



EUROPEAN
RENTAL
ASSOCIATION

European rental outlook

2024, a turning page on the Covid-19 rebound years

Martin Seban, Director
KPMG



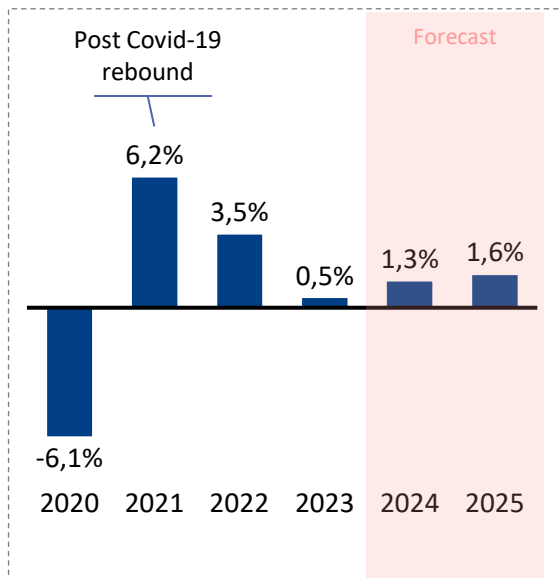
Join the conversation on LinkedIn and Twitter “#ERAConvention2024”

ERA Convention 2024

“The future of rental solutions”, Lisbon, May 15th-16th

Modest GDP expansion fueled by NextGenEU program and expected loosening of EU monetary policies by the Central Bank...

Eurozone GDP growth [real term]

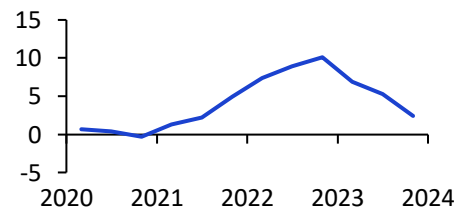


(*) by end 2023 at 2022 current prices

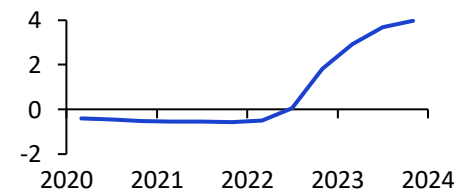
Sources: Euroconstruct, Eurostat, European Commission website, KPMG research & analysis

Eurozone macro-economic components

Annual inflation rates, %



3-month interest rates, %

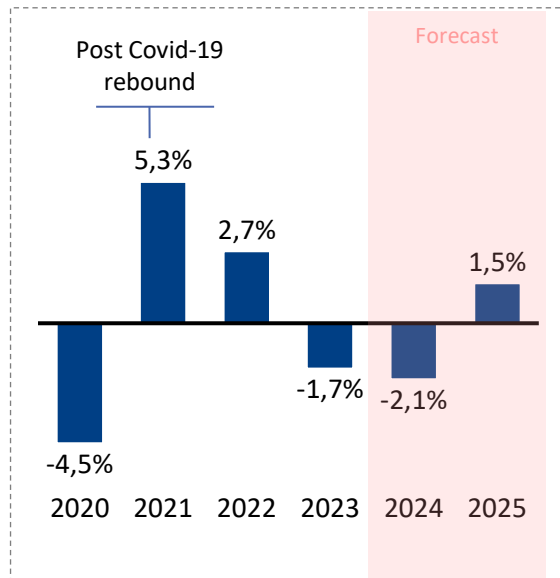


KPMG comments

- **GDP outlook revised downwards** by 0,4 pp for both 2023-24...
- Energy market vulnerability (e.g., Ukraine, Middle East)
- High interest rates and monetary policy tightening
- Adverse developments of major trading partners (e.g., China)
- **... with growth levers not yet in action**
- NRRP (up to 648 bn€ by 2027) gradually spent (up to 10% of GDP in Spain, Italy, Portugal and Poland)
- ECB hints at a first interest rate cut in June

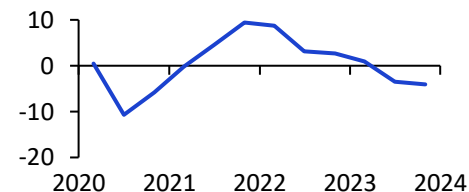
... While construction sector struggles, hampered by slowdown of residential constr., not yet offset by infra. & energy-related works

Eurozone construction growth [real term]

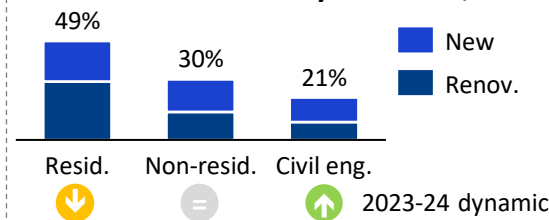


Eurozone construction components

Construction confidence indicator, %



Construction market by subsector, 2022



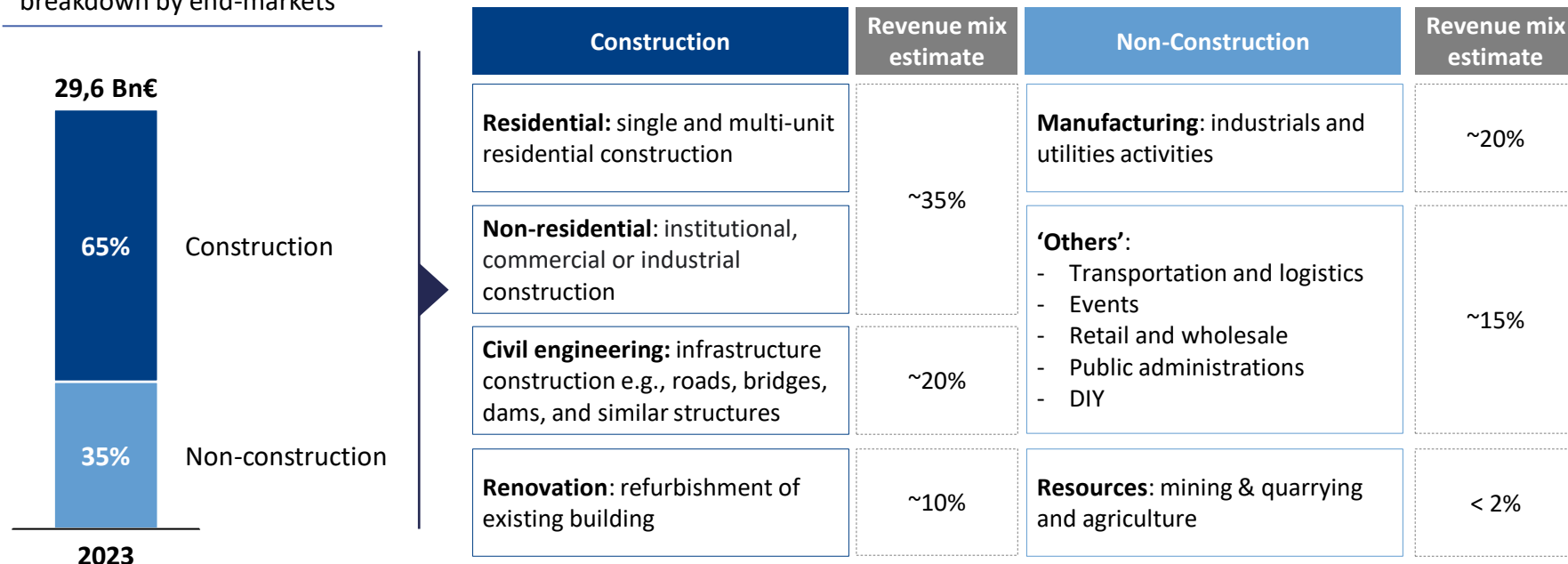
KPMG comments

- **Construction outlook revised downwards**, with the accentuated contraction of the **new residential market**...
 - Decline in consumer confidence
 - Tightening monetary policies
- **... Not offset by countercyclical projects** (e.g., public infrastructure & energy-related projects)
 - RRF funds allocated to energy efficiency, sustainable mobility, renewable energy and networks will be fully in action at the of end of 2024

Sources: Euroconstruct, Eurostat, European Commission website, KPMG research & analysis

In this context, the European equip. rental market is expected to experiment a slowdown after 2 years of post-Covid-19 rebound

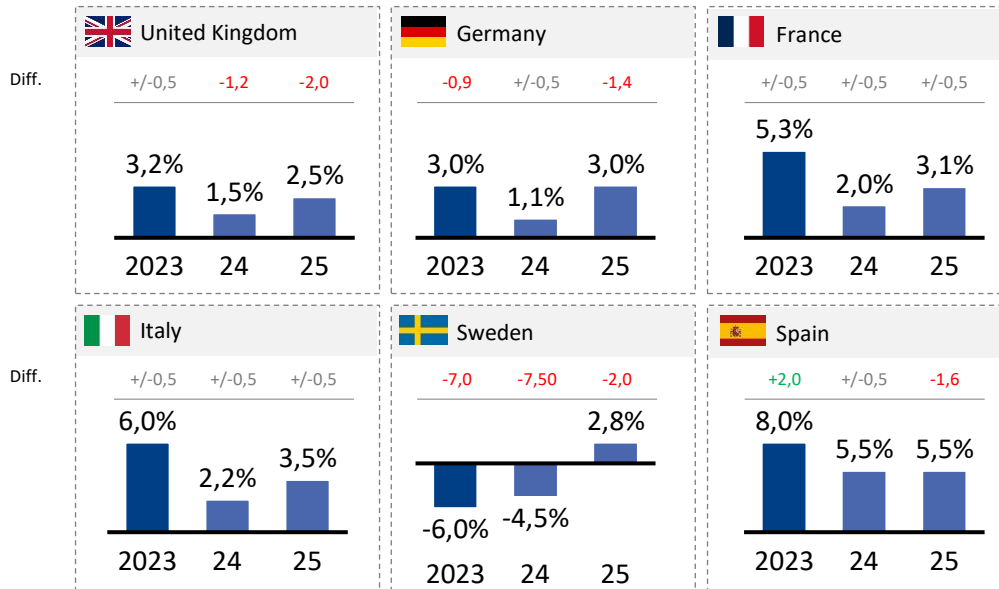
European rental market;
breakdown by end-markets



Sources: ERA, expert interviews, KPMG research & analysis

Positive market outlook for rental driven by residual inflation in most markets despite softer demand ...

> 1.5 Bn€ markets



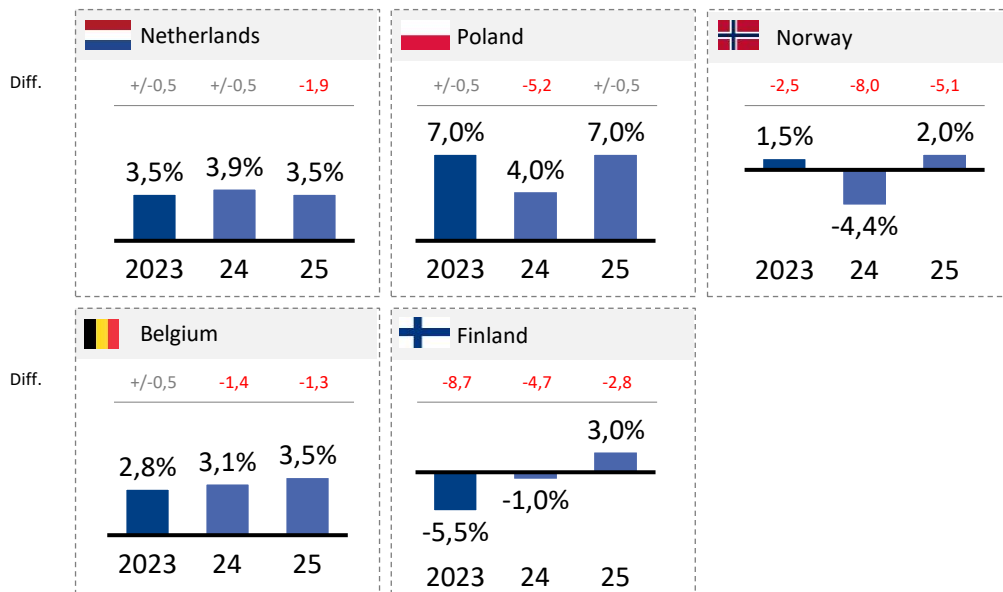
Sources: Euroconstruct, Eurostat, expert interviews, KPMG research & analysis

KPMG comments

- Common narrative around **challenging market backdrop and wider macroeconomic uncertainty...**
- Q3 2023 activity level severely impacted in Sweden (e.g., interest rates, confidence, project delays)
- Q4 2023 slowing down in Germany or in the UK, and Q1 2024 in France (e.g., weather conditions, residential demand drop, 'overcapacity')
- ... **Somewhat mitigated by the ability of Spain to maintain the momentum**
- Spain (and Italy) managed to maintain steady investment levels (with continued EU financial support)

... Common narrative for the European markets, transitioning from the Covid-19 rebound years (1/2)

< 1.5Bn€ - 700 M€ > markets



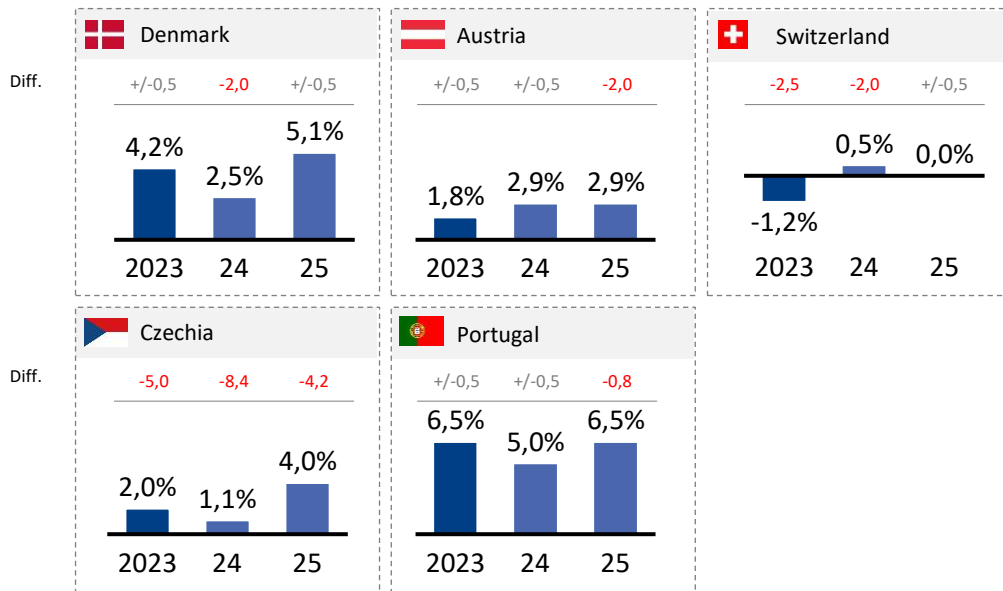
Sources: Euroconstruct, Eurostat, expert interviews, KPMG research & analysis

KPMG comments

- **A ‘normalization’ with a common scheme in the building sector**
- **Residential** largely hampered by confidence and interest rates across countries
- **Non-residential** relatively stable, driven by logistic platforms / warehousing projects (e.g., Poland, Spain), renewable energy investments (e.g., Portugal, Czechia), data centers (e.g., Austria, Finland), tourism (e.g., Portugal)
- **Building renovation** with a relatively low rental intensity – some exceptions (e.g., school renovation program)

... Common narrative for the European markets, transitioning from the Covid-19 rebound years (2/2)

< 700 M€ markets



KPMG comments

- **This normalization is only partially mitigated by the infrastructure spending, which is not expected to be fully in action until Q4 2024**
- **The Infrastructure is maintaining the activity level** with communication network projects (e.g., Austria, Belgium), road construction / tunnels, renewable power / electricity infra. Network (e.g., Poland - largely funded by the EU - or Portugal)

Sources: Euroconstruct, Eurostat, expert interviews, KPMG research & analysis



Martin Seban

Director

KPMG Strategy

Mobile: +33 (0)6 73 32 51 21

mseban@kpmg.fr

