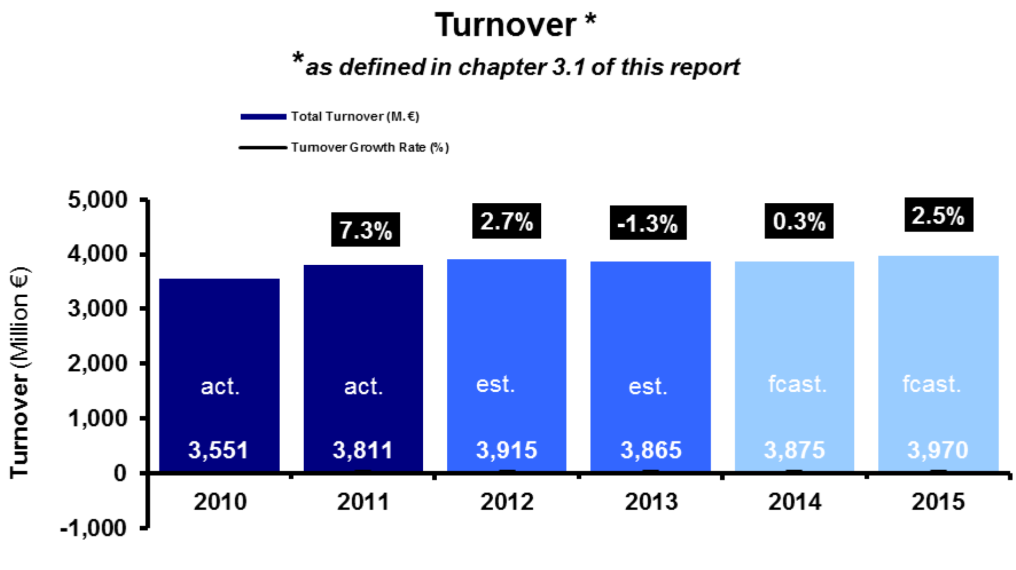
5.4 France (FR)

1. Economic and Construction Context for the Equipment Rental Industry

- **Macroeconomic overview:** The economy entered a recession during the first quarter of 2013 and, although the economy has stopped contracting during the second quarter, economic conditions are expected to remain under significant pressure: high and rising unemployment, tighter fiscal policy, shrinking profit margins, concerns about the economic outlook, and muted external demand. GDP was flat in 2012 and is expected to contract by 0.3% in 2013, before increasing to 0.5% in 2014.
- A potential boost could come in 2016 when 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 2012, real total construction spending declined 3.0% y/y as weakness related to the Eurozone crisis continued to affect demand and investment. In 2013, total construction spending is expected to post a 0.8% y/y loss as a cautious environment remains. Moving forward, total construction spending in 2014 is expected to increase 0.3% y/y.
- **Residential:** Real spending on residential construction decreased 2.4% y/y in 2012. The segment is expected to decline 0.5% in 2013 as fragile conditions remain before a 0.3% increase in 2014 as the economy stabilizes.
- **Infrastructure**: In 2012, real infrastructure construction spending declined 2.4% y/y. Infrastructure spending is being held down as the government works to reduce debt. The segment is expected to contract by 1.0% in 2013 followed by a 0.7% decline in 2014.
- **Structures**: Real spending on structures construction posted a 4.3% y/y loss in 2012 as business confidence is low, and investment spending is affected. The segment is anticipated to decline 1.0% in 2013 before turning around and increasing 1.2% in 2014.

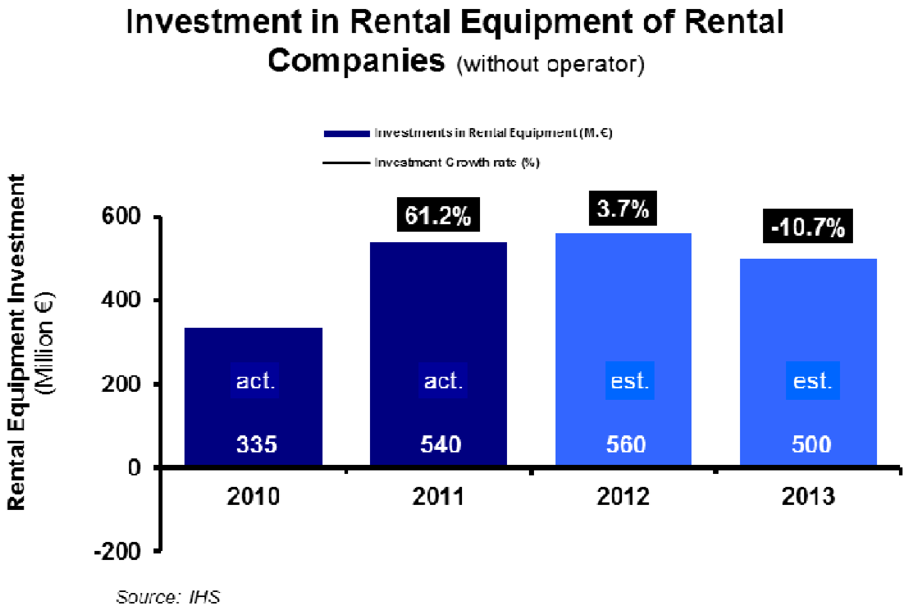


2. Detailed Results per Country

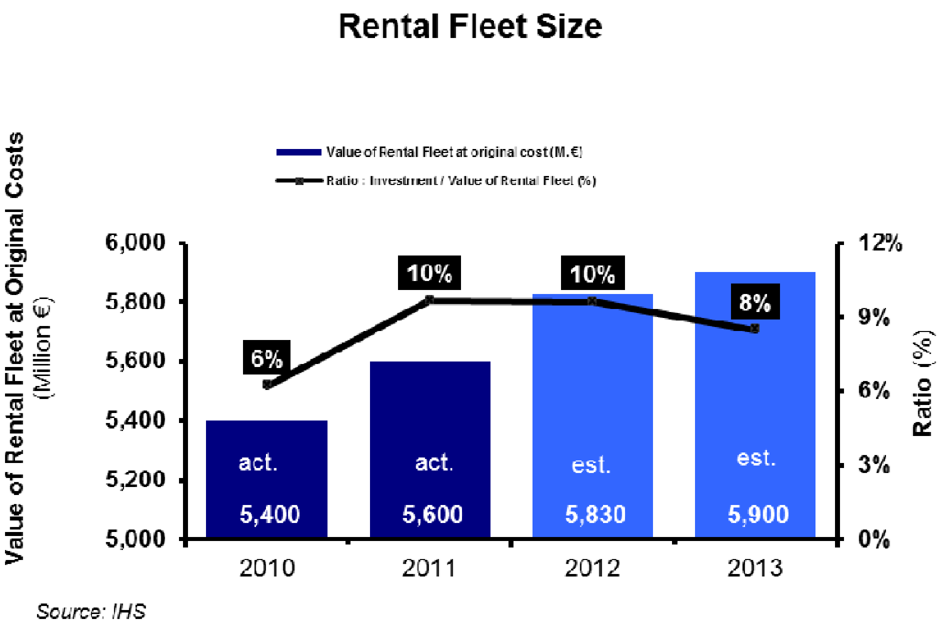


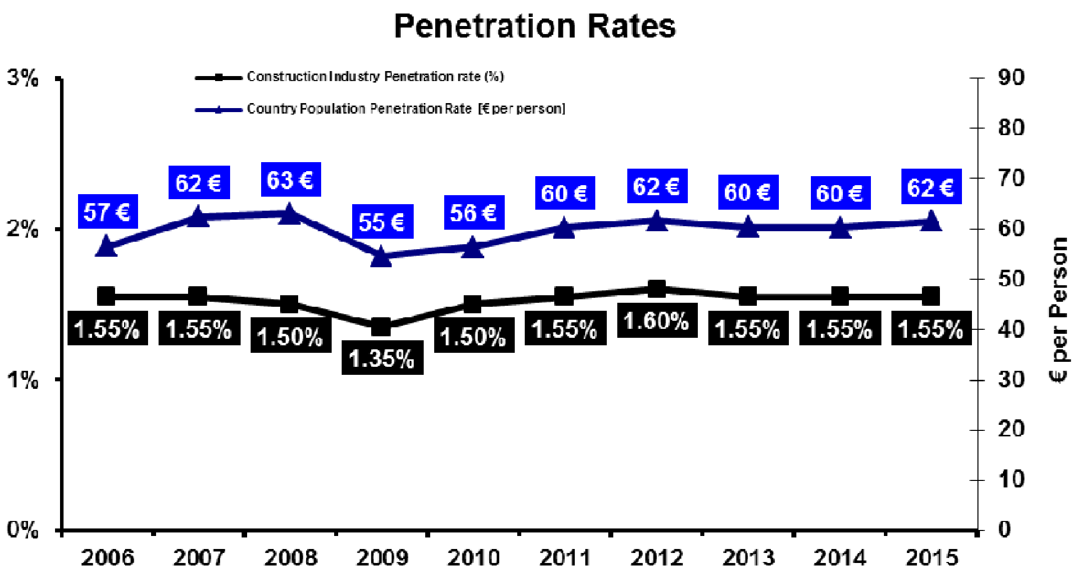
Source: IHS

- After investments in the rental fleet dropped strongly in 2009 and 2010, there was a recovery in 2011 with stable investment levels since, mostly because companies were catching up on replacing old equipment and slightly diversifying their range of products for construction as well as non-construction clients.
- After a severe drop in investments in 2010, rental companies invested massively in 2011 and 2012 to maintain the value of the fleet. In 2013, many of them had build up significant debt levels and needed to lower their investments.

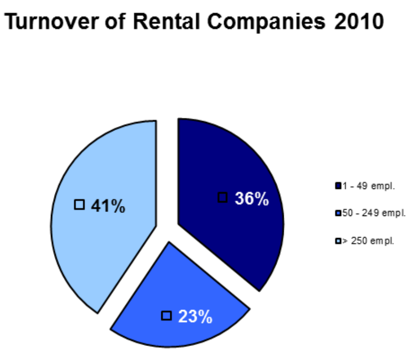


- The original cost fleet size value in France has remained more or less stable, but on average it has aged by around a quarter each year since 2009. Overall, the age of the fleet is estimated to be around 5 / 5.5 years in 2013.





Source: IHS



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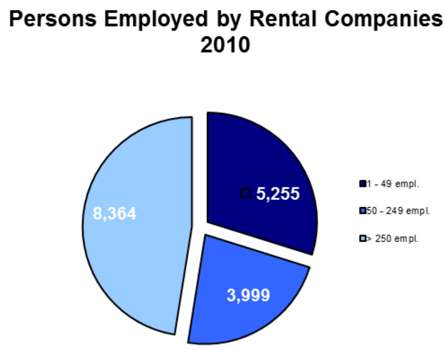

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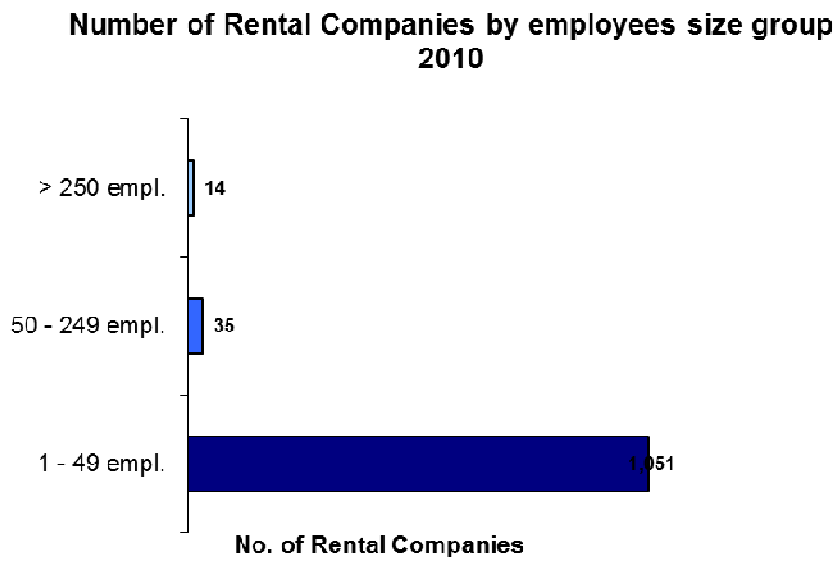


Source: IHS

- Market consolidation has continued to be observed in the French market in 2013. The two main players, accounting for more than one third of the market, have integrated their acquisitions more closely during the last year and will continue to do so in 2014.
- The large and medium size rental companies have also continued to increase their market share as well as looking at international expansion while smaller rental companies have turned to international markets to sell old equipment; and have concentrated their purchases on specialized equipment.
- After 3 years of growth, the rental industry slowed down in 2013 and underperformed compared to the construction industry as well as the overall economy.
- Even though rental rates have not returned to levels seen before the crisis, a slight recovery has been observed since 2010 and can be expected to continue in the near future.
- The share of the construction sector in the rental demand in France is estimated at 70%, making construction sector growth essential for the well-being of the rental industry.
- Uncertainty in the rental industry for the next year is linked mainly to the change in local government, with resultant delays in approving infrastructure and social housing projects and a decrease in construction permits.
- Despite the clouds on the overall economic horizon in the second half of 2013, we expect a slight increase in industry turnover in the coming years, 0.3% in 2014 and 2.5% in 2015.

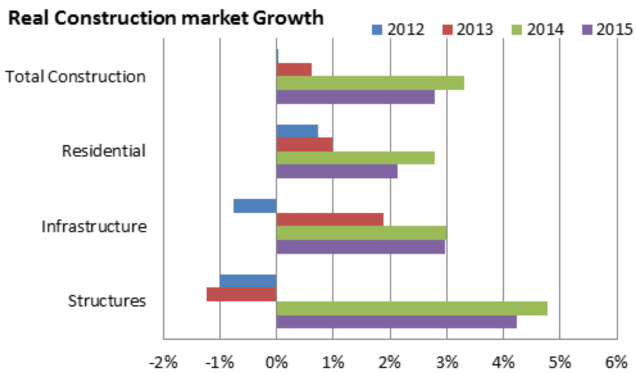
FRANCE (FR), EURO	Actual		Estimates		Forecast	
	2010	2011	2012	2013	2014	2015
Market Size						
Total turnover [million €]	3,551	3,811	3,915	3,865	3,875	3,970
Rental Companies (without operator)	3,364	3,610	3,710	3,660	3,670	3,760
Other Comp. Providing Rental Services (only rental)	187	201	205	205	205	210
# Rental Companies (without operator)	1,100	n.a.	n.a.	n.a.		
# Employed Persons of Rental Companies (without operator)	17,618	n.a.	n.a.	n.a.		
Investments in Rental Equipment [million €] (without operator)	335	540	560	500		
Value of Rental Fleet at all companies [million €] (without operator)	5,400	5,600	5,830	5,900		
Ratio: Investments in Rental Equipment / Value of the Rental Fleet	6%	10%	10%	8%		
Penetration Rates						
Total Construction Output [million €]	236,597	249,114	245,629	246,655	251,100	259,500
Construction Industry Penetration Rate	1.50%	1.55%	1.60%	1.55%	1.55%	1.55%
Country Population [million]	62.91	63.23	63.53	63.87	64.21	64.55
Country Population Penetration Rate [€ per person]	56	60	62	60	60	62

Source : IHS and Official Statistics data

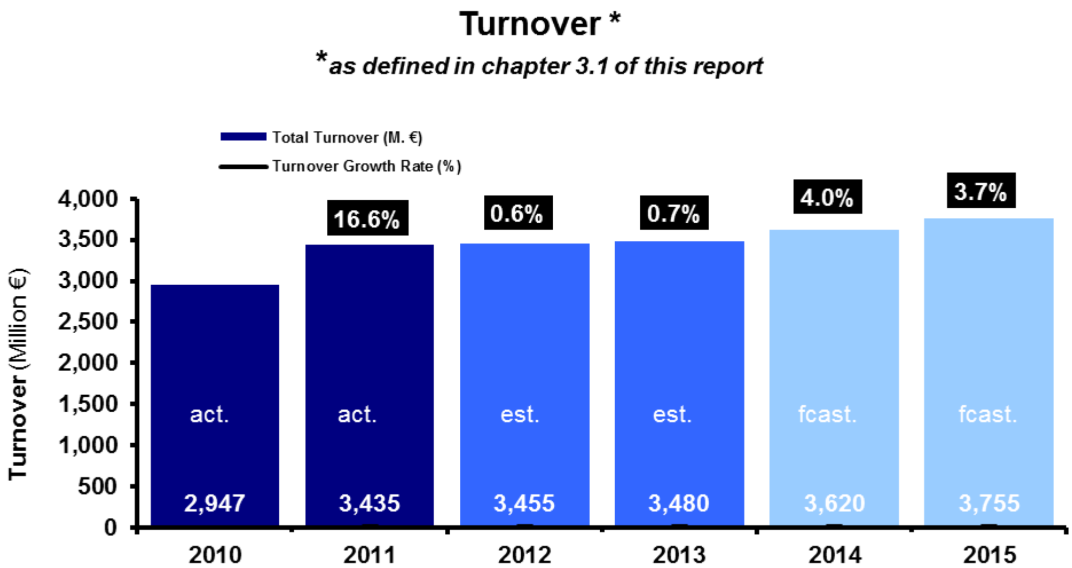
5.5 Germany (DE)

1. Economic and Construction Context for the Equipment Rental Industry

- **Macroeconomic overview:** The German economy will be restrained by recession elsewhere in the Eurozone, but continue to perform above the average of its European peers. Ramifications of the Eurozone sovereign debt crisis and associated European banking-sector risks will continue to weigh on German growth prospects in 2013. GDP growth of 0.9% in 2012 can be expected to soften to 0.5% in 2013, before strengthening to 1.7% in 2014.
- **Total Construction:** In 2012, real total construction spending remained flat at 0.0% y/y. Although the economy has been fairly resilient in the wake of the Eurozone crisis, there are signs that this crisis is finally having some impact on consumer and business confidence. In 2013, total construction spending is expected to post a 0.6% y/y gain. Moving forward, total construction spending in 2014 is expected to increase by a strong 3.3% y/y.
- **Residential:** Real spending on residential construction increased just 0.7% y/y in 2012. The segment is expected to experience 1.0% growth in 2013 followed by a strong 2.8% growth in 2014.
- **Infrastructure:** In 2012, real infrastructure construction spending declined 0.8% y/y. The segment is expected to see spending increase 1.9% in 2013 followed by 3.0% growth in 2014. Fiscal restraint in Germany is less restrictive than in other European countries, and infrastructure will benefit from this.
- **Structures:** Real spending on structures construction posted a decline of 1.0% y/y in 2012. The segment is anticipated to decline 1.2% in 2013 and then turn around to post a 4.8% increase in 2014.



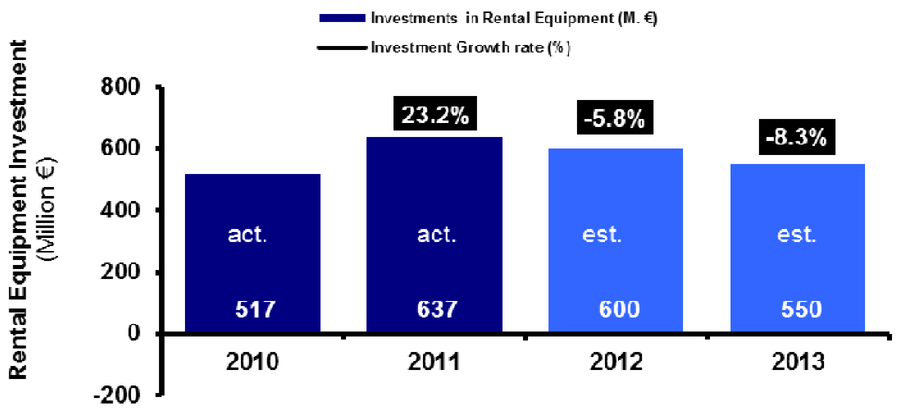
2. Detailed Results per Country



Source: IHS

- German CapEx and investment into the rental fleet remains stronger than in many other European countries. However, companies tend to be cautious when ordering heavy construction equipment, in order to avoid creating overcapacities until there are clear signs of a stronger construction market.
- After strong investments in 2011 and 2012, companies are adjusting their rental fleets in line with the cooling economy. As a consequence there has been a significant amount of sales of used equipment by rental actors since mid 2012. It is expected that investments in 2013 will turn out to be well below the levels in 2012 and 2011.

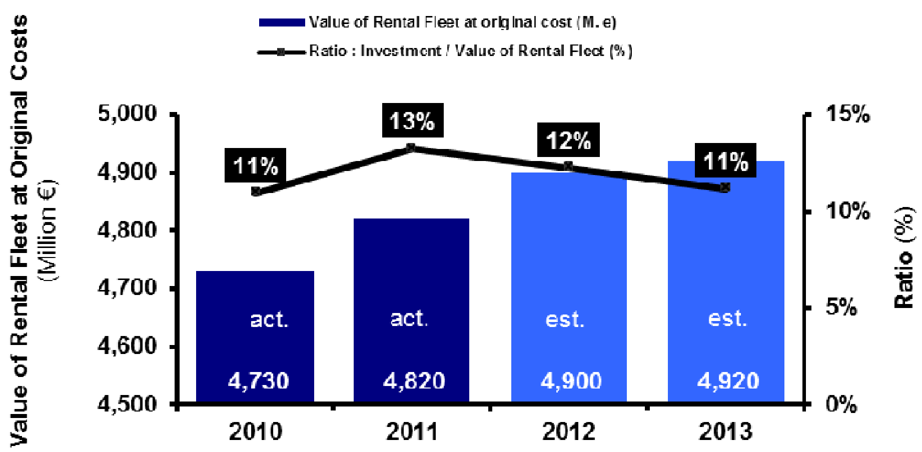
Investment in Rental Equipment of Rental Companies (without operator)



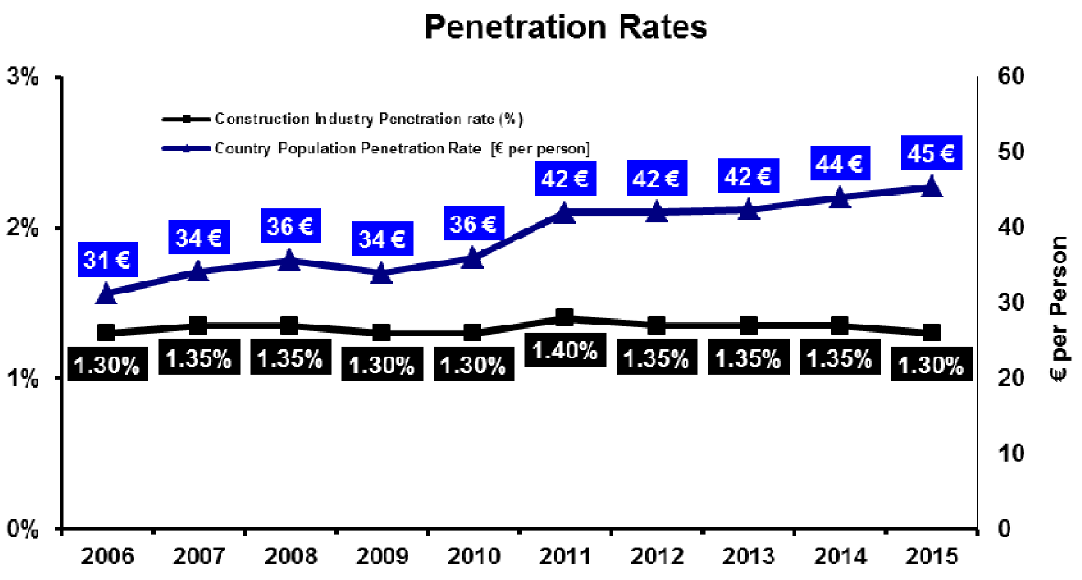
Source: IHS

- We estimate the size of the rental fleet at €4.9 billion in 2013 (at original cost).
- The average age of the German rental fleet remains among the lowest in Europe, estimated to average about 3.5 years in 2013.

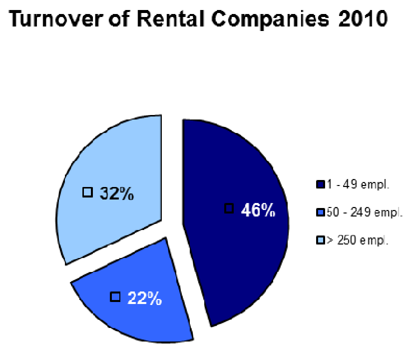
Rental Fleet Size



Source: IHS



Source: IHS



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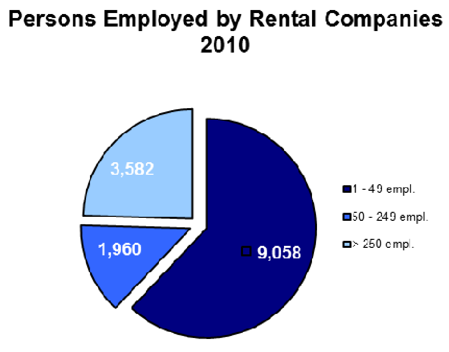
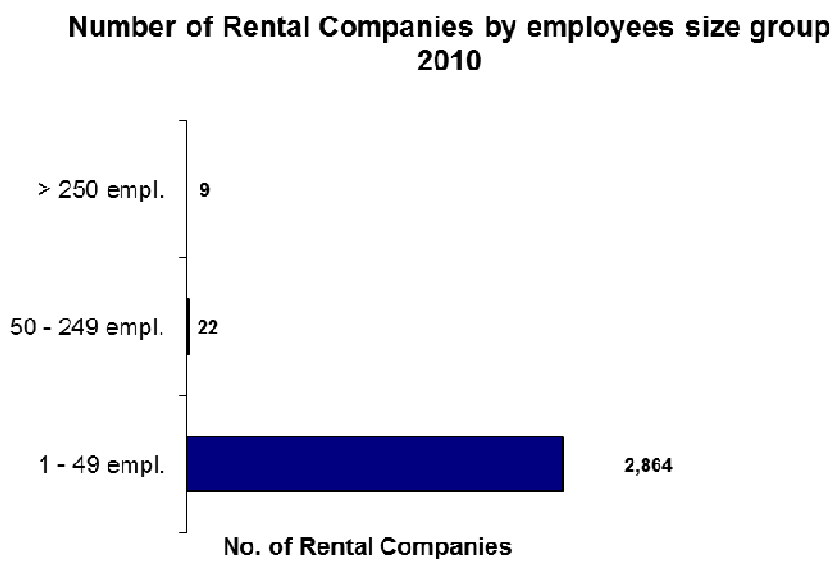


Source: IHS



Source: IHS

- After the very good year of 2011, rental revenues in 2012 increased only very moderately. Between November 2012 and March 2013 a hard winter caused a halt to most construction activities. In consequence, rental revenues at the start of 2013 have slumped. Since June 2013, rental demand has recovered and rental income is expected to recover. We estimate that revenues for the year 2013 in total will grow by some 1%.
- Equipment dealers continue to play an important role in the German equipment rental market. It is estimated that equipment dealers, and other companies providing rental services, generated rental revenue of some € 700 million in 2012.
- The level of competition in the German rental market is traditionally very high. The market structure is characterised by a handful of large national actors, a larger set of strong regional players and a high number of small and medium enterprises. In total the market is, compared to other mature markets, still relatively fragmented and the level of competition varies strongly by region and product category.
- As a result, rental rates continued to be under pressure through the last years, even in times of reasonable demand and without substantial price increases. Price competition is especially high for products with a high price transparency like heavy construction machinery. Therefore, companies are trying to increase their revenue generated by providing complete service solutions and tools.
- The share of the construction sector of rental demand in Germany is estimated at 65 percent.
- In line with increasing market demand for rental solutions in the industry, rental actors are seeking to continuously expand their product portfolio. Important growth areas are complex container-based temporary solutions for offices, accommodation (for institutions like universities and kindergartens) as well as complete safety packages for working sites.
- The current market sentiment in Germany is generally good and there is also an expectation of increased infrastructure investment after the German election in autumn 2013. High hopes exist especially for the large investments necessary in the context of the "Energiewende", which many experts have criticized as being delayed for too long in the past.

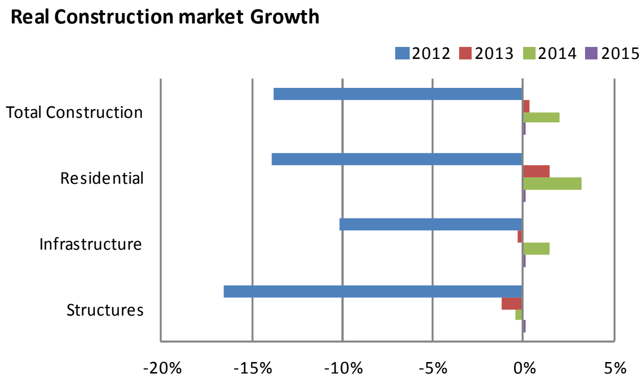
Germany (DE), EURO	Actual		Estimates		Forecast	
	2010	2011	2012	2013	2014	2015
Market Size						
Total turnover [million €]	2,947	3,435	3,455	3,480	3,620	3,755
Rental Companies (without operator)	2,347	2,735	2,750	2,770	2,880	2,990
Other Comp. Providing Rental Services (only rental)	601	700	705	710	740	765
# Rental Companies (without operator)	2,895	n.a.	n.a.	n.a.		
# Employed Persons of Rental Companies (without operator)	14,600	n.a.	n.a.	n.a.		
Investments in Rental Equipment [million €] (without operator)	517	637	600	550		
Value of Rental Fleet at all companies [million €] (without operator)	4,730	4,820	4,900	4,920		
Ratio: Investments in Rental Equipment / Value of the Rental Fleet	11%	13%	12%	11%		
Penetration Rates						
Total Construction Output [million €]	229,782	247,942	251,094	258,026	270,400	283,000
Construction Industry Penetration Rate	1.30%	1.40%	1.35%	1.35%	1.35%	1.30%
Country Population [million]	81.76	81.78	81.92	82.11	82.33	82.49
Country Population Penetration Rate [€ per person]	36	42	42	42	44	45

Source : IHS and Official Statistics data

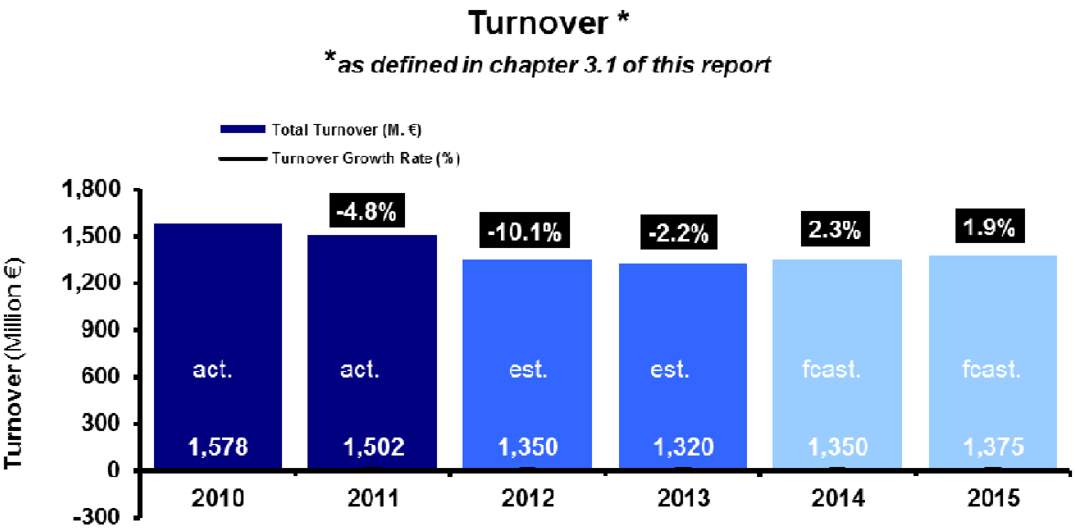
5.6 Italy (IT)

1. Economic and Construction Context for the Equipment Rental Industry

- **Macroeconomic overview:** The economy remains in recession after contracting for a sixth successive quarter during the final quarter of 2012. The economy continues to flounder in the face of entrenched consumer and business gloom, which is not surprising given the tougher tax regime, tighter credit conditions, and rising unemployment, and now with the added stress of political uncertainty. Real GDP is expected to contract by 1.9% in 2013 and 0.5% in 2014, after a 2.4% fall in 2012. In 2015, Italy will host the Universal Expo 2015 in Milan.
- **Total Construction:** In 2012, real total construction spending in Italy declined 13.8% y/y. Italy's economy is mired in a several-year-long recession that has led to reduced business, consumer, and government spending and investment. However, in 2013, total construction spending is expected to post a 0.4% y/y gain. Moving forward, total construction spending in 2014 is expected to increase 1.9% y/y.
- **Residential:** Real spending on residential construction plunged 13.9% y/y in 2012 as a prolonged recession has affected the housing market. The segment is expected to experience 1.0% growth in 2013 followed by an increase of 3.2% in 2014.
- **Infrastructure**: In 2012, real infrastructure construction spending in Italy fell 10.1% y/y as strict austerity measures held back investment. The segment is expected to see spending decrease by 0.3% in 2013, followed by 1.5% growth in 2014.
- **Structures:** Real spending on structures construction declined 16.6% y/y in 2012, as business confidence and investment was muted. The segment is anticipated to contract another 1.3% in 2013 before a smaller decrease of 0.4% in 2014.



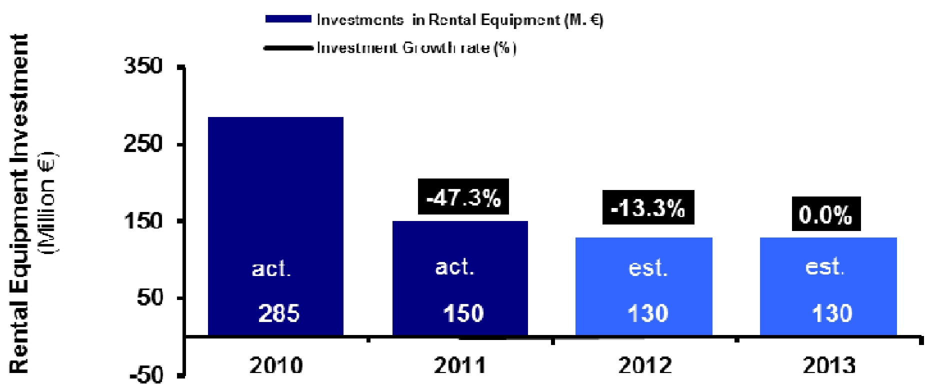
2. Detailed Results per Country



Source: IHS

- As the market has become unattractive for investors, capital expenditure has continued to decline, stabilizing in 2013. Due to the difficult market conditions and access to funding, investments were concentrated on specific equipment and more particularly to replace old equipment.

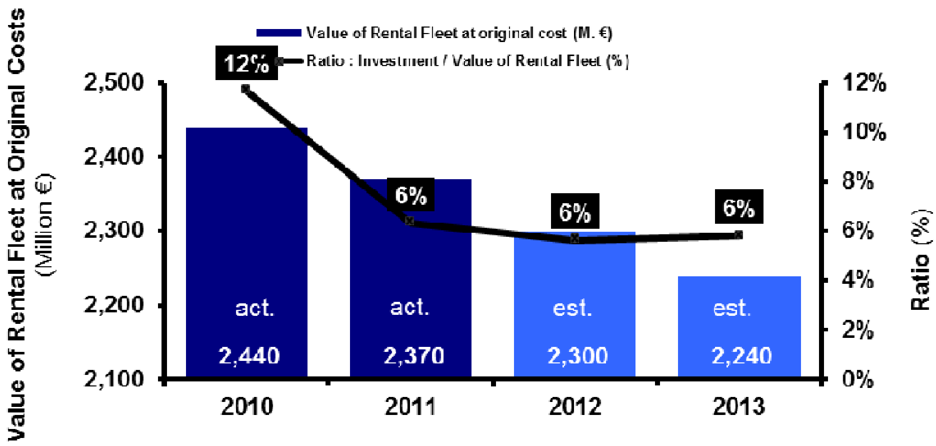
Investment in Rental Equipment of Rental Companies (without operator)



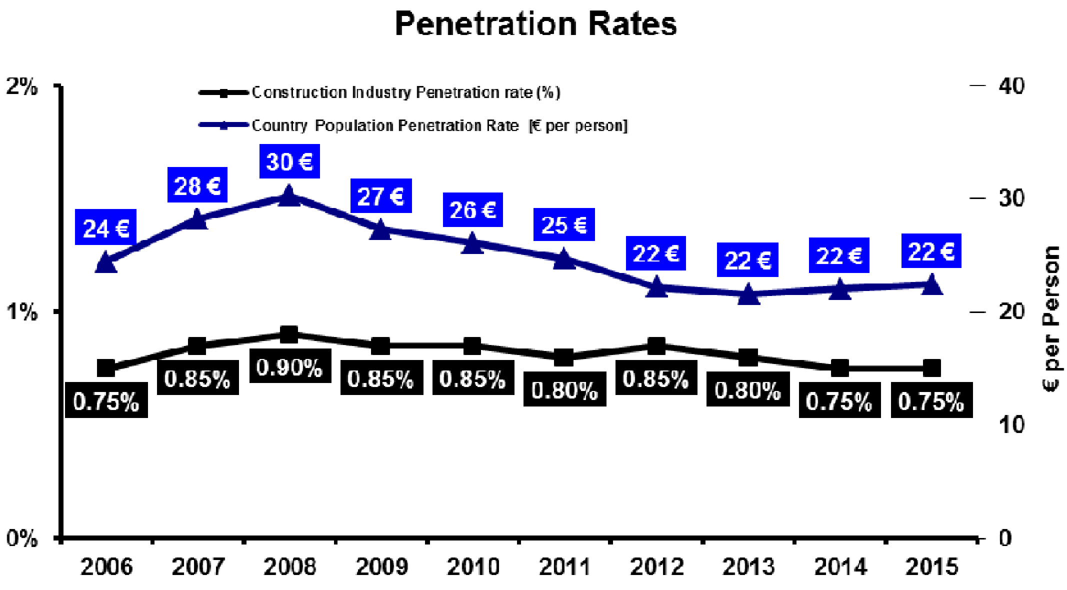
Source: IHS

- In line with the contraction of rental demand from virtually all economic sectors, the overall size of the rental fleet has been shrinking throughout the last 3 years, operators concentrating on very essential replacement investments.

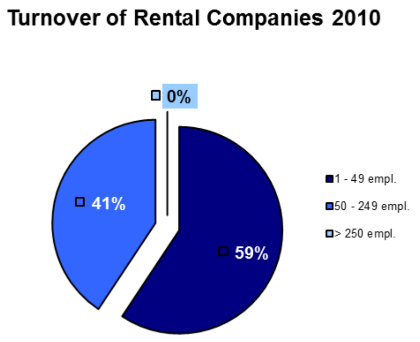
Rental Fleet Size



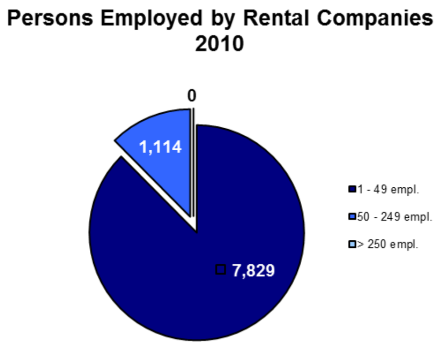
Source: IHS



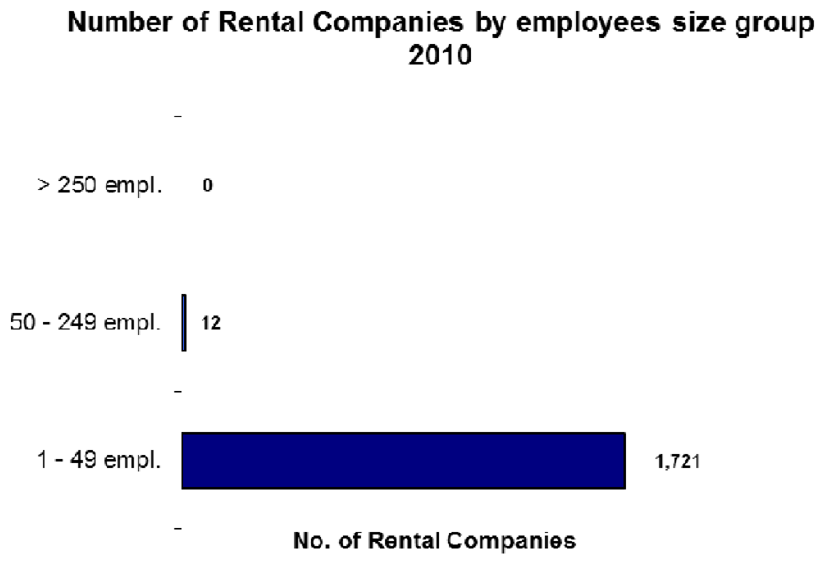
Source: IHS



Source: IHS



Source: IHS



Source: IHS

- The Italian equipment rental market is more fragmented than most other Western European countries with almost no big international companies operating. There are about 12 larger pure rental companies with more than 50 employees operating, with 4 of these companies being the market leaders, but 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, the rental market is experiencing not only an on-going consolidation process (medium-sized companies taking over small players) but also increasing collaboration, as companies work together to increase their market share.
- Equipment dealers play an important role in the market. It is estimated that equipment dealers, and other companies providing rental services, generated almost 50% of the rental revenue. Equipment dealers have the advantage of being able to react to construction companies' needs by increasing their rental equipment availability and offering flexible rental contracts to their customers.
- Because of the troubled economic environment, rental turnover has decreased by an estimated 16.4% between 2010 and 2013.
- Rental rates have continued to decrease since 2012. Prices in regions with significant competition from both local dealers and rental companies can be low; however, some of the larger rental actors have managed to increase their rates for some equipment types, mainly specialised equipment.
- The share of rental demand from the construction sector in Italy is estimated at 60%, the non construction segment increasing continually during the last 3 years.
- Uncertainty in the rental industry in Italy is linked to the change in government, with resultant delays in approving infrastructure and social housing projects, a decrease in construction permits, and difficulties in accessing finance for construction projects.
- Rental turnover is forecast to decrease by 2.2% in 2013, but it is expected that the crisis will bottom out and that there will be a slight increase of revenues in 2014.

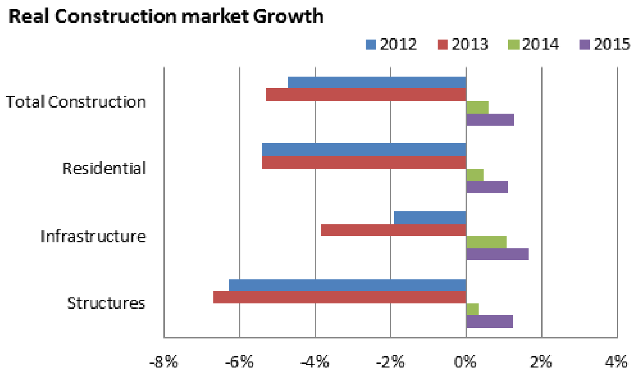
ITALY (IT), EURO	Actual		Estimates		Forecast	
	2010	2011	2012	2013	2014	2015
Market Size						
Total turnover [million €]	1,578	1,502	1,350	1,320	1,350	1,375
Rental Companies (without operator)	825	785	705	690	705	720
Other Comp. Providing Rental Services (only rental)	753	717	645	630	645	655
# Rental Companies (without operator)	1,733	n.a.	n.a.	n.a.		
# Employed Persons of Rental Companies (without operator)	8,943	n.a.	n.a.	n.a.		
Investments in Rental Equipment [million €] (without operator)	285	150	130	130		
Value of Rental Fleet at all companies [million €] (without operator)	2,440	2,370	2,300	2,240		
Ratio: Investments in Rental Equipment / Value of the Rental Fleet	12%	6%	6%	6%		
Penetration Rates						
Total Construction Output [million €]	183,456	185,751	162,646	168,992	180,200	184,700
Construction Industry Penetration Rate	0.85%	0.80%	0.85%	0.80%	0.75%	0.75%
Country Population [million]	60.51	60.73	60.88	60.99	61.07	61.14
Country Population Penetration Rate [€ per person]	26	25	22	22	22	22

Source : IHS

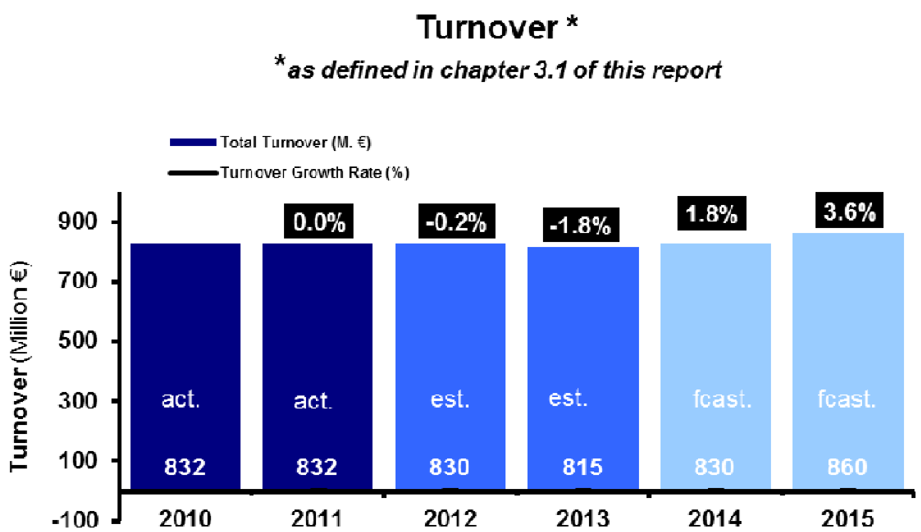
5.7 Netherlands (NL)

1. Economic and Construction Context for the Equipment Rental Industry

- **Macroeconomic overview:** The economy remains in a fragile situation and is likely to contract further in 2013 by 1.2%, following a fall of 1.3% in 2012. Firms are still very concerned about the economic outlook as the conditions they are facing remain very difficult and export growth is likely to remain elusive as a result of muted demand conditions among many key trade partners, particularly in the Eurozone. Thus, real GDP is expected to grow only by 0.6% in 2014.
- **Total Construction:** In 2012, real total construction spending declined 4.7% 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 2013, total construction spending is expected to post a 5.3% decline y/y, followed by a 0.6% increase in spending in 2014.
- **Residential:** Real spending on residential construction decreased 5.4% y/y in 2012. 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 new decline of 5.4% in 2013 before an increase of 0.5% in 2014.
- **Infrastructure**: In 2012, real infrastructure construction spending declined 1.9% y/y as austerity measures implemented led to reduced investment in projects. Spending on the segment is expected to decrease 3.8% in 2013 followed by 1.1% growth in 2014.
- **Structures:** Real spending on structures construction contracted 6.3% y/y in 2012 as current economic conditions are not favourable for business investments. The segment is anticipated to decline 6.7% in 2013 before turning the corner and experiencing a 0.3% increase in 2014.



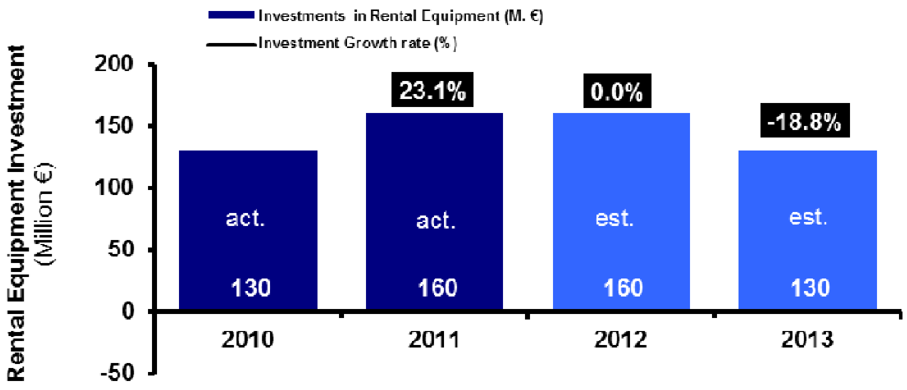
2. Detailed Results per Country



Source: IHS

- After the stabilisation in 2012, fleet investments dropped in 2013. Capital expenditure predominately served to replace old machines.

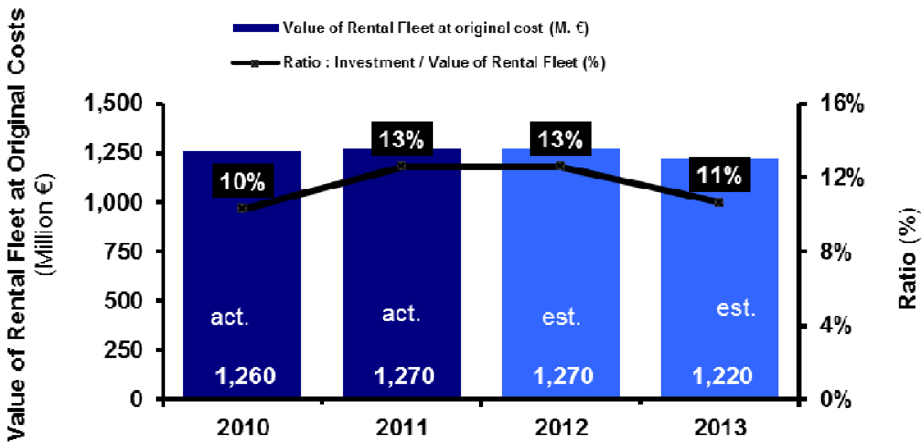
Investment in Rental Equipment of Rental Companies (without operator)



Source: IHS

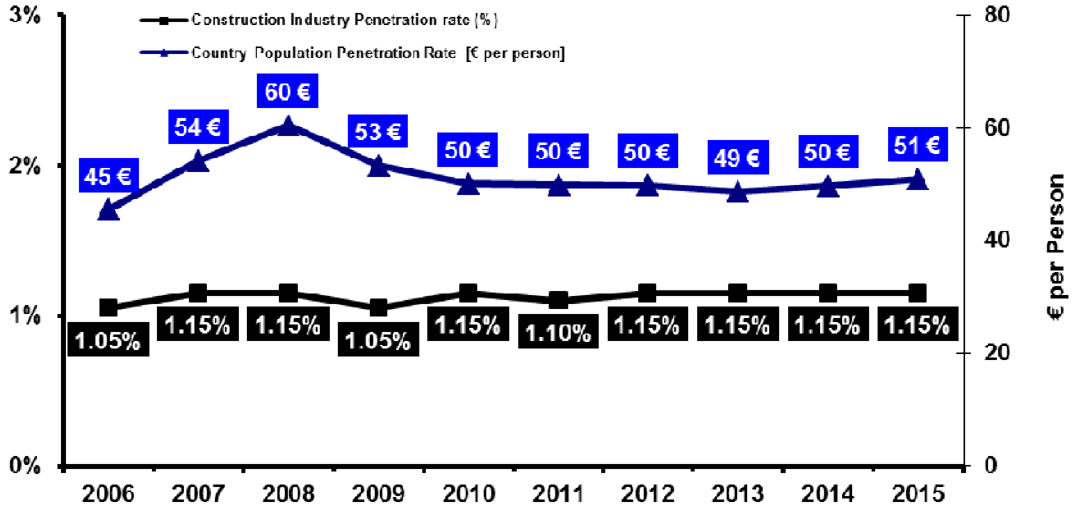
- Despite the strong decrease in capital expenditure of rental companies, the size of the rental fleet has decreased only a little through to 2013. In the context of a troubled economic outlook and reduced public infrastructure investment, international rental companies have developed, particularly over the last 2 years, disposal of older equipment to other countries while, at the same time, renewing a portion of their domestic fleet. Investment levels of local companies have been particularly low resulting in an aging of their fleets.
- The average fleet age is estimated at 6 to 7 years.

Rental Fleet Size



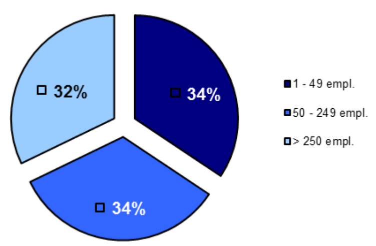
Source: IHS

Penetration Rates



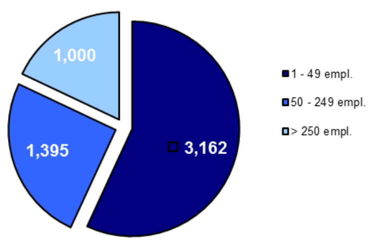
Source: IHS

Turnover of Rental Companies 2010



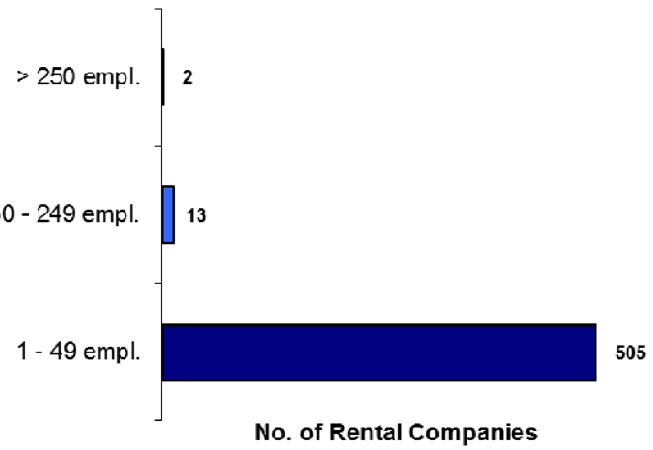
Source: IHS

Persons Employed by Rental Companies 2010



Source: IHS

Number of Rental Companies by employees size group 2010



Source: IHS

- In the Netherlands, the 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 additional companies with more than 50 employees also generating more than 30% of the total revenue of rental companies.
- The crisis has changed the rental industry. Activity has become i) more internationally oriented with large and medium size companies going outside their borders to find growth opportunities and to face a lower demand and a relative overcapacity in the Netherlands; and ii) more individual, as partnerships and alliances between rental companies have become more and more uncommon, decreasing the share of the re-rental business.
- 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 construction segment is still very important for rental companies, limiting the opportunity of growth in the near future. The rental demand stemming from construction is estimated at 80%.
- In the context of a difficult construction sector, rental companies are trying to increase rental penetration in other areas like parties & events and industry.
- Since 2011, rental rates have recovered slightly from the strong decreases experienced in previous years; and this pressure is still driving the market, especially to fund the increasing maintenance cost of older equipment.
- Rental revenue is forecast to grow slightly (1.8%) in 2014 and to grow by 3.7% in 2015 in line with the development of the overall economy.

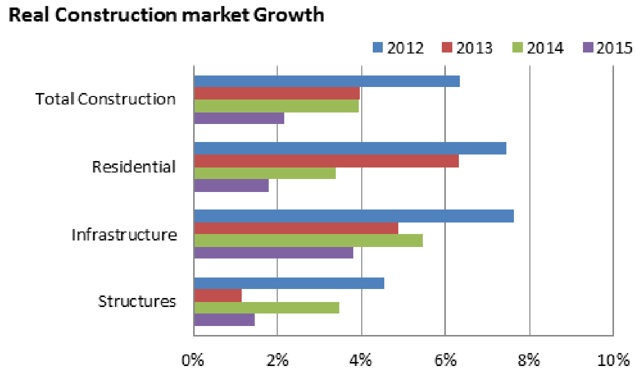
NETHERLANDS (NL), EURO	Actual		Estimates		Forecast	
	2010	2011	2012	2013	2014	2015
Market Size						
Total turnover [million €]	832	832	830	815	830	860
Rental Companies (without operator)	765	765	765	750	765	790
Other Comp. Providing Rental Services (only rental)	67	67	65	65	65	70
# Rental Companies (without operator)	520	n.a.	n.a.	n.a.		
# Employed Persons of Rental Companies (without operator)	5,557	n.a.	n.a.	n.a.		
Investments in Rental Equipment [million €] (without operator)	130	160	160	130		
Value of Rental Fleet at all companies [million €] (without operator)	1,260	1,270	1,270	1,220		
Ratio: Investments in Rental Equipment / Value of the Rental Fleet	10%	13%	13%	11%		
Penetration Rates						
Total Construction Output [million €]	73,585	76,768	73,697	71,044	72,700	75,100
Construction Industry Penetration Rate	1.15%	1.10%	1.15%	1.15%	1.15%	1.15%
Country Population [million]	16.61	16.66	16.71	16.75	16.79	16.83
Country Population Penetration Rate [€ per person]	50	50	50	49	50	51

Source : IHS

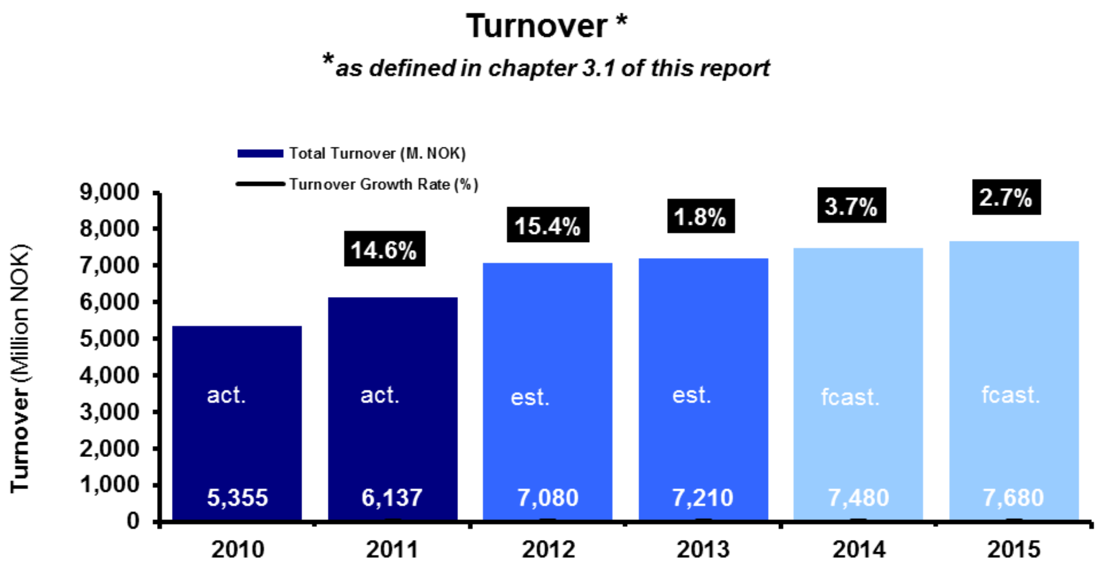
5.8 Norway (NO)

1. Economic and Construction Context for the Equipment Rental Industry

- **Macroeconomic overview:** The prospect of soft domestic demand across the Eurozone, with the recession still engulfing a significant part of the region, is a threat to Norwegian export, output, and employment developments. Overall, economic activity is expected to be under greater pressure in the next few years. Specifically, real GDP growth is projected to slow to 0.8% in 2013 and 1.6% in 2014, from 3.0% in 2012.
- **Total Construction:** In 2012, real total construction spending increased 6.4%. 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 2013, total construction spending is expected to post a 4.0% gain, with a 3.9% increase expected to follow in 2014.
- **Residential:** Real spending on residential construction increased 7.5% in 2012. This segment has been lifted by low interest rates, high incomes, and low unemployment rates. Residential construction is expected to experience 6.3% growth in 2013, before moderating to 3.4% growth in 2014.
- **Infrastructure**: Real infrastructure construction spending increased by 7.6% in 2012. The segment is expected to increase 4.9% in 2013, followed by 5.5% in 2014.
- **Structures:** Real spending on structures construction posted a 4.5% gain in 2012, before a subdued 1.1% growth in 2013 and a 3.5% growth in 2014.

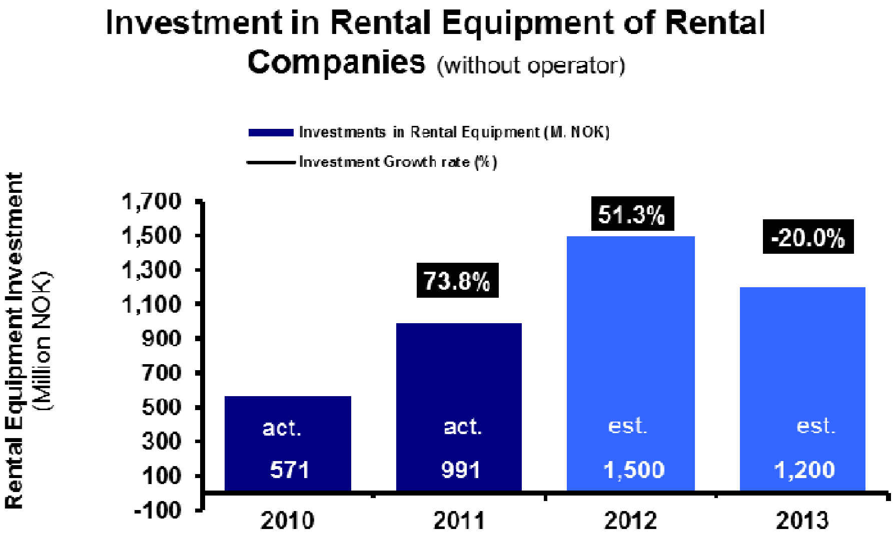


2. Detailed Results per Country



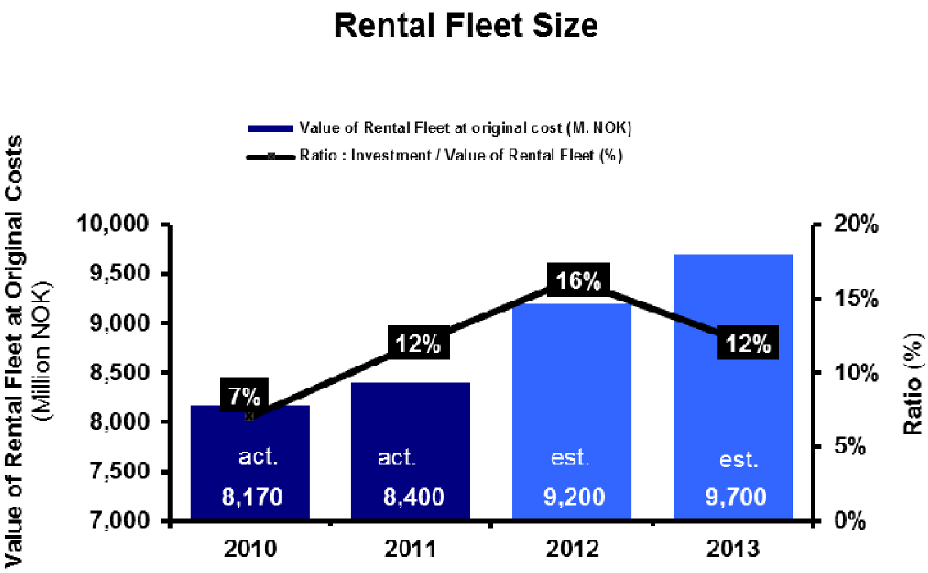
Source: IHS

- In line with the relatively dynamic market environment, rental companies made substantial expenditures to maintain and increase their rental fleets. Investments have been at or above NOK 1 billion and between 12 and 16 percent of the value of the rental fleet since 2011, reaching a maximum in 2012.



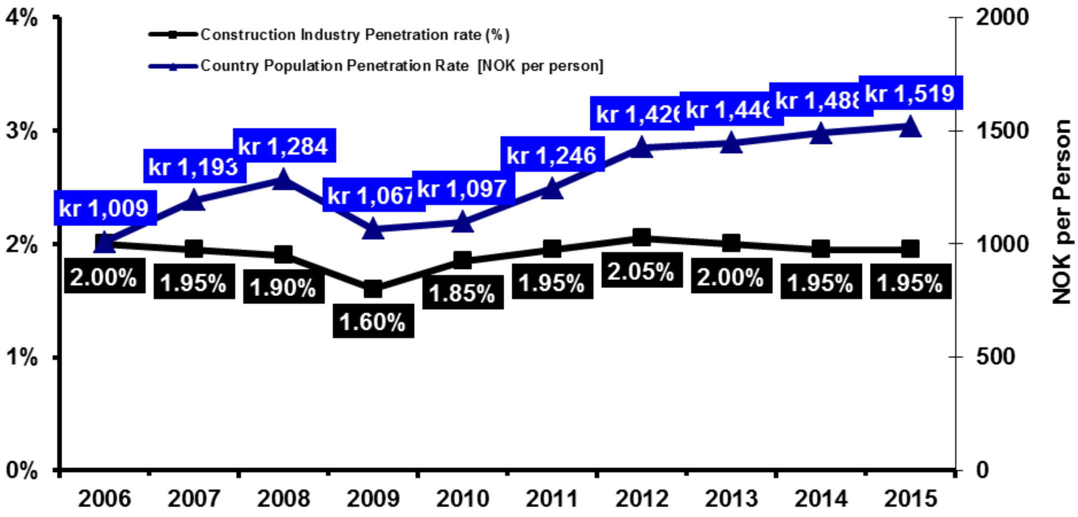
Source: IHS

- The rental equipment park increased to an estimated value of NOK 9.7 billion in 2013 (at original costs). Average fleet age in Norway is estimated to have decreased moderately due to the strong level of investment noted above to an average of 5.4 years in 2012.



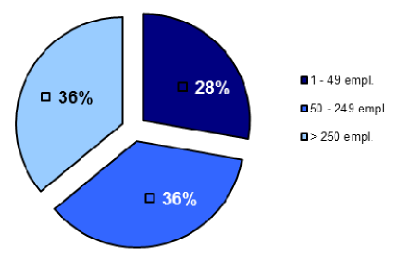
Source: IHS

Penetration Rates



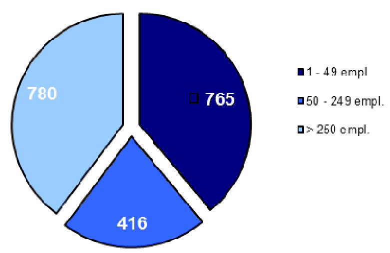
Source: IHS

Turnover of Rental Companies 2010



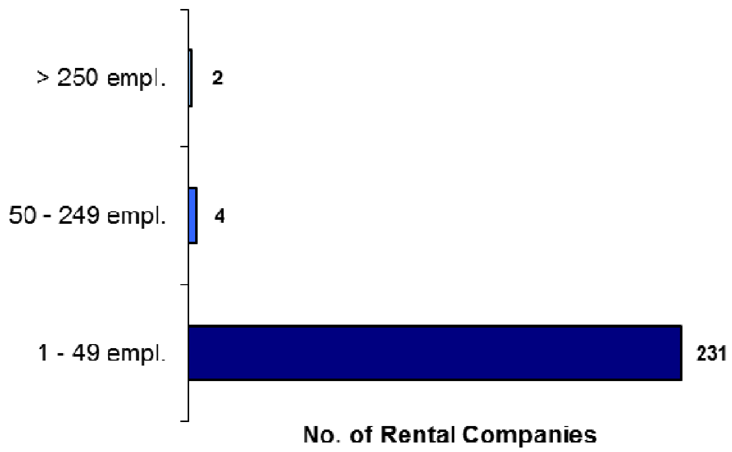
Source: IHS

Persons Employed by Rental Companies 2010



Source: IHS

Number of Rental Companies by employees size group 2010



Source: IHS

- The structure of the Norwegian rental market is characterised by three large rental companies, some 30 mid-sized companies and relatively few small companies. Since 2010, there has been no increase in market concentration. On the contrary, small and mid-sized companies are currently growing faster than the big three, with niche suppliers expanding their product range.
- It is estimated that, in 2013, the market share of the three largest companies is some 45 per cent, with the 30 large and mid-sized rental companies accounting for approximately 85 percent of the market revenue.
- As we forecasted in previous reports, the Norwegian equipment rental market showed signs of "cooling down" in 2013. After the two preceding years showed exceptional growth of above 10 percent p.a., rental revenue is estimated to grow only modestly by some 2 percent in 2013.
- However, Norway is far from crisis. Construction activity is at a historical high level and there is easy access to equipment supply and financing capital. Revenue growth in 2012 was the highest of all countries under investigation in this report.
- After time utilisation continuously increased from 2010 to 2012 to reach historical high levels, it has decreased slightly in 2013 in the context of an expanded fleet and modest revenue growth.
- Despite a high level of competition and only modest price increases, the profitability of rental companies remained at good levels, especially when compared to the situation in many other European countries.
- The share of rental demand from the construction sector in Norway is estimated at 60%.
- It is expected that Norwegian rental market will continue to grow at modest rates in 2014 and 2015.

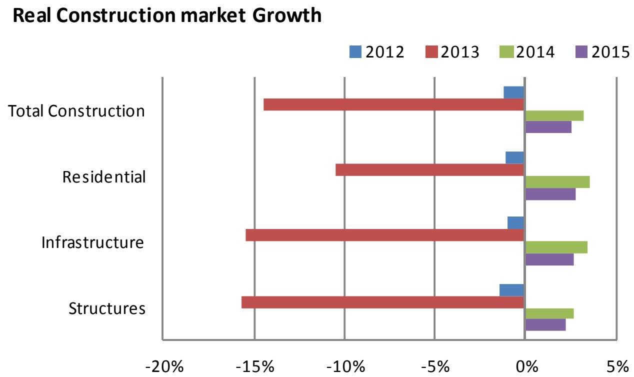
NORWAY (NO), LOCAL CURRENCY	Actual		Estimates		Forecast	
	2010	2011	2012	2013	2014	2015
Market Size						
Total turnover [million NOK]	5,355	6,137	7,080	7,210	7,480	7,680
Rental Companies (without operator)	4,003	4,587	5,290	5,390	5,590	5,740
Other Comp. Providing Rental Services (only rental)	1,352	1,550	1,790	1,820	1,890	1,940
# Rental Companies (without operator)	237	n.a.	n.a.	n.a.		
# Employed Persons of Rental Companies (without operator)	1,961	n.a.	n.a.	n.a.		
Investments in Rental Equipment [million NOK] (without operator)	571	991	1,500	1,200		
Value of Rental Fleet at all companies [million NOK] (without operator)	8,170	8,400	9,200	9,700		
Ratio: Investments in Rental Equipment / Value of the Rental Fleet	7%	12%	16%	12%		
Penetration Rates						
Total Construction Output [million NOK]	289,234	314,955	344,814	361,728	381,600	393,300
Construction Industry Penetration Rate	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
Country Population Penetration Rate [NOK per person]	1,097	1,246	1,426	1,446	1,488	1,519

Source : IHS and Official Statistics data

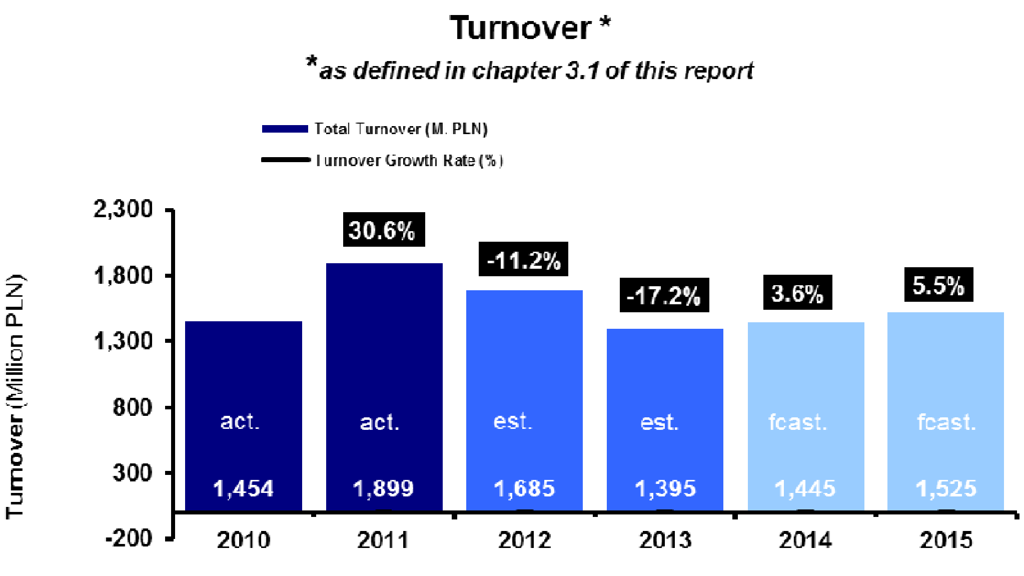
5.9 Poland (PL)

1. Economic and Construction Context for the Equipment Rental Industry

- **Macroeconomic overview:** Europe's crisis has caught up with the Polish economy, with growth slowing to near zero in the first quarter of 2013. At the same time, the Polish zloty remains vulnerable to contagion effects from Europe's debt crisis, showing enhanced volatility, with serious up side and down side potential against both the euro and the US dollar. Nonetheless, there have been signs of a slight economic recovery, boosted by low interest rates and a modest uptick in demand in key export markets. Real GDP is expected to grow by 0.9% in 2013 and 2.8% in 2014, after a 1.9% gain in 2012.
- **Total Construction:** In 2012, real total construction spending declined 1.2% y/y, with both residential and non-residential construction falling by almost similar percentages. In 2013, total construction spending is expected to decline dramatically by 14.5%, before turning the corner and increasing 3.2% in 2014.
- **Residential:** Real spending on residential construction contracted 1.1% y/y in 2012 as already weak labour markets held back consumer spending and investment. The segment is expected to decline more strongly by 10.5% in 2013, before turning the corner and increasing 3.6% in 2014.
- **Infrastructure:** In 2012, real infrastructure construction spending was almost flat. However, the segment is expected to see a substantial decline of spending by 15.5% in 2013, followed by 3.4% growth in 2014.
- **Structures:** Real spending on structures construction posted a 1.5% y/y loss of in 2012. Like the whole market, the segment is expected to decline strongly (-15.7%) in 2013 before returning to 2.7% growth in 2014.

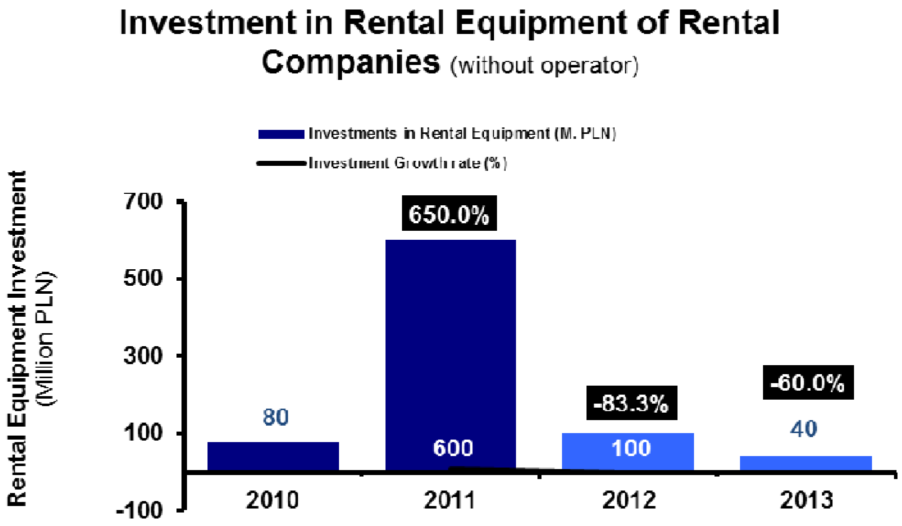


2. Detailed Results per Country



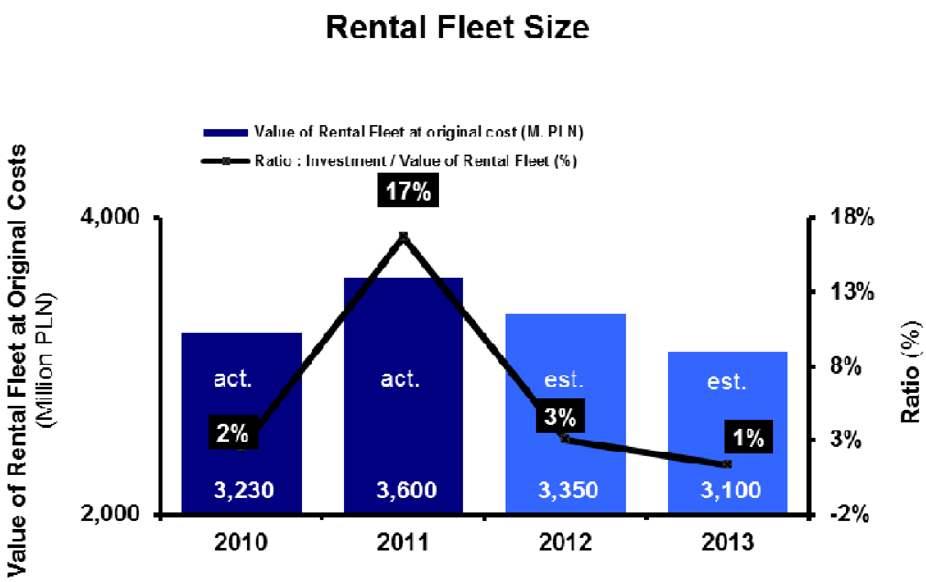
Source: IHS

- As a consequence of the end of publicly funded infrastructure projects in the context of the European 2012 football championships, rental companies have reduced investments in the rental park since 2012 to an absolute minimum and reduced their fleet size to adjust to weak demand and to maintain a sound level of utilisation.



Source: IHS

- The adjustment of the rental fleet was however restricted by weak demand for used equipment and the provisions for co-financing schemes of the European Union, which were used to acquire equipment in the first place. As a consequence, there is still a significant amount of overcapacity present on the market today. We estimate that the value of the fleet in 2013 is still below its 2010 level (at original costs).



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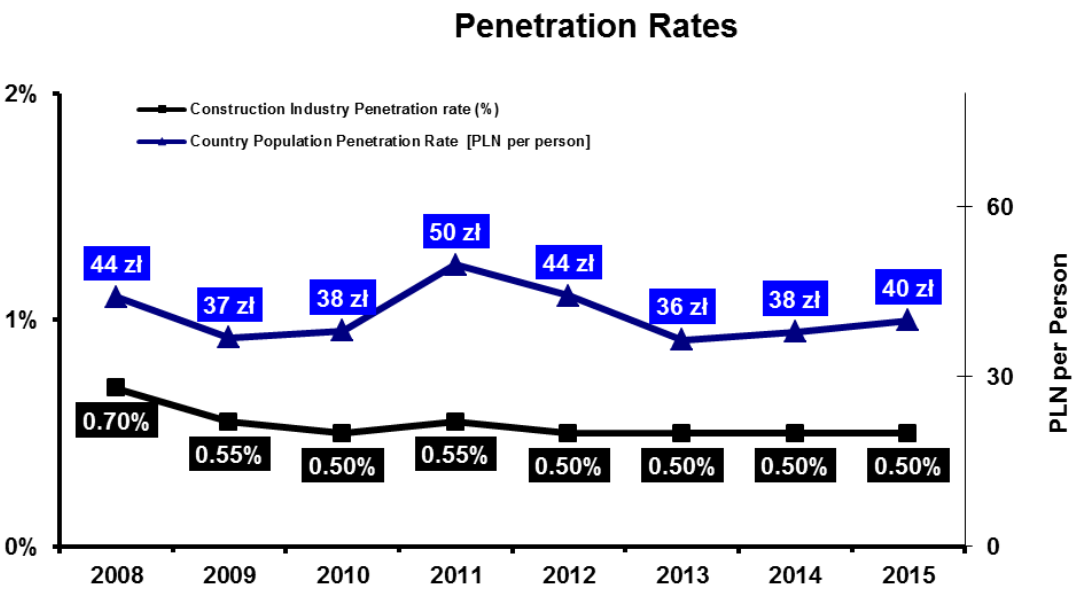
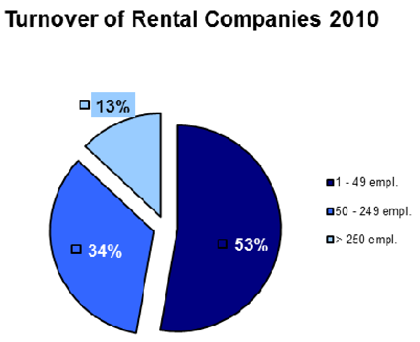


Source: IHS



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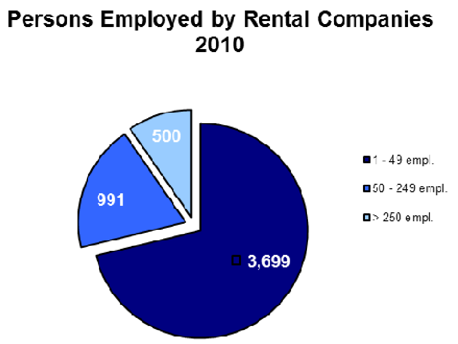

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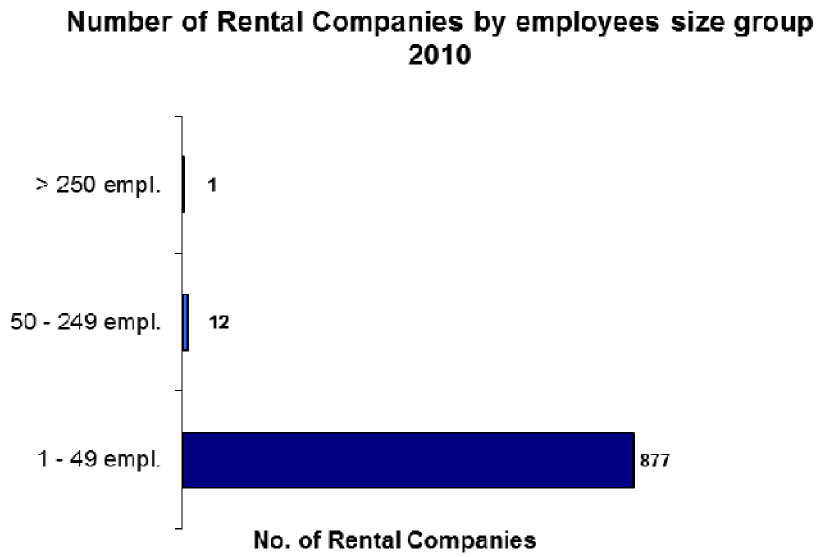


Source: IHS

- The equipment rental market in Poland is still largely dependent on the health of the construction sector, with other customer segments only playing a minor role. Thus, the recent decline of construction demand has caused a substantial decline of equipment rental demand.
- After an extremely strong year, 2011, rental turnover declined substantially in 2012 and will do so again in 2013. Business started to become difficult at the beginning of 2012, and the construction boom in Poland has certainly come to an end since mid 2012, with repercussions for the equipment rental industry. It is estimated that rental revenues decreased by 11 percent in 2012 and will decrease by some 15 percent in 2013.
- While there are no official statistics available yet, it is estimated that the number of people employed at rental companies declined by some 15 to 20 percent since beginning of 2012. The number of active rental companies increased significantly in 2010 and 2011, but has been decreasing since.
- Up to the second quarter of 2012, large infrastructure projects were the basis for strong rental demand from the construction sector. Since then, the scope of public civil engineering projects has declined rapidly. Since this decline was not compensated for by building construction, rental demand in Poland has suffered strongly since mid 2012.
- Because of fleet overcapacity in the face of weak demand, there was strong pressure on rental rates in 2012. Fleet adjustments could reduce this downward dynamic a bit in 2013, however rates have kept on decreasing slightly.
- Rental demand fluctuates more than overall construction activity in the business cycle. As a consequence, rental penetration in Poland has strongly decreased in 2012 and 2013.
- The focus of rental companies in the context of the deteriorating business environment is to maintain sufficient cash flow and remain financially liquid. Payment behaviour has been the biggest problem for rental firms. With declining profitability there have been some major bankruptcies in the market.
- After difficult years in 2012 and 2013 we expect rental revenues to recover by some 4 percent in 2014 and above 5 percent in 2015. However, there are downside risks to the forecast in the context of the European crisis and future budget limitations.

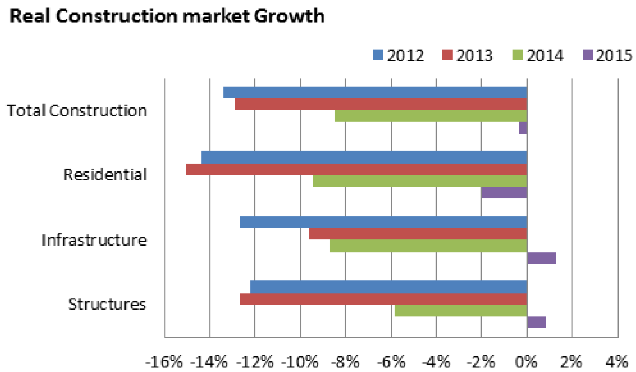
POLAND (PL), LOCAL CURRENCY	Actual		Estimates		Forecast	
	2010	2011	2012	2013	2014	2015
Market Size						
Total turnover [million PLN]	1,454	1,899	1,685	1,395	1,445	1,525
Rental Companies (without operator)	1,440	1,880	1,670	1,380	1,430	1,510
Other Comp. Providing Rental Services (only rental)	14	19	15	15	15	15
# Rental Companies (without operator)	890	n.a.	n.a.	n.a.		
# Employed Persons of Rental Companies (without operator)	5,190	n.a.	n.a.	n.a.		
Investments in Rental Equipment [million PLN] (without operator)	80	600	100	40		
Value of Rental Fleet at all companies [million PLN] (without operator)	3,230	3,600	3,350	3,100		
Ratio: Investments in Rental Equipment / Value of the Rental Fleet	2%	17%	3%	1%		
Penetration Rates						
Total Construction Output [million PLN]	279,649	336,690	340,733	279,260	293,000	312,600
Construction Industry Penetration Rate	0.50%	0.55%	0.50%	0.50%	0.50%	0.50%
Country Population [million]	38.20	38.20	38.21	38.22	38.22	38.22
Country Population Penetration Rate [PLN per person]	38	50	44	36	38	40

Source : IHS and Official Statistics data

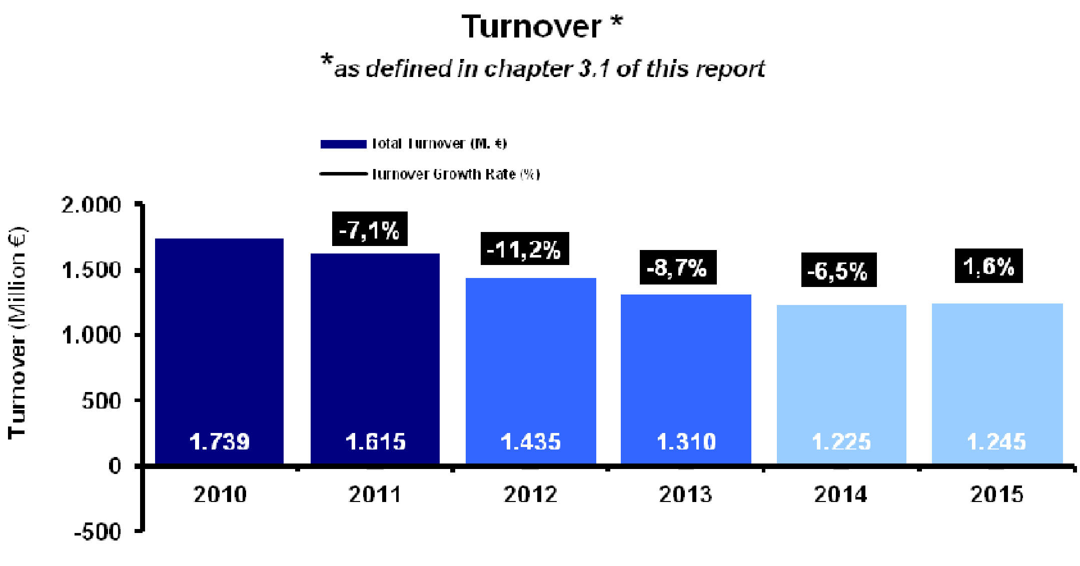
5.10 Spain (ES)

1. Economic and Construction Context for the Equipment Rental Industry

- **Macroeconomic overview:** Spain has gone from being one of the fastest-growing economies in the Eurozone to being locked into a low-growth cycle. Real GDP is expected to contract by 1.7% in 2013 and 0.5% in 2014, after a 1.4% fall in 2012. Consumers will continue to spend very cautiously, weighed down by excessively high unemployment, falling house equity, and diminishing, but still excessive, debt levels. The economy is also struggling to create a sufficient number of jobs to shift the large number of unemployed in the medium-term, an important factor in any sustained recovery in consumer confidence.
- **Total Construction:** In 2012, total construction spending in Spain decreased by 13.4% y/y in real terms. As conditions are not expected to improve soon, total construction spending is expected to post further 12.9% and 8.5% y/y losses in 2013 and 2014 respectively.
- **Residential:** Real spending on residential construction decreased 14.3% y/y in 2012 as economic conditions remained weak and consumers were faced with very high unemployment. The segment is expected to decline 12.7% further in 2013 and will continue to fall in 2014, declining 5.8%, as a large supply of unsold homes will hinder new construction.
- **Infrastructure**: In 2012, real infrastructure construction spending declined 12.7% y/y, as Spain weathers a severe fiscal crisis and austerity measures. The segment is expected to decrease 9.6% in 2013, followed by a further 8.7% decline in 2014
- **Structures:** Real spending on structures construction posted a 12.2% y/y loss in 2012, as the confidence and investment are at low levels. The segment is expected to decrease a further 12.7% and 5.8% in 2013 and 2014 respectively.



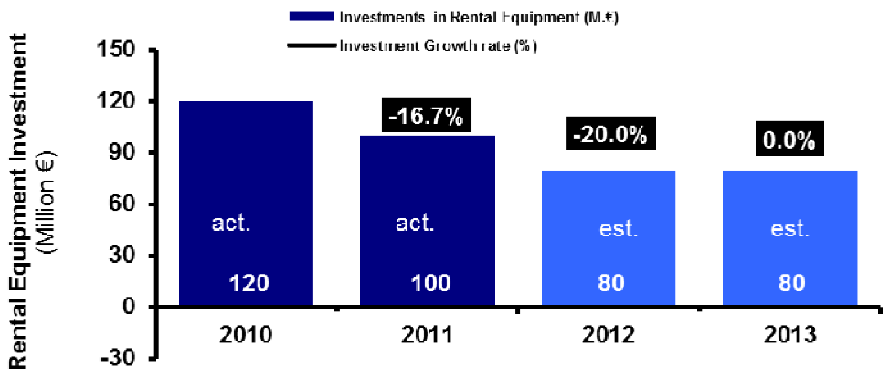
2. Detailed Results per Country



Source: IHS

- As the Spanish market has become unattractive for investors, capital expenditure has continued to decline. Investments were concentrated on specific equipment types.

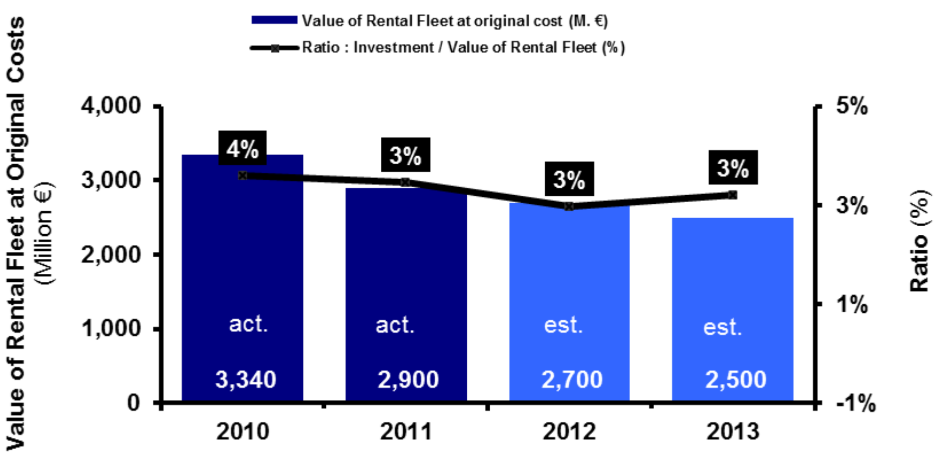
Investment in Rental Equipment of Rental Companies (without operator)



Source: IHS

- In line with the contraction of rental demand from virtually all economic sectors, the overall size of the rental fleet has been shrinking throughout 2011, 2012 and 2013, operators concentrating on essential replacement investments and selling much of their equipment to other markets or transferring equipment within their group but to other countries.

Rental Fleet Size



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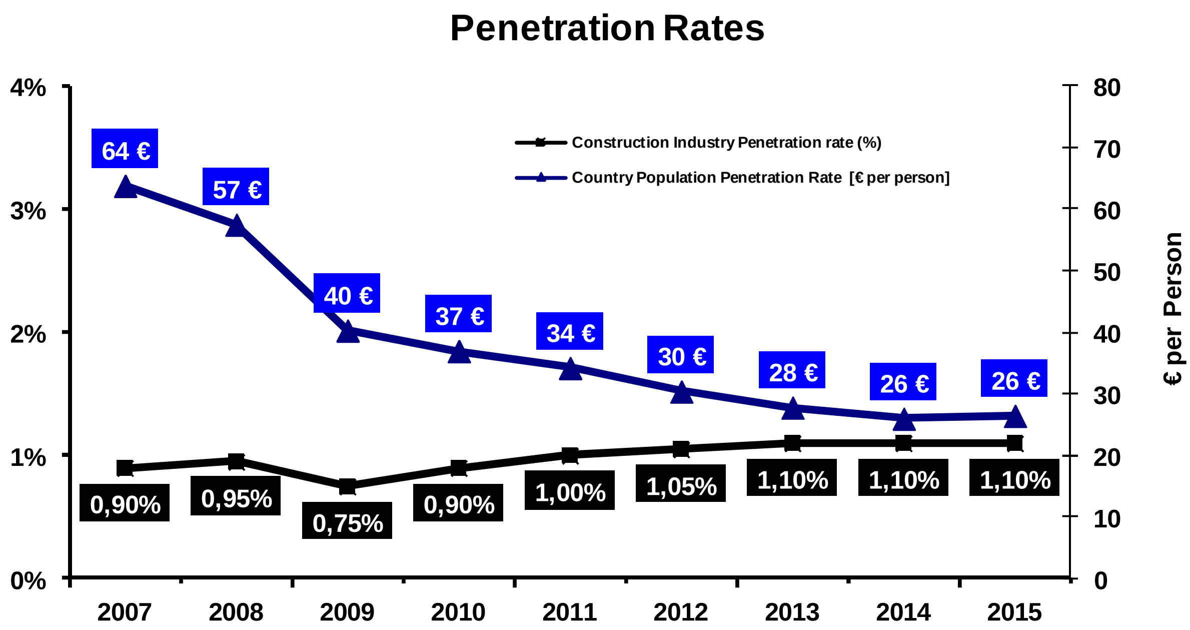

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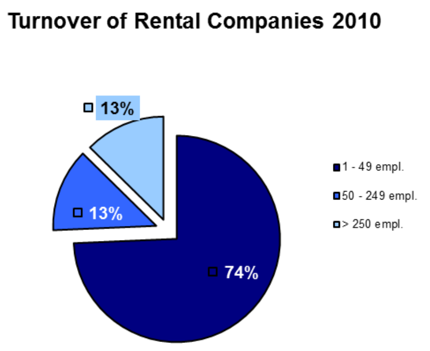

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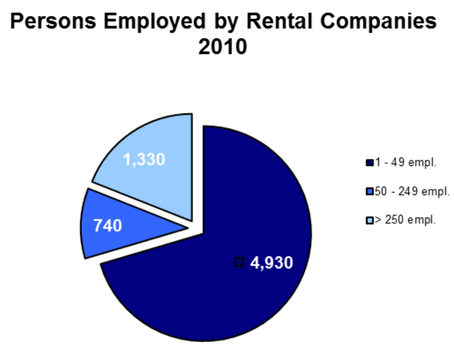
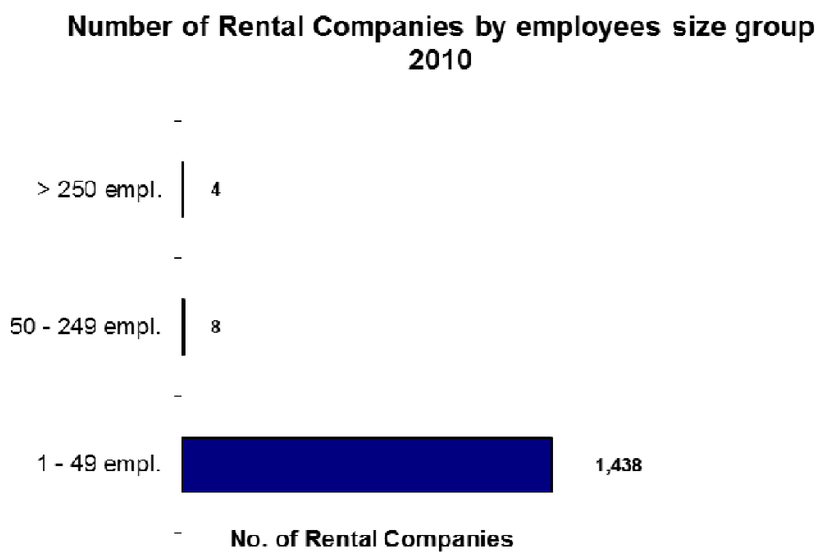


Source: IHS



Source: IHS

- In the context of crisis, large and medium rental players have continued to adjust their number of employees and to reorganise their depots in order to focus their activity on major regional markets.
- The larger players have tried for the last 5 years to develop their business in Latin America in order to absorb part of their excess fleet. They did it mainly in accompanying large contractors in large projects in these countries.
- Because of the substantial decrease of the fleet size, utilisation rates for some types of equipment, especially the more specialized ones, have stabilised in 2012 and 2013.
- 60% of rental demand comes from the construction sector in Spain, a percentage which is decreasing for the last 3 years. But, to increase the rental penetration of the non construction sector, rental companies will need to invest in new dedicated equipment.
- Given the uncertainties about the banking and sovereign debt crisis in Spain it is hard to foresee when the Spanish market will start to recover. There have been strong decreases in the economic activity in recent years; on a business as usual basis we could expect that the market will bottom out in 2014. However, the market is still vulnerable to a significant shock so it is not possible to tell today when the market will experience any significant growth.

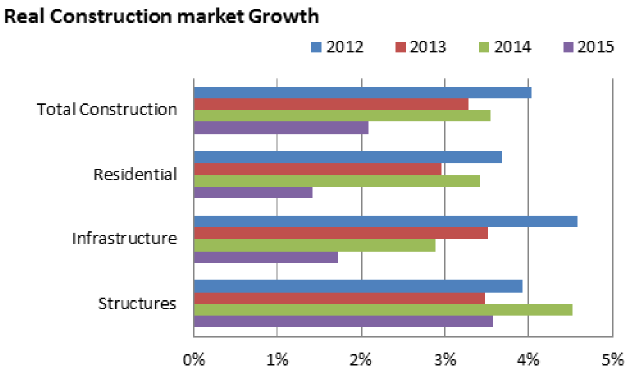
SPAIN (ES), EURO	Actual		Estimates		Forecast	
	2010	2011	2012	2013	2014	2015
Market Size						
Total turnover [million €]	1,739	1,615	1,435	1,310	1,225	1,245
Rental Companies (without operator)	1,647	1,530	1,360	1,240	1,160	1,180
Other Comp. Providing Rental Services (only rental)	92	85	75	70	65	65
# Rental Companies (without operator)	1,450	n.a.				
# Employed Persons of Rental Companies (without operator)	7,000	n.a.				
Investments in Rental Equipment [million €] (without operator)	120	100	80	80		
Value of Rental Fleet at all companies [million €] (without operator)	3,340	2,900	2,700	2,500		
Ratio: Investments in Rental Equipment / Value of the Rental Fleet	4%	3%	3%	3%		
Penetration Rates						
Total Construction Output [million €]	197,834	158,383	137,526	120,049	111,400	113,700
Construction Industry Penetration Rate	0.90%	1.00%	1.05%	1.10%	1.10%	1.10%
Country Population [million]	47.02	47.19	47.27	47.06	46.97	47.01
Country Population Penetration Rate [€ per person]	37	34	30	28	26	26

Source : IHS

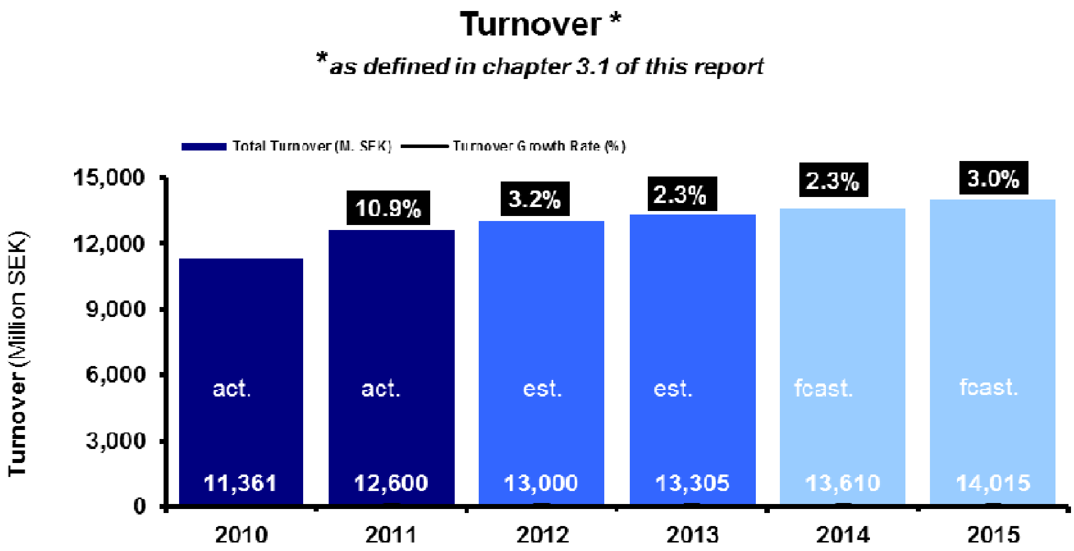
5.11 Sweden (SE)

1. Economic and Construction Context for the Equipment Rental Industry

- **Macroeconomic overview:** Deteriorating international environment reinforces slowdown in Sweden: Real GDP is projected to expand by 1.1% in 2013 and 1.9% in 2014, up from a 1.1% rise in 2012. The main risk to the Swedish economy comes from lower-than-expected global growth and the intensification of the Eurozone sovereign debt problems, which suggests the possibility of a Greek exit in 2014, given the degree to which Sweden is integrated in the Eurozone.
- **Total Construction:** In 2012, real total construction increased 4.0% y/y, as current economic conditions are favourable for confidence and investment. In 2013, total construction spending is expected to post a 3.3% y/y gain with growth accelerating to 3.5% in 2014.
- **Residential:** Real spending on residential construction increased 3.7% y/y in 2012. Residential construction is expected to experience 3.0% growth in 2013 and pick up to 3.4% in 2014.
- **Infrastructure**: In 2012, real infrastructure construction spending increased 4.6% y/y. The segment is expected to increase 3.5% in 2013 followed by 2.9% growth in 2014. Unlike many other European countries, Swedish public finances are in a strong position. The government is able to allocate funds to infrastructure projects, particularly in transport and rail construction.
- **Structures**: Real spending on structures construction posted a 3.9% y/y gain in 2012. The segment is anticipated to increase 3.5% in 2013 and growth will accelerate to 4.5% in 2014.

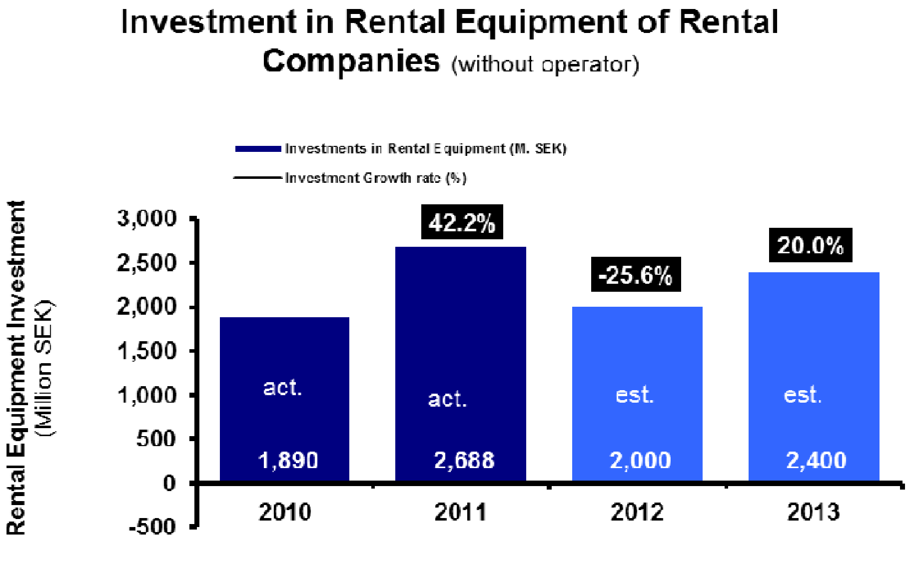


2. Detailed Results per Country



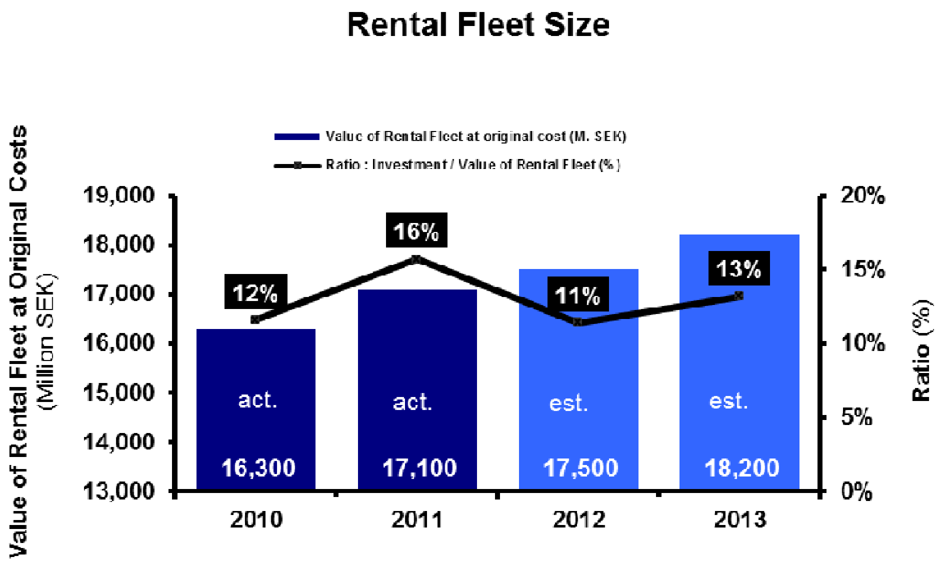
Source: IHS

- After record investments to expand the rental park in 2011, Swedish rental companies focused on fleet consolidation and renewal in 2012. As a consequence capital expenditure dropped by an estimate of 25 percent. In the context of a positive market sentiment for the second half of 2013 and for 2014, investment activity has recently regained momentum. We estimate capital expenditure in 2013 to be some 20 percent above 2012 level, with additional increases in the first half of 2014.



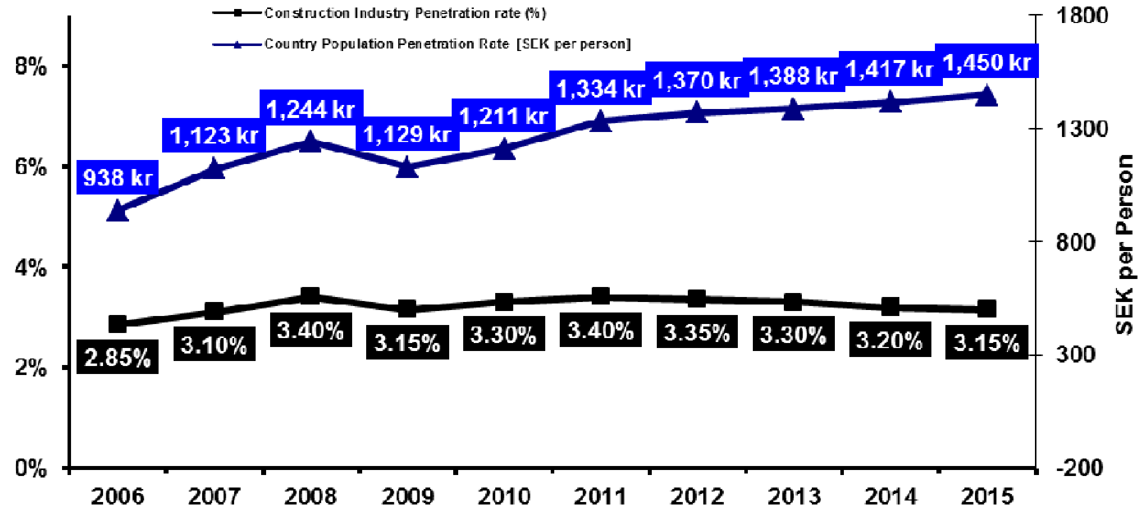
Source: IHS

- The size of the rental fleet has increased continuously between 2010 and 2013 and is estimated to average above SEK 18 billion in the year 2013.
- Large rental actors are closely screening the market with a clear policy to avoid overcapacities among the fleet. Because of the focus on replacement investments and renewal of the fleet in 2013, we estimate that average fleet age has decreased to slightly below 6 years in 2013.



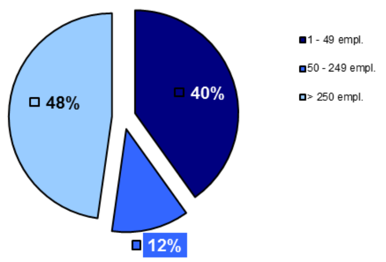
Source: IHS

Penetration Rates



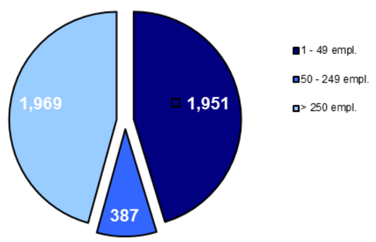
Source: IHS

Turnover of Rental Companies 2010



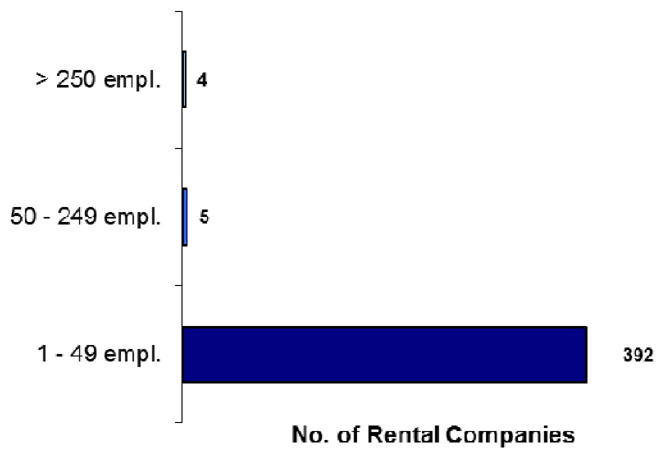
Source: IHS

Persons Employed by Rental Companies 2010



Source: IHS

Number of Rental Companies by employees size group 2010



Source: IHS

- Sweden features one of the most mature equipment rental sectors among Europe. Construction industry penetration is among the highest of all countries under investigation.
- The Swedish market is characterised by four large rental players with more than 250 employees, a relatively small number of medium-sized rental companies and some 390 small companies with fewer than 50 employees. The five largest rental companies generate about 60% of the total revenue of rental companies.
- Growth of rental revenue has moderated recently and is estimated to have been at 3.4 percent in 2012 and to be at some 2 percent in 2013. However, there are positive signs of a stronger market since summer 2013.
- Rental Rates increased modestly until mid 2012 and have remained fairly stable since. Time Utilisation is estimated to have grown in 2012 and to have ever so slightly decreased in 2013.
- There are several specifics of the Swedish rental market causing higher rental revenues in relation to the size of the construction sector compared to other countries. The country features a highly rationalized construction sector, triggered by traditionally high labour costs.
- In addition to construction demand, renting of accommodation and rental services to the manufacturing industry produce significant rental revenues. Furthermore total rental solutions, such as on-site installation services or tool renting by small construction companies result in a very service oriented sector.
- The traditionally strong demand for accommodation and rental containers has been increasing recently by a substantial demand of the wind power industry.
- Sustainability and ecological aspects are getting 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 ecological friendly energy-saving equipment.
- Another trend refers to the increasing relevance of safety aspects. These include generally safer machinery as well as education aspects like lift certificates or the provision of short training courses for critical equipment.
- In the light of the positive signs coming from the industry, we estimate rental revenues in Sweden to grow at rates around 3 percent in 2014 and 2015.

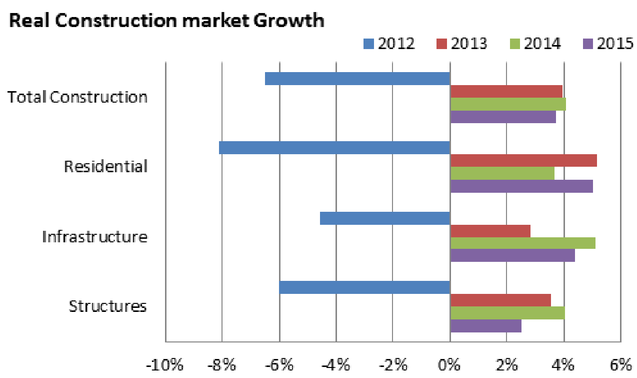
SWEDEN (SE), LOCAL CURRENCY	Actual		Estimates		Forecast	
	2010	2011	2012	2013	2014	2015
Market Size						
Total turnover [million SEK]	11,361	12,600	13,000	13,305	13,610	14,015
Rental Companies (without operator)	11,188	12,408	12,800	13,100	13,400	13,800
Other Comp. Providing Rental Services (only rental)	173	192	200	205	210	215
# Rental Companies (without operator)	401	n.a.	n.a.	n.a.		
# Employed Persons of Rental Companies (without operator)	4,307	n.a.	n.a.	n.a.		
Investments in Rental Equipment [million SEK] (without operator)	1,890	2,688	2,000	2,400		
Value of Rental Fleet at all companies [million SEK] (without operator)	16,300	17,100	17,500	18,200		
Ratio: Investments in Rental Equipment / Value of the Rental Fleet	12%	16%	11%	13%		
Penetration Rates						
Total Construction Output [million SEK]	342,699	372,355	388,861	404,958	426,600	443,700
Construction Industry Penetration Rate	3.30%	3.40%	3.35%	3.30%	3.20%	3.15%
Country Population [million]	9.38	9.45	9.51	9.57	9.63	9.69
Country Population Penetration Rate [SEK per person]	1,211	1,334	1,370	1,388	1,417	1,450

Source : IHS and Official Statistics data

5.12 United Kingdom (UK)

1. Economic and Construction Context for the Equipment Rental Industry

- **Macroeconomic overview:** After a 0.2% gain in 2012, Real GDP is expected to grow by 1.3% in 2013, improving to 2.0% in 2014, supported primarily by moderating inflation, higher employment, easier credit conditions, and healthier global growth. Nevertheless, there are still significant headwinds to growth that suggest that the UK economy will struggle to sustain its current rate of growth for an extended period: fiscal austerity is kicking in further, credit conditions remain difficult particularly for smaller companies, and global economic activity is limited (with muted demand in the Eurozone particularly handicapping UK exports).
- **Total Construction:** In 2012, real total construction decreased by a dire 6.5% y/y and is expected to pick back up, posting a 4.0% y/y gain in 2013, with another 4.1% increase expected in 2014.
- **Residential:** Real spending on residential construction decreased a whopping 8.1% y/y in 2012. The segment is expected to experience 5.2% growth in 2013 and to moderate to 3.7% growth in 2014.
- **Infrastructure**: With the end of Olympics construction, real infrastructure construction spending declined 4.6% y/y in 2012. The UK government is putting a renewed effort into infrastructure investment as a means to boost the construction sector and the overall economy. The segment is expected to increase 2.8% in 2013, followed by 5.1% growth in 2014.
- **Structures:** Real spending on structures construction posted a 6.0% y/y decline in 2012 and is expected to increase 3.5% in 2013 and 4.0% in 2014.



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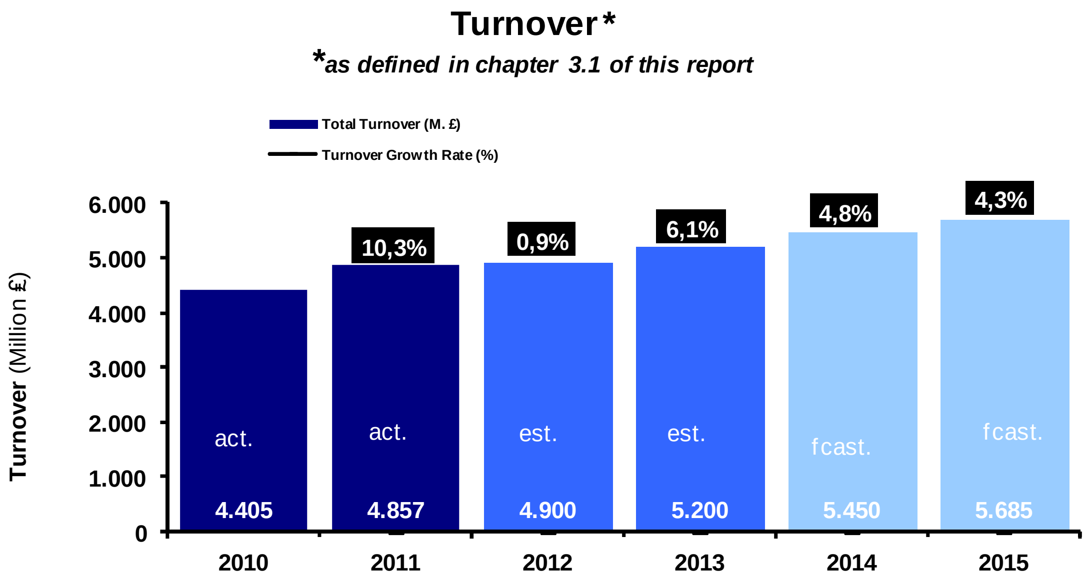
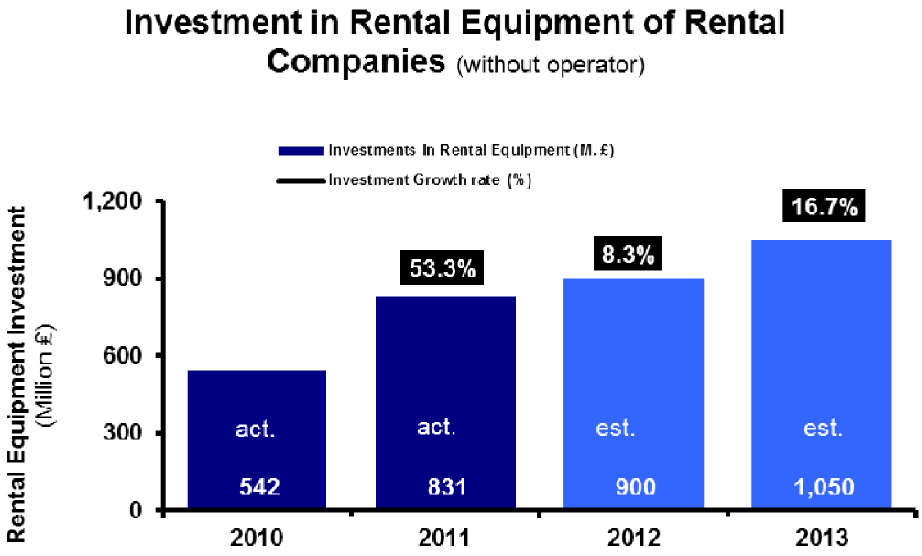
2. Detailed Results per Country



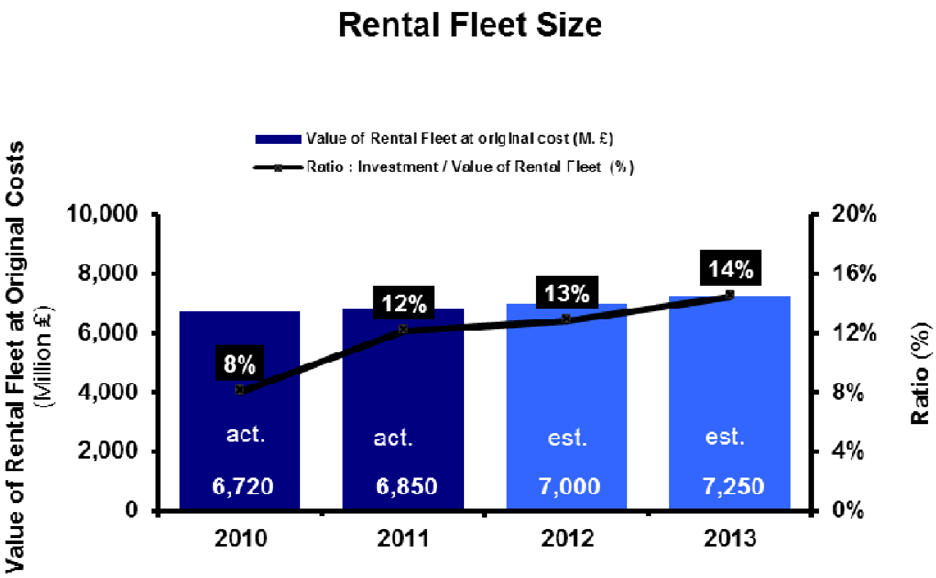
Source: IHS

- Despite investments in rental equipment in 2012 already slightly above maintenance levels, it is estimated that capital expenditure will grow by another 17 percent to average more than 1 billion GBP in 2013. The backdrop to this development is that companies had – after the completion of infrastructure projects for the Olympic Games 2012 – been holding back investments until they believed the increase in demand to be sustainable.



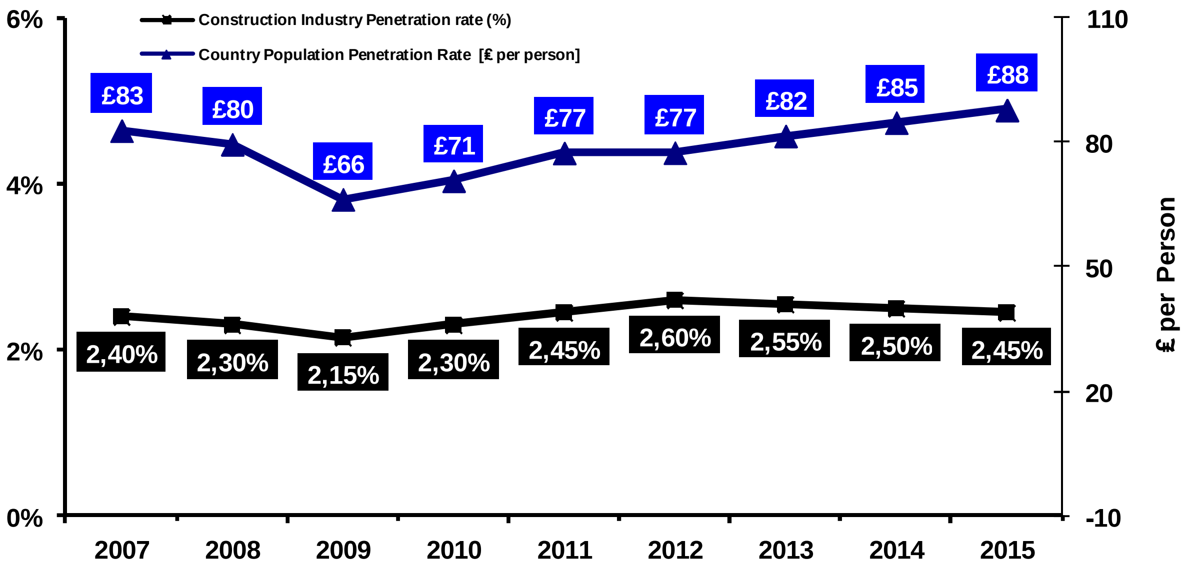
Source: IHS

- The size of the rental park has increased moderately in 2012 (+2.2%) and is estimated to have expanded more substantially by 3.6% in 2013 to a value of some 7.25 billion GBP (at original cost).
- Because of the substantial recent investments we estimate fleet age to have decreased somewhat to 4.3 years in 2013. Time utilisation was more or less constant in 2012 but is showing some growth in 2013 with extremely high values for selected equipment types.



Source: IHS

Penetration Rates



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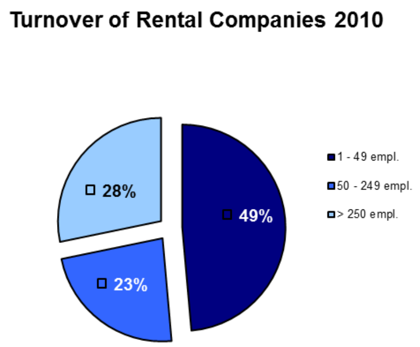

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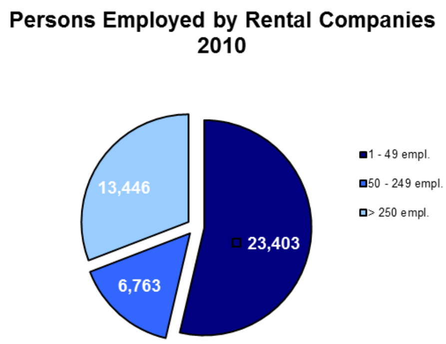
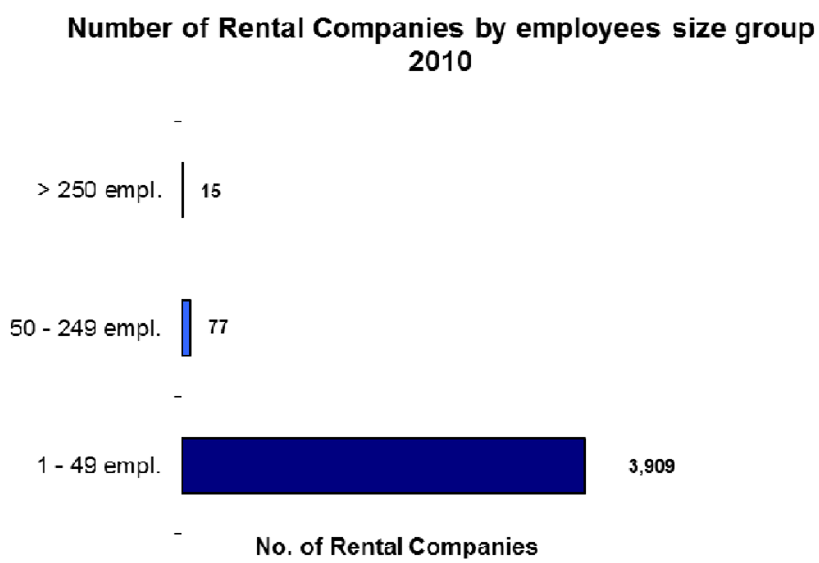


Source: IHS



Source: IHS

- Equipment dealers in the United Kingdom are less involved in equipment rental than for instance in Germany. While the rental market as a whole is fragmented with a large number of small and specialist companies, the top four companies account for about a quarter of the revenue. There are some 15 companies with more than 250 employees which together account for approximately 50 percent of the market.
- After having remained virtually flat in 2012 (+0.9%) rental turnover regained a growth dynamic in the first quarter of 2013. Our assumption is that that trend will continue until the end of the year: this fairly good start is therefore expected to be the prelude to a fairly good year with estimated turnover growth of some 6 percent on a year-on-year basis.
- Rental firms are increasingly offering services in addition to pure equipment rental in order to satisfy customer demands and to differentiate themselves from competitors. In this context, we observe a general trend to comprehensive logistics solutions. Market consolidation on the client side favours long-term relationships between national partners and a “one-stop-shop” approach to rental. Together these market trends become manifest in a tendency away from the specialists (once the overriding players in the UK) to generalists in the rental sector.
- Important factors driving the industry are safety and environmental issues, fuel efficiency as well as utility projects. From a regional perspective, wind power constructions sites, investments in the ageing conventional power generation plants and the decommissioning of nuclear power stations are also important demand drivers.
- The share of rental demand from the construction sector in the UK is estimated at 60%.
- With the recent good news that the UK economy is turning positive and with the construction sector increasingly shrugging off its long-term problems (the construction sector was a serious drag on rental activity throughout 2012), our revenue outlook for 2014 (+4.8%) and 2015 (+4.4%) remains fairly optimistic.

UNITED KINGDOM (UK), LOCAL CURRENCY	Actual		Estimates		Forecast	
	2010	2011	2012	2013	2014	2015
Market Size						
Total turnover [million £]	4,405	4,857	4,900	5,200	5,450	5,685
Rental Companies (without operator)	4,250	4,681	4,720	5,010	5,250	5,480
Other Comp. Providing Rental Services (only rental)	155	176	180	190	200	205
# Rental Companies (without operator)	4,001	n.a.	n.a.	n.a.		
# Employed Persons of Rental Companies (without operator)	43,612	n.a.	n.a.	n.a.		
Investments in Rental Equipment [million £] (without operator)	542	831	900	1,050		
Value of Rental Fleet at all companies [million £] (without operator)	6,720	6,850	7,000	7,250		
Ratio: Investments in Rental Equipment / Value of the Rental Fleet	8%	12%	13%	14%		
Penetration Rates						
Total Construction Output [million £]	192,346	199,443	189,123	202,896	217,400	230,900
Construction Industry Penetration Rate	2.30%	2.45%	2.60%	2.55%	2.50%	2.45%
Country Population [million]	62.26	62.74	63.24	63.76	64.27	64.78
Country Population Penetration Rate [£ per person]	71	77	77	82	85	88

Source : IHS and Official Statistics data

6. Special Report: United Kingdom (UK)

For this year's edition of the European Equipment Rental Industry 2013 report, a special research activity was undertaken to investigate the results and structure of the equipment rental market in the United Kingdom in deeper detail. The objective was to achieve both a validation of the size of the equipment rental market in the UK as well as additional information on the market structure such as the breakdown of rental revenues by equipment type and by market categories. Since the UK market is arguably the most mature rental market in Europe, insights into its market structure will serve as a basis for further research on market detail in other European countries.

In this context, a set of consultations and data exchanges have been performed by the ERA and IHS with key stakeholders of the UK rental industry, specifically from large rental companies and UK rental associations. These consultations have been accompanied by a comprehensive evaluation of the data available from the UK Office for National Statistics (ONS) on the equipment rental industry as defined by the respective industry classification codes. A special effort was made to review and discuss the methodology applied by the ONS in the Annual Business Survey (ABS) that serves as the primary basis for information available from official statistics.

During the stakeholder consultations a set of key topics were identified and addressed. These topics are:

- The construction of an hierarchical classification of product categories and groups
- An estimate of UK revenue broken down by product categories
- The construction of an hierarchical classification of market categories / rental customers
- An estimate of UK revenue broken down by main market categories
- An estimate of UK revenue stemming from equipment rental with operator
- A comparison of ERA market size estimates with those of key UK stakeholders

The following subchapters present the key results obtained.

6.1 Revenue Breakdown by Product Categories

A three-level reference classification of rental product categories, groups and sub-groups has been constructed in consultation with industry stakeholders. The hierarchical classification contains seven product categories (level 1), 30 product groups (level 2) and 75 product sub-groups (level 3).

For the year 2012, estimates of revenue by product category for the United Kingdom are given in this report. Level 2 and level 3 groups clarify in detail 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. Thus, the list of product sub-groups can be extended in the future, while 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. In the table on the next page, the complete classification of equipment types is given.

Based on this 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 UK rental market, a first estimate of the UK rental revenue breakdown has been established.

According to these estimates General Plant accounts for almost half of the total 2012 rental revenue in the UK. The second largest category is Access (16%), consisting of Powered Access, Scaffolds & Access Towers, Personnel Lifts & Elevators as well as Mast Climbing products. A substantial share of overall revenue (some 14%) is made up of Tools & Equipment, whilst Power Generation & Temperature Control Products represent 13%. The categories Accommodation & Fencing and Cranes accounted for 6% and 5% respectively of rental revenue while Industrial Machinery plays only a minor role in the UK.

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

Level 1 - Product Category	Level 2 No.	Level 2 - Product Group	Level 3 No.	Level 3 - Product Sub-Group
1 - General Plant	1.1	Earthmoving	1.1.1	Dumpers
			1.1.2	Excavators
			1.1.3	Loaders
			1.1.4	Attachments (e.g. Breakers)
			1.1.5	Shoring Equipment (e.g. Trenchboxes)
	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
2 - Tools & General Equipment	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	Floorsaws
			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	Powered Access	3.1.1	Static Vertical (Vertical personnel platforms - static)
			3.1.2	Static Boom (Self-propelled booms (outriggers), trailers/push-arounds, 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
7 - Cranes	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*

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

UK equipment rental without operator revenue by main product categories 2012

Level 1 - Product Category	Share of total revenue
1 - General Plant	45.2%
2 - Tools & General Equipment	13.7%
3 - Access	15.9%
4 - Power Generation & Temperature Control	12.6%
5 - Accommodation & Fencing	6.2%
6 - Industrial Machinery	1.4%
7 - Cranes	5.0%
Total	**100%**

6.2 Revenue Breakdown by Market Category

Similar to the supply side and the product categories, a three-level classification scheme was developed to identify the structure of revenue demand. 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, the construction sector is segmented into residential construction, non-residential construction and infrastructure construction. The non-construction sector is sub-divided into Services, Consumer and Industrial. A further breakdown by demand segments included in the level 2 categories is provided by level 3 of the classification. The classification scheme is presented below.

Hierarchical Classification of rental clients into market categories

No.	Level 1	No.	Level 2	No.	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 Centers, Hotels, Leisure centres etc.)
				1.2.3	Offices
				1.2.4	Industrial
		1.3	Infrastructure Construction	1.3.1	Transportation Infrastructure
				1.3.2	Other)
2	**Non-Construction**	2.1	Services Sector	2.1.1	Facilities Management, Maintenance and Cleaning
				2.1.2	Other Services
		2.2	Consumer Sector & Other	2.2.1	DIY (Do-It-Yourself)
				2.2.2	Party & Events
				2.2.3	Other Consumer
		2.3	Industrial Sector (excl. Industrial construction)	2.1.1	Manufacturing
				2.1.2	Oil & Gas
				2.1.3	Mining

*Note: Construction means all construction: ie new build and renovation

Based on this classification a first estimate of the UK rental revenue breakdown by market category has been established. According to that estimate, rental demand from the construction sector in 2012 was some 63 per cent of rental revenues, while non-construction demand accounts for the other 37 per cent.

The rental shares by construction segments at level 2 roughly reflect the shares of these segments for total construction spend, with small but interesting differences. While the share of construction-related rental revenues from residential construction (17%) and non-residential construction (49%)

are slightly lower than the respective shares of residential and non-residential compared to total construction in 2012 (residential: 28%, non-residential: 55%), for infrastructure construction the rental share is 35% whilst infrastructure spend is 17%; this suggests that equipment rental spend per pound spent on infrastructure construction is larger than for residential and non-residential building construction.

UK equipment rental without operator revenue, level 1 and 2 market category, 2012

No.	Level 1	Market share Level 1	No.	Level 2	Market share Level 2
1	Construction	62.9%	1.1	Residential Construction	10.5%
			1.2	Non-residential Construction	30.5%
			1.3	Infrastructure Construction	21.9%
2	Non-Construction	37.1%	2.1	Services Sector	20.3%
			2.2	Consumer Sector & Other	1.7%
			2.3	Industrial Sector (excl. Industrial construction)	15.1%

6.3 Total Market Size and Revenue from Equipment Rental with Operator

Comparisons between the ERA market size estimates for the UK rental market with estimates of the UK rental associations (based on their membership data) show that the ERA estimates, based mainly on official statistics, are somewhat larger. Total UK rental revenue 2012, as estimated by UK stakeholders, ranges between £3.5 billion and £4.0 billion while the ERA estimate is at £4.7 billion.

This difference can be explained since official statistics, based on the Annual Business Survey and with a sample of some 62,000 respondents each year, covers a large set of small rental companies, many with only a regional presence, who are not members of rental associations.

This difference is even greater if we consider that revenue estimates from UK rental associations include also revenue from companies whose primary business is rental *with operator* when ERA considers only equipment rental *without operator*. Based on the information gathered the following estimates can be made:

- The estimated **share of revenue from renting of equipment with operator** (compared to total rental revenues with and without operator) is believed to be about **25% - 30%.**
- **Revenue from rental companies whose primary business is rental with operator is estimated at 1.05 billion GBP** in 2012 or some 22% of rental revenue from companies, whose primary business is renting of equipment without operator.
- **Total equipment rental revenue** from companies whose primary activity is rental, either with or without operator, in the UK, in 2012, **is estimated at 5.7 billion GBP** (sum of rental companies, whose primary business is rental with operator above + ERA UK rental market for rental companies, whose primary business is rental without operator).

6.4 Penetration Rates

Part of the UK validation project brief was to investigate the UK penetration rate. Our key penetration rate is the Construction Industry Penetration Rate. This is calculated as Total Rental Turnover / Total Output of the Construction Sector. Our validation of Total Rental Turnover (the numerator) for the UK is described above in chapter 6.3.

For the denominator part of the equation, Construction Output, our report uses data produced by IHS Global Insight from their General Construction Outlook (GCO) product, which is available on a consistent basis globally. This data is sourced from Official Statistics, from the UN, supplemented by official national data from the OECD.

In order to ensure complete consistency across the countries in our survey, the measurement of construction output that we have chosen to use in all ERA reports to date is the **gross** figure: **“Total construction put in place”,** which for the UK in 2012 is €234.4Bn. 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, eg. the cost of renting equipment without operator. For the UK in 2012 the measure of Construction Output using the GVA figure is €143Bn. The GVA figure is perhaps more familiar to those who follow the UK construction market, as it is the measure that is used to contribute to the calculation of UK GDP, and the one reported by many research providers.

In deciding whether to change the basis of our penetration calculation from the gross Total construction put in place figure to the more familiar net GVA figure, we considered the impact this might have on relative penetration rates. IHS Global Insight investigated the relationship between the net and gross figures for European countries and concluded that they have a fairly consistent relationship across countries, meaning that if we changed the series used for our denominator, this would not have a significant impact on penetration rates.

Our main concern is to ensure consistency across countries and over time in our reports, and with this in mind we have concluded that our penetration series will continue to use the gross Total construction put in place figure for the time being, both for the UK and across the whole report.

This would have the added longer term advantage of allowing for consistent global comparison, in case the GRA (Global Rental Alliance) decides in the near term to incorporate this so called “Construction Share ratio“ in its global survey and benchmark of the rental markets.

7. Rental Tracker

Since 2009, the 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 rental sector.

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

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

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

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

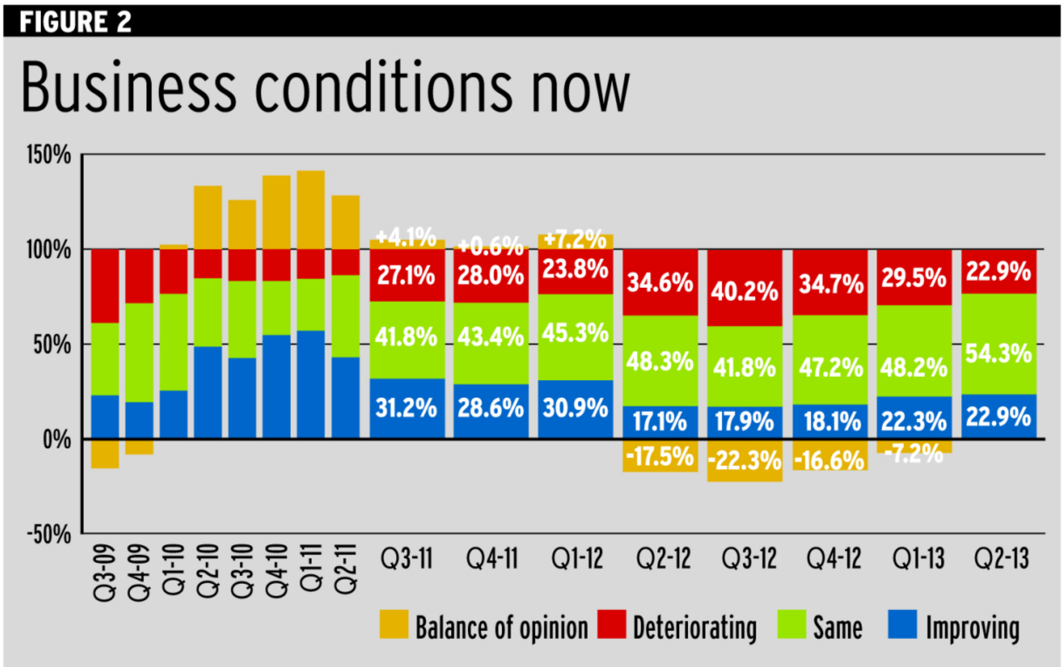
The survey is completed via an online survey at www.zoomerang.com. The first survey was launched in June 2009 to cover the second quarter of the year, and subsequent quarterly surveys have been completed so far. The results of the survey for the second quarter of 2013 are included in this report.

Survey Results Q2 - 2013

Overall trends

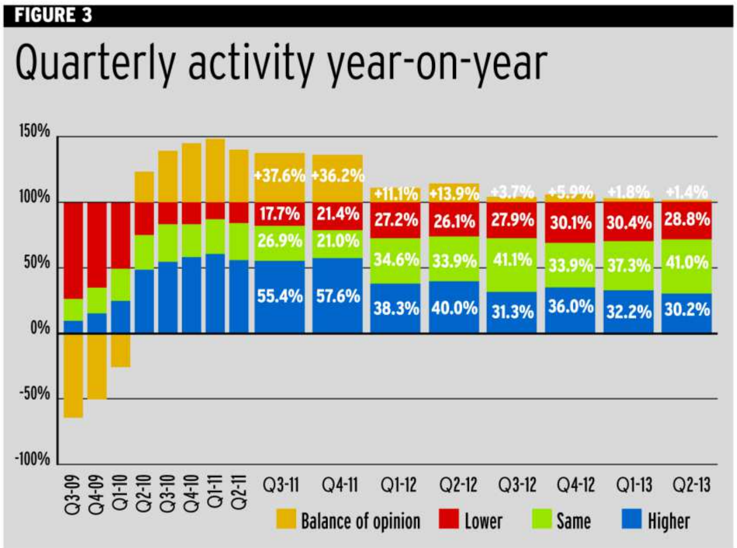
The second quarter of the year saw very little overall change in business sentiment in Europe's equipment rental industry, with still no clear trend emerging after last year's Euro zone concerns.

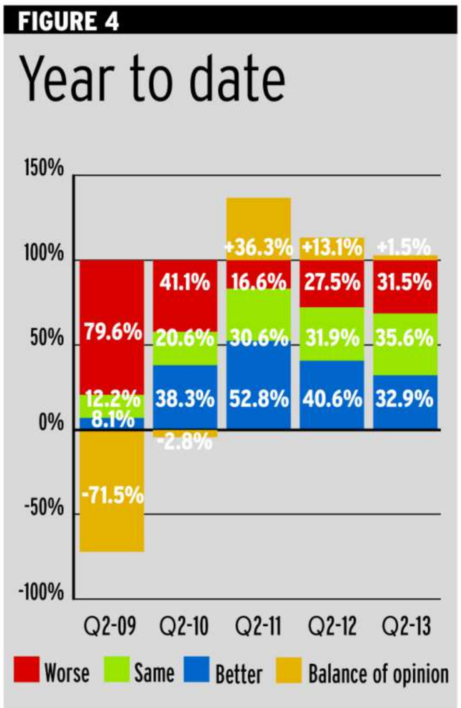
The Nordic region and the UK are the most optimistic current markets and are also reporting the most favorable conditions, while overall investment plans show a modest hardening of views, with slightly fewer companies planning significant increases in investment this year and next.



Business Conditions

The balance of opinion on business conditions at the end of June was zero, which means that the same proportions of respondents (22.9%) were reporting improvements and deteriorations in conditions. The majority, 54.3%, reported no change.





Activity Levels

Regarding activities levels in the second quarter of the year, there is almost no change from the first quarter, with a very small positive balance of opinion.

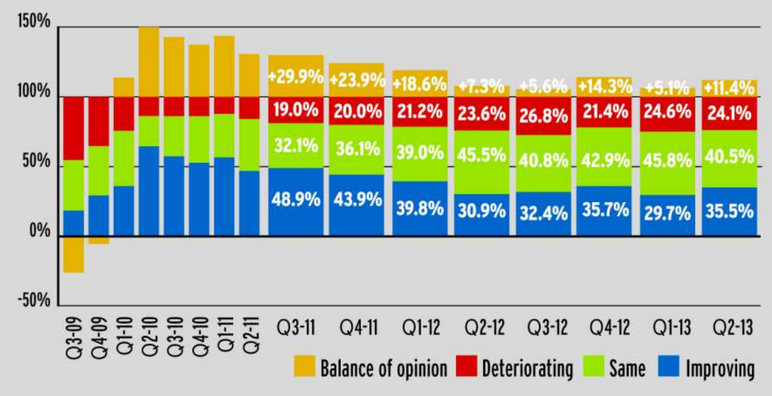
This measure has remained more or less constant for the past four quarters and reflects a much flatter growth curve for Europe's rental sector after the dramatic year-on –year improvements seen in 2011.

Utilisation

The time utilisation trend again enjoyed a positive balance of opinion, up from +5.1% last quarter to +11.4% now. Around 36% said utilisation was improving, perhaps reflecting a positive change following the weather-impacted first quarter.

FIGURE 6

Time utilisation trend



Optimism

PROPORTION FORECASTING BUSINESS TO BE 'MUCH BETTER' 12 MONTHS AHEAD

Nordic	33%
UK	(9%) 14%
Italy	(0%) 11%
All Europe	(11%) 8%
Benelux	6%
Multinationals	(14%) 4%
France	(0%) 0%
Germany	(0%) 0%
Spain	0%

Capital investment

Intentions in capital investment in fleet have not changed greatly since the first quarter: 22% said they would increase spending by more than 10% this year – a relatively modest amount and slightly lower than the 31% from the first quarter – while the same slight hardening of opinion was evident for spending plans next year, with a third of all companies expecting to increase investment by more than 10% compared to 39% three months ago.

It seems that rental companies generally are expecting no great help from Europe's economy next year, and are slightly trimming investment plans as a result.

Employment Intentions

The continued rather sluggish outlook is confirmed in the figures for employment intentions. Just 19.5% of survey respondents will expand their workforces in the next quarter, which is a significant fall from the 27% of the first quarter. The vast majority of rental companies will not change their employee numbers, and the proportion that will make job cuts – 10.9% - has remained pretty much at that level for the past two years.

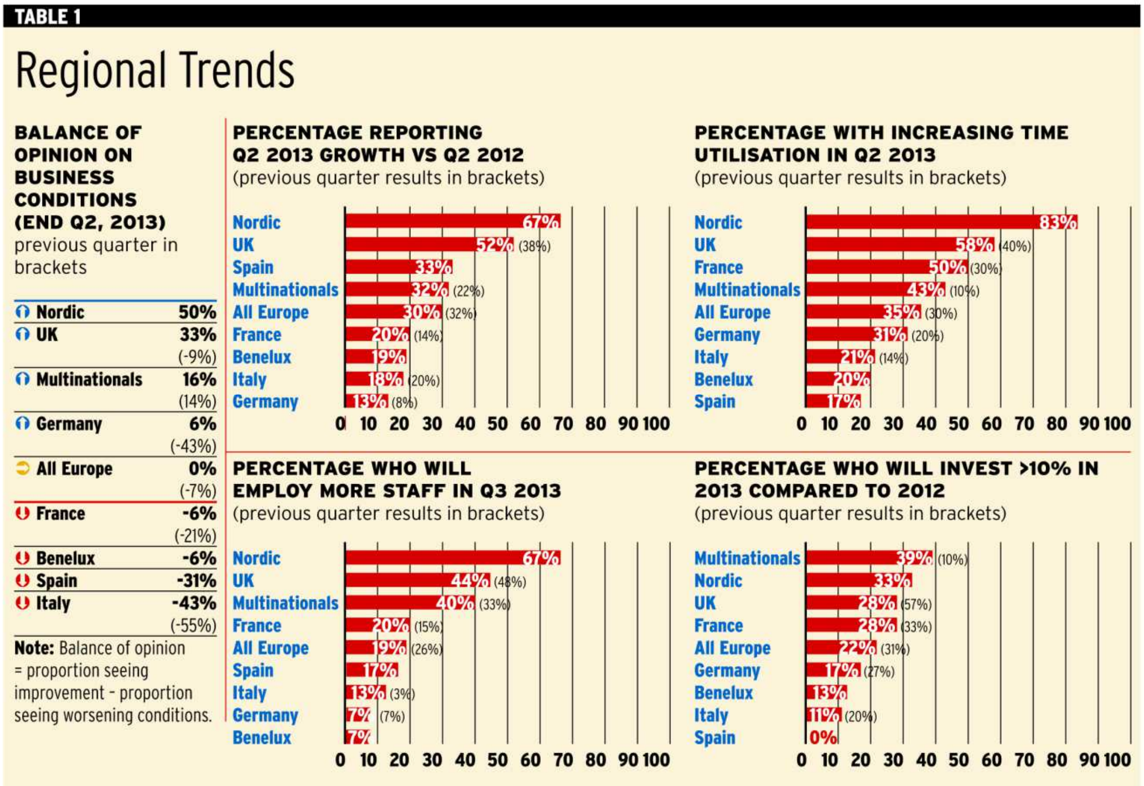
Regional Situations

Regionally, the notable features are confidence in the UK and Nordic region – these two occupy the top two positions in all but one of the regional graphs.

Multinational companies are also more positive, with quarter on quarter improvements in almost all the measures. Significantly for equipment manufacturers, they have also improved their investment plans compared to the first quarter – this bucks the overall trend, but is definitely better news for the equipment suppliers.

Elsewhere, the Spanish and Italian markets – and to some degree the Benelux as well - remain in a less-than-joyous mood. In Germany, there is little optimism for a year ahead (none were expecting 'much better' conditions), and German renters were also the least likely to report year-on-year growth in second quarter revenues. They are conservative for investment this year, but much more positive for spending next year.

French rental companies report slight improvements in utilisation, business levels and employment intentions, but they have slowed their investment plans, particularly for next year, with 29% expecting to increase spending by more than 10%, which compares to 42% at the end of March.



rental tracker

Completing the survey

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

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

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

Save the date for the next ERA CONVENTION
Amsterdam
24 – 26 June 2014

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