

Construction equipment rental is one of the most significant sectors serving construction sites

Reliable data on construction volumes and development phenomena allow providing many types of additional services for clients. This blog presents a case example of the use of construction data in forecasting developments in the construction equipment rental market.

Many studies have been conducted in Finland on the use and rental markets of construction equipment in the 2010s. Methods and systematics for predicting the demand for them have been developed. The work began with extensive research. All important parties involved in equipment rental took part: construction equipment renters, sellers and importers as well as large construction companies. This was necessary since it was essential to get data on the kinds of equipment used on different types of sites, their number and hours of use, and timing of use during a building project, and operating costs.

It is often also necessary to know the client's other markets besides construction. For instance, rental equipment is well suited for industrial maintenance, which is why industry rents a lot of construction equipment. Purchasing own equipment would not be sensible since the utilisation rate is often low. Renters provide modern equipment just right for the purpose that meets the ever-increasing legal requirements.

The Nordic equipment rental business has been in a very interesting situation recently. Corporate acquisitions tell about the attractiveness of the industry. French Loxam acquired Finnish international rental company Ramirent and Belgian Boels Rental has launched a bid to acquire the other big Finnish rental company Cramo. Both Ramirent and Cramo are operating in the Nordic market and other foreign countries. High volume, strong growth and positive prospects of the rental services have also interested investors. Accurate knowledge of market developments creates confidence for investors.

Construction equipment rental market is more than EUR 3,6 bn in the Nordic countries

Renting of construction equipment is one step on the way towards a circular, sharing economy. Renting of equipment improves resource efficiency, construction work safety, and productivity. The environmental impacts of construction can also be ameliorated with constantly renewed equipment that is used effectively and efficiently.

The rental market has been growing strongly for many years. Growth has focused primarily on new building construction in recent years. The rental market looks favourable in the coming years, even though the construction market is already turning into a slight downward trend next years.

The strong growth of rental volume in construction machinery and equipment will level off. Rental will grow a bit in 2020 in Nordic countries mainly due to renovation and civil engineering. The rental business will grow, although construction is expected to decrease slightly. The sharp decline in the construction of a block of flats will not turn the whole rental business growth negative. The share of equipment that has been used in the block of flats construction is only 15 per cent in the current rental market.

Non-residential construction is the most important sector for machinery, and it is becoming the engine of construction equipment rental market. Rental is growing strongly in commercial, office and healthcare building construction. Non-residential construction uses much more construction machinery and equipment than residential construction.

The penetration rate for construction equipment rental in Sweden is high and probably the highest across Europe. Penetration shows the share of usage of rental equipment of the total equipment used in building construction. Rental penetration is expected to continue to grow. High utilization of construction capacity and the shortage of labour is increasing demand for construction equipment.

Even if the majority (2/3) of machinery and equipment rental serves the construction business, the use of other industries is large. The remainder is rented to other branches such as industry, service producers, public administration and private persons for maintenance, installation etc. Service industries have increased the use of rental equipment. Especially in Sweden, the other use is very important, namely due to specialized industries, such as mining.

Construction equipment rental growth will continue in the renovation sector. Growth is accelerated due to replacement of human labour with construction machinery, higher quality requirements and challenging working conditions. Renovation focuses on professional renovation sector, which contributes to equipment rental growth.

Construction equipment rental has the potential to grow in the future, not only in the Nordic countries, where penetration is already high but also elsewhere in Europe. The European construction equipment rental market is currently highly fragmented and there are a lot of construction equipment rental companies. The trend where large companies acquire small ones is likely to continue and the industry will attract the interest of capital investors.



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Construction equipment rental development in Finland, Norway and Sweden

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