KPMG for EUROPEAN RENTAL ASSOCIATION

ERA MARKET REPORT
EQUIPMENT RENTAL INDUSTRY REPORT

2024

KPMG for the European Rental Association

October 2024

INTRODUCTION

FOREWORD

Dear ERA member and reader,

Over the past year, ERA has supported the rental industry with several publications and tools.

In July 2024, we established the ERA Carbon Reporting Guidance, providing rental companies a methodology to calculate their company carbon footprint.

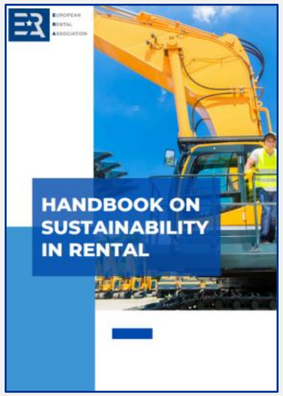
Earlier, we published a Handbook on Sustainability in Rental with an overview of regulatory sustainability requirements as well as practical guidance to help companies active in the European equipment rental sector reach greater levels of maturity and unlock the value of sustainability.

Building on the priority of People, ERA also published a report and recommendations on Attracting and Retaining People in Rental. More than 60 best practices have been identified in the report to tackle these challenges of the industry.

Michel Petitjean, ERA Secretary General

ERA Carbon Reporting Guidance

Handbook on Sustainability in Rental



Attracting and Retaining People in Rental

REPORT BY

THE EUROPEAN RENTAL ASSOCIATION (ERA)

The European Rental Association was created in 2006 to represent national rental associations and equipment rental companies in Europe. Today, its membership includes more than 5,000 rental companies, either directly or through 15 rental associations.

Through its committees and its Future Group, the ERA is active in the fields of Promotion, Sustainability, Statistics, and Technical issues.

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

KPMG

KPMG firms operate in 143 countries and territories. In FY23, they employed more than 270,000 people, serving the needs of business, governments, public-sector agencies, not-for-profits and, through audit and assurance practices, the capital markets. KPMG is committed to quality and service excellence in all that we do, bringing our best to clients and earning the public's trust through our actions and behaviours both professionally and personally

METHODOLOGICAL OVERVIEW

METHOD

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METHODOLOGICAL OVERVIEW

APPROACH

Two distinct steps were followed to build the market report:

Market sizing

As a first step, we determined the size of the equipment rental market in Local Currency Units (LCU).

We used Y-2 Eurostat data (i.e. from two years before this report's publication, as available in Eurostat) on annual turnover for 3 NACE codes (rev. 2):

- primarily for code 77.32 (Renting and leasing of construction and civil engineering machinery and equipment), and
- alternatively for codes 77.39 (Renting and leasing of other machinery, equipment and tangible goods n.e.c.) and 77.29 (Renting and leasing of other personal and household goods), when available.
- If data access is limited, code 77.3 (Renting and leasing of other machinery, equipment and tangible goods) was used when more granular (4-digit) data was missing.

We then weighted those figures and aggregated them to obtain the total annual turnover of rental companies in Y-2. Finally, we ran a data validation check on a company-base with major players in each of the countries under investigation.

Estimates and forecasts

A second step involved forecasting the rental turnover growth rates based on the study of key market drivers.

Together with industry experts and senior rental specialists, we defined 5 main country profiles, based on their dependence on the construction market: from a construction-oriented market (i.e. Poland: ~80% construction driven) to a more diversified one (i.e. the United Kingdom: ~60% construction driven).

We then estimated rental turnover of each country based on three core drivers: construction industry output (broken down by building type), GDP less consumption, and industrial production output. Those turnover estimates were adjusted to reflect changes in rental rates, and construction industry deflators were applied to obtain nominal figures of the rental turnover.

Finally, we calculated growth rates based on YoY rental turnovers to produce the tables and graphs of this report.

OUTPUT

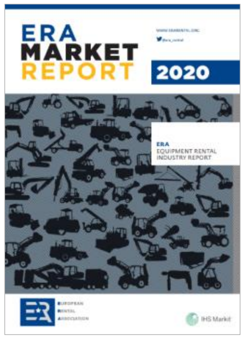
Forecasting concepts

Three different time periods were considered, depending on data availability. Throughout the report, a color code has been assigned to each one of them to facilitate reading:

- **Actual data (2021–22)**, dark blue: an approach mainly based on official statistics aggregation
- **Estimates (2023–24)**, lighter blue: an approach mainly consolidating available public data, company financials, and data from field research and expert interviews
- **Forecasts (2025–26)**, light blue: an approach based on the estimation of rental demand elasticity with respect to construction output (broken down by segment: residential, non-residential, infrastructure), GDP less consumption, and industrial production

Data considerations

Please note that as we continue to take advantage of more up-to-date data, some of the figures presented in the previous reports have been revised, including actual data. Consequently, market size and growth estimates cannot be directly compared with the figures of previous reports.

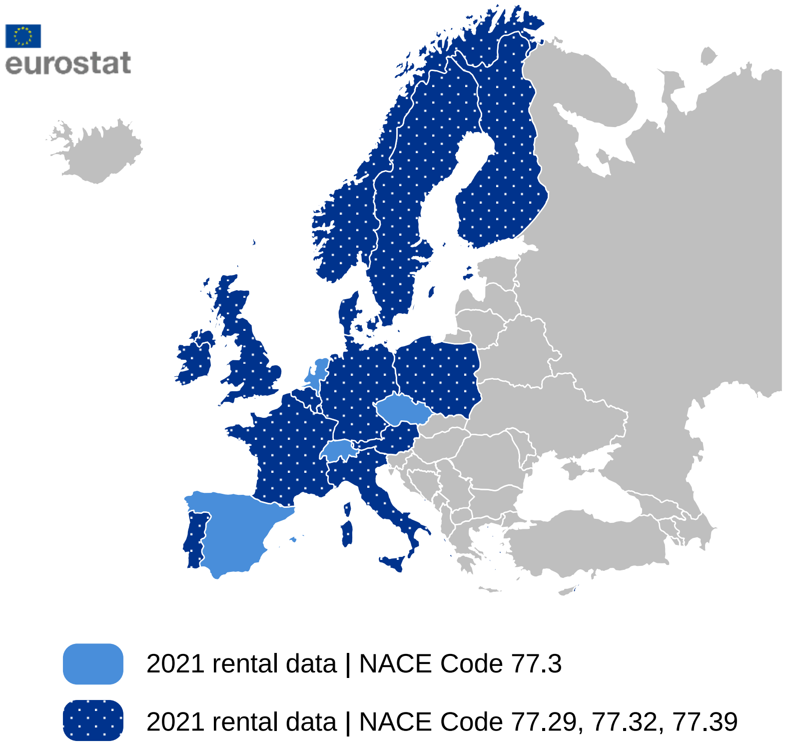


Sources: KPMG Research & Analysis

DATA SOURCES

Official statistics

Data related to the equipment rental activity are extracted from Eurostat by NACE code.



Note: limited access to country data for NACE Code 77.3 (NACE code 77.32 estimate based on 77.3)

Economic and Construction data

Forecasts of economic and construction activities are taken from the European Commission (including the European Construction Sector Observatory – ECSO – and the Building Stock Observatory – BSO), FIEC (European Construction Industry Federation), Euroconstruct, S&P Global, and KPMG proprietary data.

ERA/KPMG expert interviews

In addition to statistics, the analysis herein leverages key insights obtained from more than **40 extended interviews** with senior industry experts from various 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 have spent in supporting us in the production of this report.

DEFINITIONS

Rental company

The equipment rental industry includes different company profiles, from generalist companies mainly focused on 'fit-out, maintain and operate' market segments which tend to use lighter equipment, to multi-specialist and specialist companies focused on niche markets and/or applications, such as site preparation, sanitation, or access control.

These rental companies operate a large range of product groups; the only limitation to the ERA definition of rental company is rental **with** an operator. Typically, crane rental specialists renting with an operator are excluded from the ERA scope.

Rental turnover

One of the key indicators used in this report is the concept of rental turnover. This revenue includes income from equipment rentals, services, sales of used equipment, and sales related to rental activities (transportation, damage waivers, training, and repair charges (including spare parts), as well as sales of goods).

Contracts can range from one day to several months, but are typically short-term, ending when equipment is returned.

Construction Output

Production is measured based on the branch definition, encompassing not only the work performed by construction firms, but also by any firms engaged in construction activities, regardless of their industry group. It also includes services provided by public bodies when fees are charged, efforts by builders themselves (such as do-it-yourself projects), and work carried out by unregistered firms (informal economy). VAT or any other sales taxes are excluded.

Sources: KPMG Research & Analysis

Rental product families

The core product offer of the rental industry includes general and specialty rental equipment alongside complementary products and services.

Construction equipment

Material handling and access

Power, pumps and climate control

Welfare facilities

Tools and general equipment

Transportation

Note: a complete equipment rental nomenclature in accessible in “ERA Carbon Reporting Guidance”

Rental end markets

Construction end market

Historically, rental companies have primarily developed in the construction market, which remains their core business.

- **Residential** (new and renovation): includes permanent residences, second homes or holiday homes owned by households, and any other buildings considered secondary to the main residence, such as garages, outhouses or other annexes.
- **Non-residential** (new and renovation): includes every other building that is not considered residential, such as buildings for education or healthcare, industrial buildings, storage buildings, commercial buildings, offices, or agricultural buildings.
- **Infrastructure**: includes transport infrastructure, energy, waterworks, infrastructures for agriculture, forestry and fishery, civil engineering structures that cannot be considered buildings, and outdoor sports and leisure facilities.

Non-construction end market

Equipment rental companies are now diversifying into non-construction industries, seizing the sizeable opportunities to increase rental market penetration within this diverse range of sectors.

- **Resources:** includes rental equipment for extraction industries (mining and quarrying, oil and gas) and agriculture & forestry.
- **Manufacturing:** includes rental equipment for a large range of manufacturing industries, from automotive and transportation, to transformation and food and beverages.
- **Others:** includes rental equipment for a large range of diverse sectors, from landscaping tools for municipalities, to equipment for parties & events, facility management or do-it-yourself (DIY) activities.

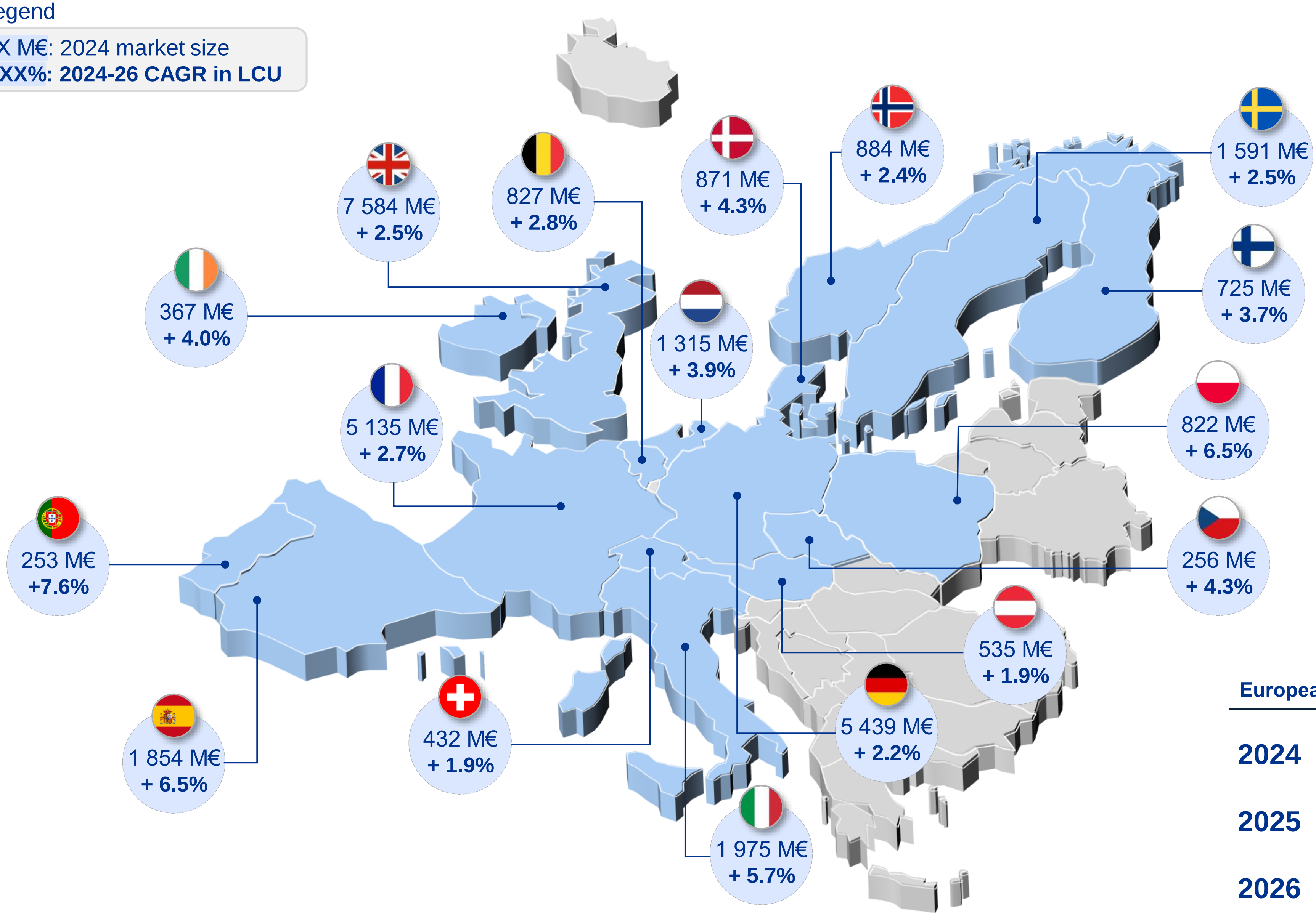
Sources: KPMG Research & Analysis

EUROPEAN OVERVIEW

ESTIMATED EQUIPMENT RENTAL INDUSTRY GROWTH

Legend

XX M€: 2024 market size
+ XX%: 2024-26 CAGR in LCU



European growth rates (€)

2024	+ 0.9%
2025	+ 2.8%
2026	+ 3.7%

Sources: KPMG Research & Analysis

Market features & Key business drivers

Market features

The **European equipment rental industry is highly fragmented**, with a large number of small players serving local or regional markets, and a smaller number of medium-sized to large players serving regional, national and international customer bases.

However, with the increasing professionalism of the trade, the rise in demand across end markets, and the growing need for investment, the industry has experienced a **high degree of consolidation in recent years**.

Key business drivers

The rental market is **strongly correlated with the European macroeconomic environment**: economic downturns negatively impact demand for renting products and services, whereas improving economic conditions tend to be correlated with an increased demand.

More precisely, the key growth driver of the European rental market is a combination of **construction market growth** and **increasing market penetration**.

Construction market growth

Growth in the equipment rental industry tends to be closely **correlated to growth in the construction market.** This growth is in turn bolstered by **urbanization**, a key driver of demand for rental services, as the population shift towards cities increases the need for infrastructure development and maintenance. This leads to higher expenditures on large infrastructure projects, which typically require a wide range of equipment and tools that are more cost-effective and convenient to rent than to buy.

The construction market tends to be **cyclical.** However, since it is comprised of individual end markets (e.g. residential / infrastructure, new / renovation and maintenance), the different growth patterns and dynamics of these markets provide balance and diversify demand for rental equipment. For instance, a slowdown in the new residential sector may be balanced by an upswing in residential maintenance and renovation, **driven by sustainability regulations and energy efficiency measures** in a context of high energy prices.

Historically, the rental market **overperforms the construction market**.

Increasing market penetration

The European rental market has experienced a steady increase in its rental penetration rate over the past years, reflecting the **growing preference of customers to rent rather than buy equipment and tools**. Renting offers access to modern equipment, flexibility, and cost-efficiency, as it reduces capital expenditure requirements, fixed costs of ownership, and residual value risk, while allowing customers to adapt to changing demand and project requirements.

Another key driver for the increase in rental penetration rates is the **growing pressure to decarbonize and adopt ESG initiatives** across various industries. Indeed, the transition to achieving net zero CO_2 emissions amplifies a growing demand for electric equipment, which is generally more expensive. Moreover, renting maximizes the utilization and lifespan of equipment, while regular maintenance and inspection ensure it runs properly and safely.

In addition, rental penetration rates are expected to be driven by the **rising demand for digital solutions, add-on services and turnkey solutions** that complement and enhance the rental offer and customer experience, such as fleet management, route optimization, environmental, reporting, online ordering and billing.

Finally, a major driver is the increasing penetration of rental solutions within the **non-construction segment**, with new markets now largely addressed by rental companies across Europe, from Party & Event, to Manufacturing or Facility management operations.

Sources: KPMG Research & Analysis

MARKET SIZE AND FORECAST

EQUIPMENT RENTAL MARKET OVERVIEW

Overall, in 2024, the market is normalizing, undergoing a post Covid-19 rebound. Interest rates and general uncertainty are directly affecting the residential segment, which is suffering across the EU (albeit with relative importance for the rental industry). In the coming years, EU investment via the National Recovery and Resilience Plan (NRRP) is expected to boost rental activity.

The Nordics

The rental market is in decline. **Finland** and **Sweden** are experiencing downturns, with continued stagnation expected through 2024, with largely halted residential construction. Both countries anticipate a recovery in the second half of 2025, driven by public investments and energy-related projects. **Norway** also faced a decline through H1 2024, with a potential recovery in H2 2024, fueled by investments in green technologies and infrastructure.

Central EU and the UK

Central Europe and the **UK** are in the post-Covid normalization phase. The market is forecast to soften in 2024, apart from **Ireland**, which maintains a strong outlook driven by resilient housing demand and energy projects. **France** continues to see soft growth, now that the Olympics restrictions are behind us, and **Germany** experienced slight growth in H1. Although overcapacity and political uncertainty weigh on the German market, prospects appear better in H2. Finally, **Poland** and **Czech Republic** face fluctuations due to general uncertainty and limited growth drivers.

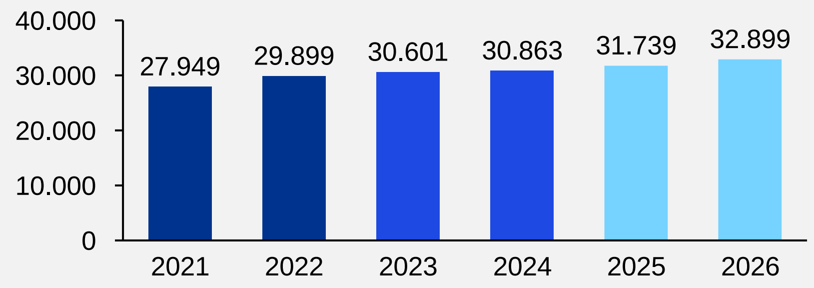
Denmark and the Netherlands

Denmark and the **Netherlands** continue to rebound. In the **Netherlands**, after a relative slowdown in late 2023 and H1 2024, the market began to recover in Q2 2024, with growth expected in non-residential and infrastructure sectors. **Denmark** stands out with solid growth, supported by infrastructure and energy projects, maintaining confidence for steady progress throughout 2024.

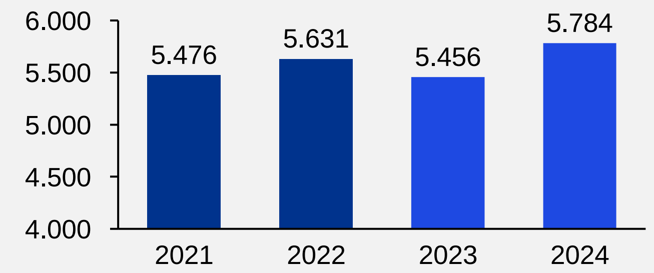
Spain, Italy and Portugal

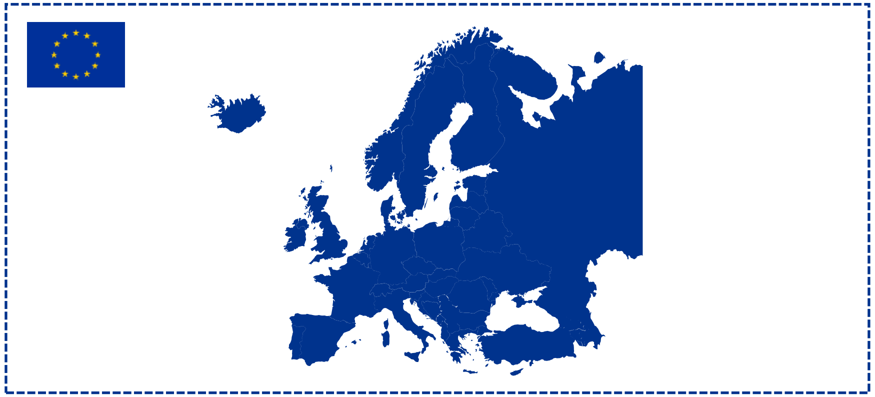
In 2024, the equipment rental markets in Italy, Portugal, and Spain are set for steady growth. **Italy** is expected to remain stable, though a slight slowdown may occur due to project delays and rising costs. Confidence is nevertheless bolstered by EU support and infrastructure demand. **Portugal** continues its positive trend, driven by strong public and private investments, with EU funds playing a key role. **Spain** will see growth despite residential sector challenges, with strong public investments and expanding market segments like energy and logistics, supported by large EU funds.

Europe (16 countries) – Turnover, in € millions



Europe (16 countries) - Investment, in € millions





Sources: expert interviews, KPMG Research & Analysis

MACROECONOMIC ENVIRONMENT

EU ECONOMIC OUTLOOK

The **EU economy has begun to emerge** after a period of stagnation. Growth should reach 1% in 2024 and then rise to 1.6% in 2025, after having plateaued at 0.4% in 2023.

Since the beginning of the year, **inflation has returned to normal levels**. At the same time, labor markets throughout Europe continue to be tight, with wages growing at a high rate. This is expected to lead to a slow recovery in household real incomes during the latter half of this year, which should boost consumer spending. However, investment remains generally weak and is only expected to increase slowly. This highlights the need to accelerate implementation of the **Next Generation EU initiative**.

Since the pandemic, growth rates have varied across Europe's regions. This year, southern Europe is expected to grow faster than the North, once again fuelled by increased tourism spending and ongoing support from EU funds.

CONSTRUCTION OUTLOOK IN EU

The **construction sector**, which has been more resilient than others during economic downturns, **is predicted to shrink by 2.7% in 2024** (Euroconstruct countries scope - 19 countries). Most European countries are experiencing either weak growth or contraction in the construction sector. However, it is expected that some of the countries will see growth in 2024.

Regarding employment, the sector had 12.3 million workers in its fold in 2023, marking a 1.1% rise from 2022. Nevertheless, the housing crisis has led to a reduction in employment numbers in certain countries.

Buildings

On the one hand, new home building represents ~20% of total investment in construction and is expected to have fallen in 2023 and in 2024. Renovation represents ~30% of total investment in construction and is also expected to slightly decline in 2023 and 2024. However, **renovation has the potential to become a significant growth driver** for the construction sector in the long term as building renovation is **being prioritized in EU and national climate policies**.

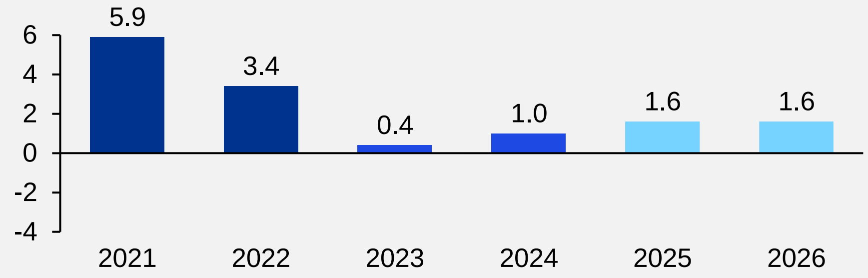
On the other hand, non-residential construction, accounting for ~30%, decreased in 2023, and this trend is expected to continue in 2024.

Infrastructure

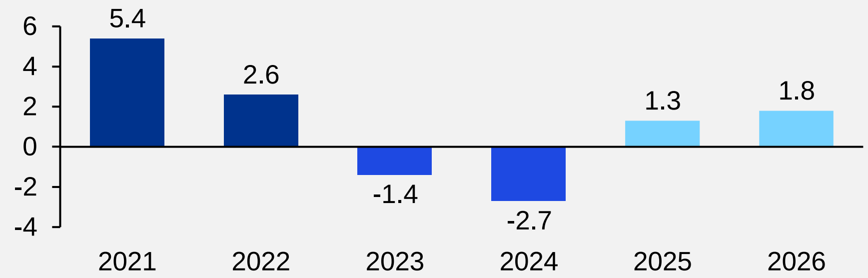
Civil engineering, the smallest segment of construction, accounting for ~20% of the sector, grew in 2023. The **implementation of major infrastructure projects has the potential to significantly boost this segment in the coming years**. The outlook for 2024 is positive, with civil engineering expected to grow.

Construction market

European Union GDP growth [real term], in %



European Union construction growth [real term], in %



Sources: European Commission, FIEC, KPMG Research & Analysis

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Rental turnover by person estimate

Country	2014	2024
Norway	150 € 160 €	155 € 160 €
Sweden		
Denmark	105 € 130 €	110 € 145 €
Finland		
United Kingdom		
Austria	50 € 70 €	50 € 80 €
Belgium		
France		
Germany		
Ireland		
Netherlands		
Switzerland		
Czech Republic	20 € 35 €	20 € 40 €
Italy		
Poland		
Portugal		
Spain		

Sources: Eurostat, KPMG Research & Analysis

Country overview

BELGIUM (BE)

Belgium (BE)	Actual		Estimates		Forecast	
	2021	2022	2023	2024	2025	2026
Market size						
Turnover [million €]	734	792	814	827	843	873
GDP deflator	112.4	119.1	123.9	127.8	129.9	133.3
Consumer price index	103.7	114.4	117	121.8	124.3	127.4
Rental fleet investment [million €]	99	99	101	106		
Rental fleet value [million €]	1 265	1 355	1 387	1 416		

Average rental turnover per capita, 2021-2023

60-65 €/capita

EQUIPMENT RENTAL: COUNTRY OVERVIEW

2023 STATUS

The Belgian equipment rental market experienced a post Covid-19 rebound in 2023, marked by an activity slowdown. The second half of the year saw a downward adjustment in market performance, due to weather issues and decreased demand in both the residential and non-residential sectors. Half of rental growth was price increase-related (due to rises in wages, machine costs, and maintenance). All in all, the rental market grew by 2.8% in 2023.

2024 ESTIMATES

The rental market in H1 2024 was below expectations due to halted investment stemming from political and economical uncertainty. In addition, a rainy winter delayed projects, especially impacting site preparation. While large projects were mainly maintained, small- and medium-size projects suffered from delays and interruptions, with contractors under margin pressure.

The second half of 2024 (H2) is expected to trend in a similar direction to H1 2024, with limited growth, somewhat hidden by a price effect. The residential market remains sluggish, while there are project delays in the non-residential market and limited infrastructure traction. Concerns about payment delays and bankruptcy risks persist for contractors. Generally speaking, the Belgian market mirrors the French market slowdown. All in all, the rental market is projected to grow by 1.5% in 2024.

2025-2026 FORECASTS

Over the next few years, slow growth is expected. The market could be characterized by caution and uncertainty, reflecting a hesitant economic environment. The residential sector is likely to remain weak (no significant growth expected), while the infrastructure sector is expected to see some long-term activity, but no immediate positive outlook.

RENTAL STRUCTURE OUTLOOK

The Belgian equipment rental market is slowly transforming. It is still highly fragmented, with numerous small, lightly structured companies, but we can also see the emergence of national companies, helping to reduce regional disparities and harmonize prices.

As smaller companies are struggling to finance new investments and attract skilled labor, they appear vulnerable, leaving room for market consolidation, in particular in the context of heavy investment in hybrid or battery-powered equipment.

Finally, in a market largely driven by construction, which accounts for ~65% of rental demand, the rental industry appears to be increasingly reaching non-construction clients. For example, it is moving into Party & Events, particularly serving summer festivals, and more broadly it is meeting the demand for a wide range of product families, from access equipment to modular spaces.

Sources: Euroconstruct, Statbel, BERA, Experts' interviews, KPMG Research & Analysis

MACROECONOMIC ENVIRONMENT

MACROECONOMIC OUTLOOK

- **The Belgian economy is expected to grow below 1.5% throughout the projection period**. In these conditions, the BfP (Federal Planning Bureau) estimates that the output gap (an economic measure of the difference between the actual output of an economy and its potential output) will widen in 2024 and only partially close in 2025-2026. This will not be due to stronger growth in the economy, but to a reduction in potential growth, particularly in employment.
- Energy prices have fallen sharply, leading to a significant drop in overall inflation in 2023. This year, the inflation rate is expected to be around 4%. Subsequently, inflation is anticipated to realign with the target of 2% per year.
- The business investment outlook has improved, with investment rebounding to pre-Covid levels in 2023. It is expected to keep increasing throughout the projection period.
- Public investment rose by 12% in 2023 and by 7-8% in 2024 due to local elections and recovery plans. However, in 2025-2026, public investment is expected to stabilize and then decline.
- Economic stability could be strengthened due to long-term interest rates which should remain stable at around 3% for the 10-year OLO (Linear Ordinary Bonds, Belgian government bonds) throughout the projection period. The **economic outlook is dependent on the successful implementation and acceleration of the recovery plans**, considering their slow start and continued ramp-up in 2024, with completion expected by 2026-2027.

CONSTRUCTION OUTLOOK

- **The sector will experience a period of quasi-stabilization**, initially impacted by new housing difficulties and later by lower reconstruction and recovery plan activities.

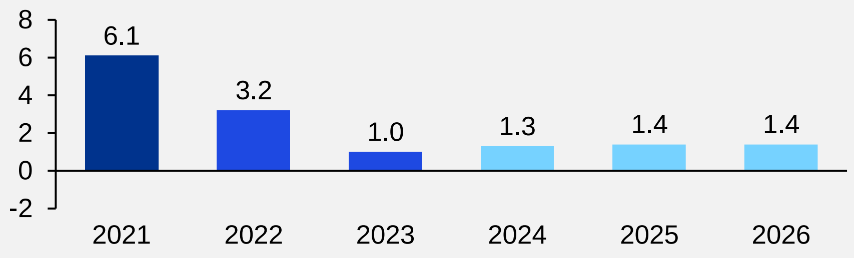
BUILDINGS

- The **new housing sector fell by 7.1% in 2023 and is projected to decline further by 5.3% in 2024 and by 1.8% in 2025**. The decrease in building permits granted continues to impact the volume of housing construction.
- The **renovation sector is expected to grow due to increasing demand** and the favorable economic environment, despite pricing and interest rate challenges in 2023. Moreover, the introduction of an energy renovation obligation in Flanders will support growth.
- After two years of decline**, a recovery is expected from 2024 for the non-residential buildings sector**, though it will not fully offset losses from previous years. The segment will remain more than 10% below its pre-Covid levels by the end of the projection period.

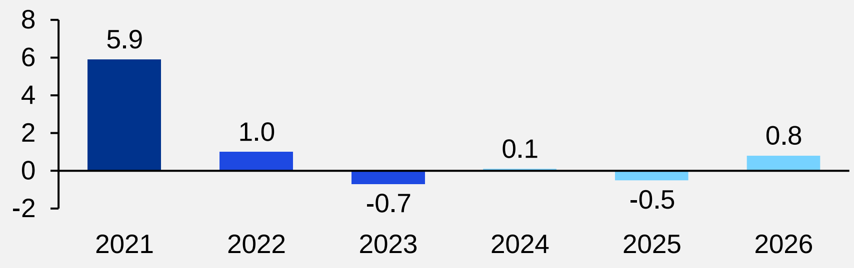
INFRASTRUCTURE

- In 2024, the **infrastructure sector is expected to grow** by 3.9% (e.g. Oosterweel Link project, Ghent ring road) **but will then decline** due to reduced local authority investment and recovery plan activities.
- However, there is a **potential rebound in 2025 due to Infrabel's investment** if the budget aligns with planned projects.

Belgium, GDP growth [real term], %



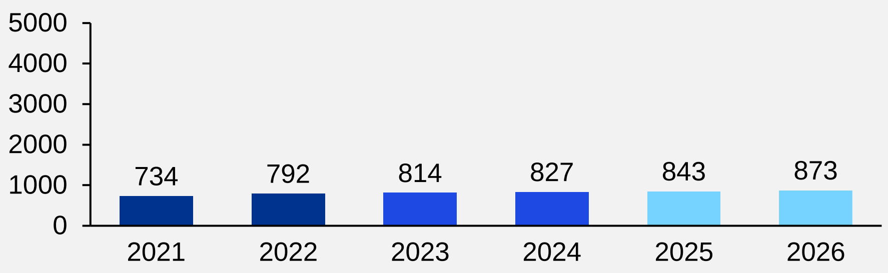
Belgium, construction growth [real term], %



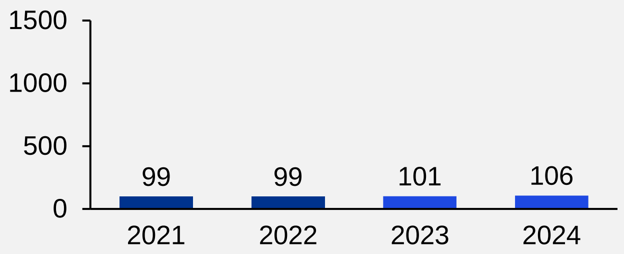
Sources: Euroconstruct, Experts' interviews, KPMG Research & Analysis

Equipment rental metrics & country overview

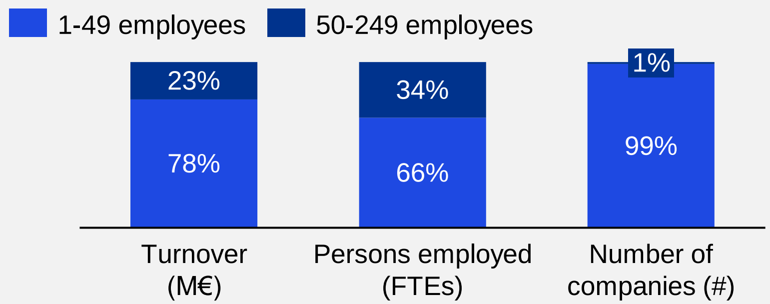
Belgium – Turnover, Million €



Belgium – Investment, Million €



Belgium – Company demographics



Main economic indicators (2024e)

Population	11.8 Million
GDP per capita	45 360 €
Unemployment rate	5.9%
Business climate	A1

Sources: Euroconstruct, Coface, Experts' interviews, Orbis, KPMG Research & Analysis

Focus Re-rental

RE-RENTAL
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REVIEW OF THE RE-RENTAL HYPOTHESIS

Definition

Cross-hire activity involves rental transactions between rental companies. This practice tends to be more common in mature markets.

➔ For instance, a large rental firm may hire specialized equipment from a specialized rental company to complete a larger project

Accurately determining the cross-hire rate in a market would address the issue of **double counting** that currently exists. National statistics offices might count the revenue of both firms, even when one has engaged in cross-hire with the other.

New estimate

Based on expert interviews, we propose these new rates:

United Kingdom	12.0%
Sweden, Denmark, Finland, Norway	6.0%
Austria, Italy, Poland, Czech Republic, Belgium, Switzerland	5.0%
Germany, France, Ireland, Netherlands, Spain, Portugal	3.0/4.0%

Note: rental turnovers displayed in this report are not discounted for cross hire activity

Sources: expert interviews, KPMG Research & Analysis

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KPMG

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