EUROPEAN RENTAL ASSOCIATION

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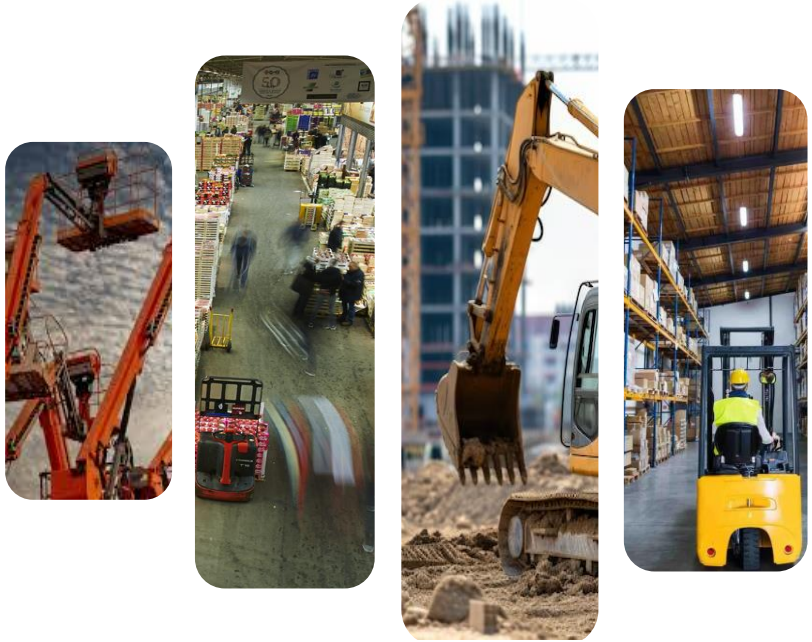
5 JUNE 2025

European rental outlook

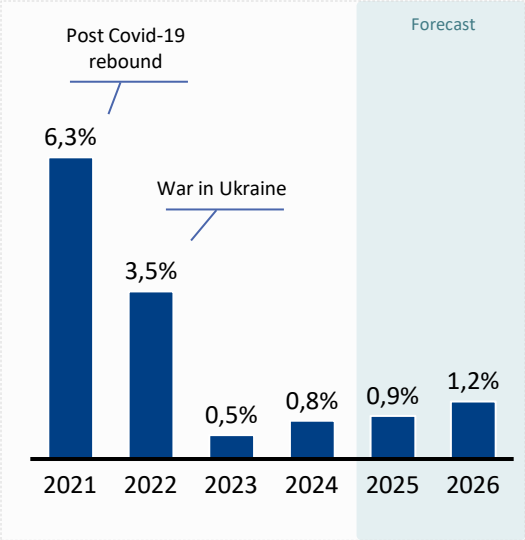
2025 FROM RESILIENCE TO REACCELERATION



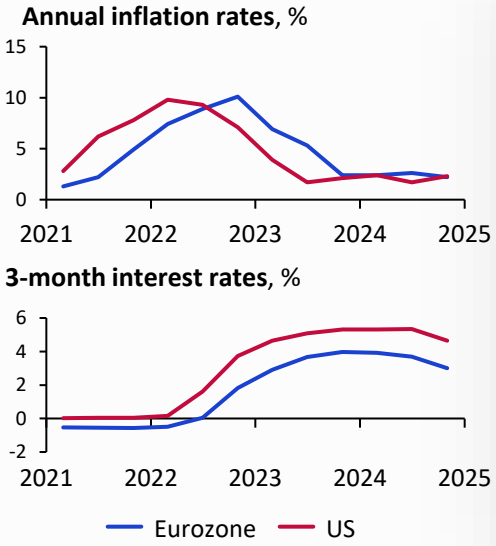
Antoine Onillon – Manager KPMG

GDP outlook downgraded due to geopolitical uncertainty, but gradual recovery expected for 2026 with positive signals emerging…

EUROZONE GDP GROWTH [REAL TERM]



KEY ECONOMIC INDICATORS



KPMG INSIGHTS

GDP outlook revised downwards by 0,2 pp for both 2025-26…

- Persistent policy and geopolitical uncertainty (U.S tariffs, tension U.S / China, etc.)
- Low private investment in Euro area

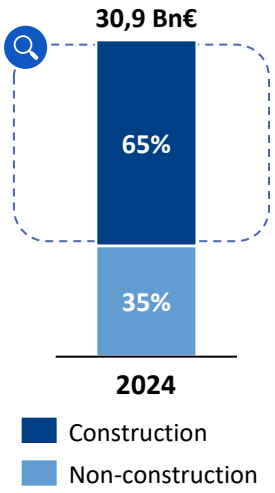
• … **despite some positive signals for growth**

- Massive public investment with NRRP & NGEU funds (~800 Bn€ until 2026)
- Easing of financing conditions with ECB interest rate decrease (with a delay Versus FED)
- Inflation in the euro area is expected to gradually moving closer to the ECB's 2% target

Sources: Eurostat, European central bank, KPMG research & analysis

…While construction remains under pressure in almost all segments, with expected flat growth in 2025 and slight acceleration in 2026…

RENTAL MARKET BREAKDOWN



CONSTRUCTION SECTOR DYNAMIC IN EUROPE

Sub-segment	Rental revenue	Market dynamic
Residential	~35%	Negative
Non residential *(commercial & industrial)*		Low
Civil engineering *(Infrastructure)*	~20%	Medium
Renovation	~10%	Low

KPMG INSIGHTS

Construction experienced **a challenging 2024** (-2.7% Eurozone construction growth) with **a Q4 that did not allow to reverse the momentum**

- A decline in confidence in construction, with an indicator remaining negative for 2024-2025
- A persistent contraction in new residential construction (inflation, high interest rates, etc.)
- A weak pipeline of non-residential projects

Furthermore, the rebound in construction expected for 2025 **was not observed in Q1 and is expected to only appear by Q4**, with a market showing **signs of improvement** in 2025 (+1.3%), and **more dynamic recovery in 2026**

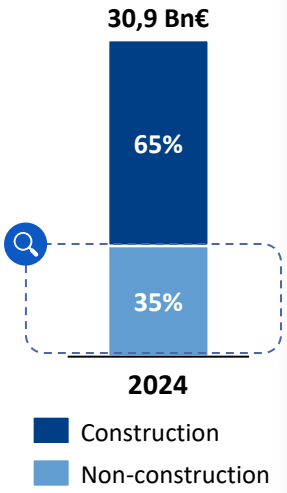
- Publicly funded construction is expected to lead to a moderate recovery starting in Q4 2025

Sources: Coface, KPMG research & analysis

Market dynamic level
High · Low · Medium · Negative

… And non-construction show more positive trends, even if the structural dynamic remains weak due to general economic uncertainty

RENTAL MARKET BREAKDOWN



NON-CONSTRUCTION SECTOR DYNAMICS IN EUROPE

Sub-segment	Rental revenue	Sectors	Market dynamic
Manufacturing	~20%	Industrial	Low
		Energy	Medium
Others	~15%	Logistics	Low
		Event	Medium
		Retail	Negative
Resources	< 2%	Mining	Low
		Agriculture	Low

KPMG INSIGHTS

Non-Construction segments **show better signs of recovery, but is still in expose to risks:**

- Manufacturing is cyclical, with performance affected by regulations and trade tensions (e.g. US tariffs)
- Energy sector faces cost pressures and supply chain issues in renewables, while oil & gas experience slower growth and environmental challenges
- Transport & logistics industry faces rising costs (e.g. energy), economic slowdown, and environmental concerns leading to moderate recovery
- Mining and agriculture are impacted by ESG constraints, cost inflation, climate factors, and trade barriers

Sources: Coface, KPMG research & analysis

Market dynamic level
High · Low · Medium · Negative

Despite the current economic difficulties, the rental penetration should still stimulate market growth in the short and medium term

Main market drivers

For next 12-24 months

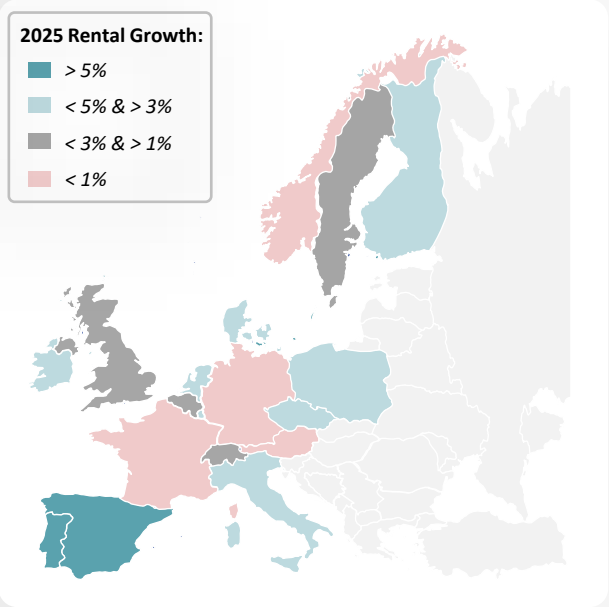
	Drivers	Rationale	Category	Impact on the market: Construction	Impact on the market: Non-Construction
Growth drivers	GDP Growth & Construction	• Demand is strongly correlated to the **condition of the general economy and of the construction health** (as result a high exposition to economic cycles)	*Volume*	Positive	Neutral
Growth drivers	Urbanization	• **Urban and peri-urban developments** boost construction and infra. projects (e.g., urban heat network), which drives growth beyond the major demographic areas	*Volume*	Positive	Neutral
Penetration drivers	Rental Vs. Ownership	• **Limited project visibility and complex assessment of the total cost of ownership** favour rental (e.g., switch CAPEX by OPEX invest., fleet mgmt. or maintenance outsourcing)	*Volume*	Positive	Positive
Penetration drivers	Decarbonisation & ESG	• As rental customers need to achieve their **decarbonization agenda**, they are keen on turning to the **sharing / usage economy** and likely to opt for the Rental Co. to bear the risk • Increase demand of specific equip. in line with new expectations (e.g., zero noise / vibration)	*Volume & Price*	Neutral	Neutral
Penetration drivers	Digitalization & add-on services	• **Enhanced digitalization, modernized equipment and broader offer (incl. services)**, create value for customers, attracted by higher fleet management capabilities	*Volume & Price*	Positive	Positive

Sources: Major players Capital Days / Investor Presentations, KPMG research & analysis

Market Impact: Positive · Negative · Neutral

Overall, the weak general economic dynamic impacts the growth of the rental market, excluding southern countries standing out with solid growth

RENTAL MARKET DYNAMIC BY COUNTRY



Sources: CapitalIQ, Expert interviews, KPMG research & analysis

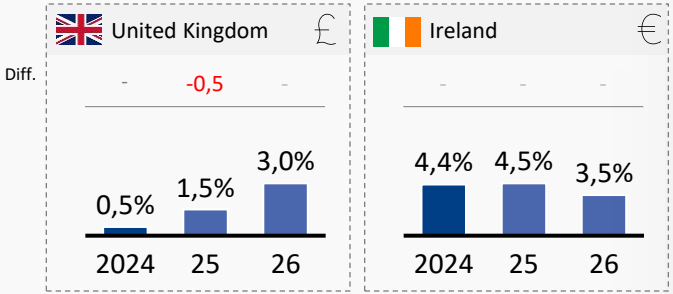
RENTAL MARKET TRENDS BY MAJOR EU REGIONS

	Regions	Countries	Key insights
1	Great Britain & Ireland	UK, IR	• Unfavorable economic environment impacting both public & private investmt. on construction, despite slight growth in non-construction • IR. market distinguished by a stronger growth in construction
2	Northern EU	SE, NO, FI, DK	• Nordics under strong variations in very construction-oriented markets which have not experienced expected recovery, delayed in 26 (e.g., uncertainty, inflation, US tariffs impacts, project delays) • Only Denmark experienced positive growth (e.g., infra., industry)
3	Western EU	DE, FR, NL, BE, AT, CH	• A low and gradual recovery in 2025 partly driven by positive price effect • A slowed rebound due to political uncertainty, weak residential activity, and a general delayed recovery in construction • NL. remains dynamic with a less impacted construction sector
4	Southern EU	IT, SP, PT	• Growing zone in EU since Covid-exit driven by a volume/price effect • Dynamic market supported by major industrial projects, public investment and a growing penetration of rental
5	Eastern EU	PO, CZ	• Dynamic markets driven by public spending, yet with, downward forecasts due to public/private invest. declining (uncertainty, inflation)

1 After a period of tension in the UK, a gradual recovery is expected in 25-26, while Ireland continues to be driven by a dynamic construction sector

GDP growth	2024	2025 Forecast
United Kingdom	+1,1%	+0,6%
Ireland	+1,2%	+3,9%

1 *Great Britain & Ireland*



KPMG INSIGHTS

A confirmed **flat UK market in Q4 2024**, while Ireland **recorded strong growth** supported by construction

- Tensions across all segments in UK, impacted by high interest rates & weak government support
- In particular, UK activity is hampered by the lack of new investment in infra., that relies on the existing pipe of major projects (e.g., HS2, airport extension)
- Strong remaining pressure on prices, despite a slight increase due to inflation

Stronger growth in 2025 in both countries **driven by a double positive volume/price effect**

- Large non-residential projects (industrial, logistics, infra.) will remain the main growth drivers
- Construction and certain specialized segment (e.g., event) will remain dynamic in Ireland
- Public spending in the UK is expected to rise in 2026 ahead of the 2028 election

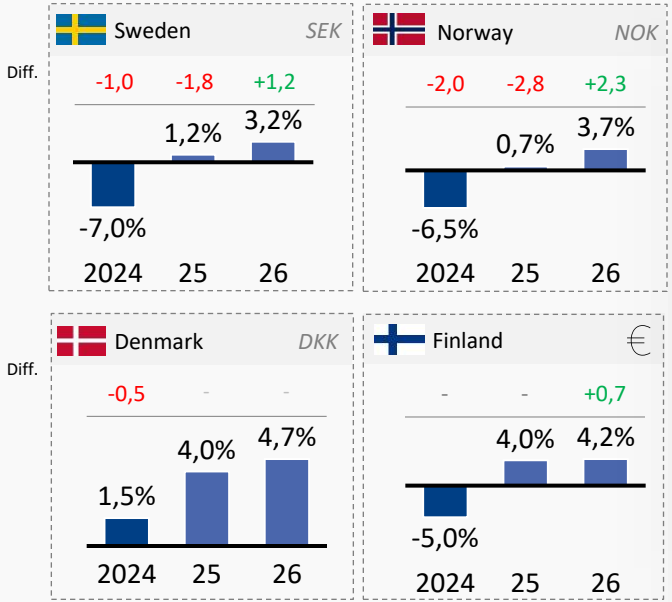
Sources: Euroconstruct, Eurostat, expert interviews, KPMG research & analysis

Diff. = 2024 Market report update (-/+ in ppt)

2 After a cycle of sharp decline, expected rebound in 2025 was slowed by an unfavorable economic context, while Nordics are exposed to foreign markets

GDP growth	2024	2025 Forecast
Sweden	+0,9%	+1,6%
Norway	+2,1%	+1,0%
Finland	-0,1%	+1,0%
Denmark	+3,7%	+2,9%

2 Northern EU



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

KPMG INSIGHTS

A **sharp contraction** in activity in 2024, without the **expected stabilization** in construction in Q4

- A double effect: drop of volumes (e.g., residential) and price competition (end of inflation)
- A slight recovery of infra. (e.g., DC, defense, energy)
- More resilient Danish market with important infra. projects in industry (e.g. energy, pharma.)

A progressive rebound expected in 25, not visible in Q1, but **expected by Q4 2025**

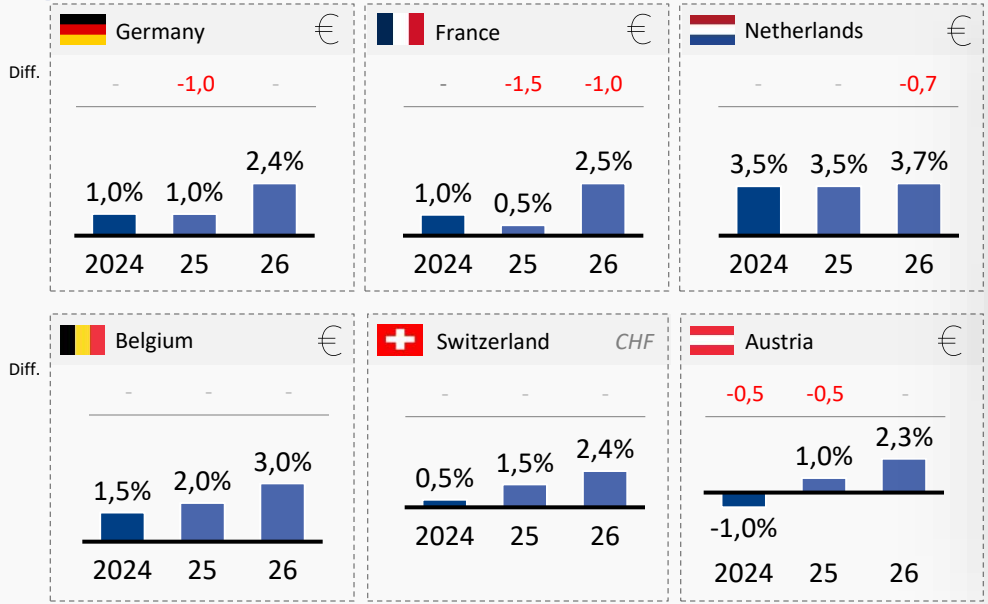
- A raise of activity delayed by general uncertainty
- Prices & interest rates' expected stability is viewed positively, but the lack of public support will limit the recovery in residential
- The Norwegian market, closely linked to construction, is still fragile in the dynamics of Q4 24 and remains out of step with its neighbours (i.e., SE, FI) since COVID

Diff. = 2024 Market report update (-/+ in ppt)

3 Slight growth over 2025, driven by a positive price effect & a slight upturn in vol. in H2 25 in most countries, while NL. stands out with stronger construction

GDP growth	2024	2025 Forecast
Germany	-0,2%	+0,0%
France	+1,1%	+0,4%
Netherlands	+1,0%	+1,1%
Belgium	+1,0%	+0,5%
Switzerland	+1,3%	+1,9%
Austria	-1,3%	-0,3%

3 *Western EU*



KPMG INSIGHTS

A Q4 2024 overall decline in volumes across Western Europe

- Political uncertainty and difficult weather conditions have slowed the recovery of activities
- Residential activity remains low across the entire region

A shift in the rebound that we see in Q1 2025, with at best a stability of volumes

- Despite continued sluggish activity in Q1 25, general uncertainty is boosting rental penetration
- Confidence in volume growth expected for end 2025 and 2026

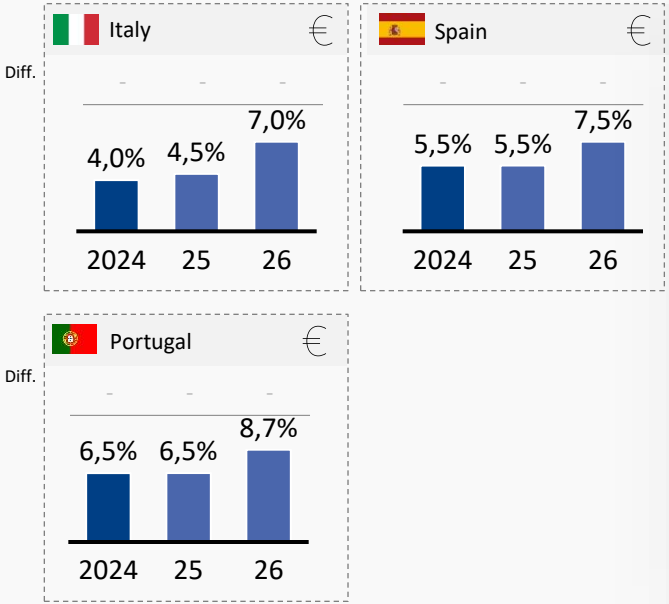
Sources: Euroconstruct, Eurostat, expert interviews, KPMG research & analysis

Diff. = 2024 Market report update (-/+ in ppt)

4 Southern EU markets remain dynamic, driven in particular by major infra. projects, a gradual increase in rental penetration and a positive value effect

GDP growth	2024	2025 Forecast
Italy	+0,5%	+0,5%
Spain	+3,1%	+2,2%
Portugal	+1,9%	+1,7%

4 *Southern EU*



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

KPMG INSIGHTS

Dynamic markets in southern Europe, particularly driven by major industrial projects

- Market in structuration (e.g., concentration, new subsidiaries, dev outside major urban areas in SP/POR)
- A growing maturity in construction despite a rental penetration rate that remains lower than EU average
- A market which is also expanding on non-construction and emerging nontraditional sector (e.g., agriculture)

In 2025, market is expected **to continue to grow,** although bad weather conditions impacted Q1

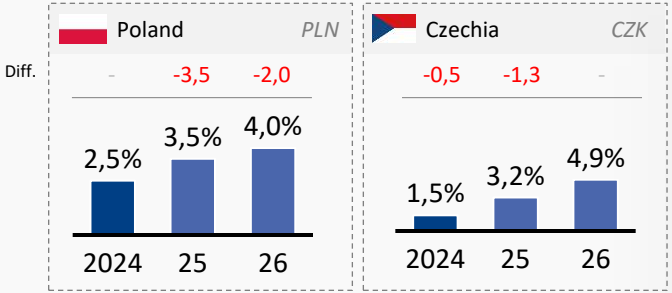
- Volume (e.g., non-residential) and positive price effect
- Expansion supported by rising rental adoption and strong public investment
- Growth driven by big infrastructure projects (e.g., energy, train extension, etc.) and industry (e.g., mining)
- Some growth challenges (e.g., shortage in qualified workforce, political instability)

Diff. = 2024 Market report update (-/+ in ppt)

5 Slight growth for Eastern EU, driven by rising rental penetration and infra. invest. ahead of elections, despite some delays due to political uncertainty

GDP growth	2024	2025 Forecast
	+2,9%	+3,3%
	+1,0%	+2,1%

5 *Eastern EU*



KPMG INSIGHTS

Dynamic market in Eastern Europe supported by public investment in infrastructures

- Good economic momentum in Eastern Europe but a construction sector remaining stagnant
- A growth in Czech Republic driven by strong government spending in infrastructures projects
- European funds are expected to boost investments in Poland, but allocation issues and tender processes create delays

Growth is expected despite a political transition which could impact public investment

- Availability of EU funds in Poland offers potential for a construction rebound
- A political exposure with new elections coming in Czechia and Poland which raise the risks for infrastructures budgets reduction / interruption

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

Diff. = 2024 Market report update (-/+ in ppt)

The 2025 ERA Market Report will feature an OHR dataset containing comprehensive equ. sales data, including rental penetration rates

Off-Highway RESEARCH **Market data**

Equipment sales *(units)*

Including **Rental penetration rate**

By Equipment

ICE

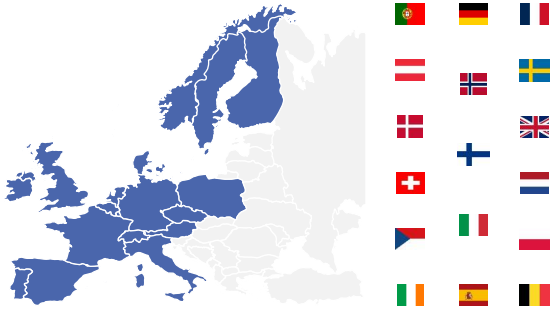
Construction
- Mini Excavator
- Crawler Excavator (6-14 tons)
- Compact tracked loaders
- Skid-Steer loaders
- Wheeled loaders (<80 hp)

Material handling
- Telescopic handler

Electric

- Mini, Crawler & Wheeled excavators; Wheeled loaders; telescopic handlers

By Geography



By year

Historical — Forecast

2015 — 2024 — 2025 — 2029

The full dataset will be included in the 2025 Market Report

Sources: Off-Highway Research, KPMG research & analysis

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ERA MARKET REPORT 2024

ERA Market Report 2024