

# Equipment Rental and Dealer State of the Market: Q4 2024



The Equipment Rental and Dealer sector continues to realize sequential growth through the third quarter of 2024, albeit at a more moderate pace relative to the ultra-high growth, high demand years of 2022 and 2023. Currently, short-term headwinds – primarily elevated interest rates and an increased supply of equipment in the market from OEMs – have influenced a slight downward revision to the American Rental Association's 2024 growth forecast from 8.9% to 8.2%. Despite these near-term headwinds, the industry's long-term outlook remains favorable. Operators continue to rely on rental over ownership, accelerating the maturation of what is now a less-cyclical, more disciplined industry. Mega project activity and planning levels remain robust, supported by deglobalization, manufacturing modernization and advancements in the technology and infrastructure sectors. Year-to-date, local construction projects, on-rent yields and time utilization have been hampered by tight lending conditions and interest rate uncertainty, but the 75 basis points of cumulative rate cuts since September are reinvigorating the construction market and signaling growth in future activity. The Dodge Momentum Index's recent gains, combined with the Fed's go-forward interest rate expectations for the first half of 2025, support a positive future demand outlook. See below for what public company executives had to say regarding the state of the market on recent earnings calls in September, October and November.

*"The election is over and interest rates are on the downtrend. Sentiment already appears to have shifted in the past week and there are long-term tailwinds in each of our business segments that suggest a reversion back to our historic growth path could be in order in 2025."*



**Ryan Greenawalt,**  
CEO & Chairman

*"Looking ahead to 2025, we expect a normalization in the oversupply of new equipment in the first half of the year and construction equipment spending to be supported by easing interest rates and more favorable lending conditions. Infrastructure-related project pipelines are strong and state DOT budgets are expected to remain elevated."*



**Anthony J. Colucci,**  
Chief Financial Officer  
**ALTA EQUIPMENT COMPANY**

*"The recent election outcome may further drive near-term demand for construction equipment, fueled by anticipated infrastructure investments and favorable policies. Additionally, the administration's proposed tax cuts, regulatory reductions and incentives for domestic manufacturing could prompt businesses to expand facilities."*

November 12, 2024

*"We have seen some rate pressure that has impacted our on-rent yield. This was driven by both the mix of the equipment we put on rent and the market environment more broadly. . . we estimate that 20% to 30% of the OEC on-rent improvement since Q2 is due to storm-related work from Hurricanes Helene and Milton. Given the extent of the damage, we expect much of this equipment to remain on rent for several months."*



**Ryan McMonagle,**  
CEO & Director

*"We are witnessing significant growth in electricity demand, driven by AI-driven data center development, manufacturing onshoring and electrification trends. . . Recent industry reports project a 24% to 29% increase in U.S. electricity demand by 2035, nearly double last year's forecast. These trends provide strong tailwinds for our future growth."*



October 31, 2024

*"As supply chain issues resolve, interest rates moderate and regulatory delays subside, we expect to see further improvements [in utility end market demand]. Our recent trends and customer interactions confirm that conditions are normalizing, and we anticipate continued improvement through the rest of the year and into 2025."*

*"Construction spending in the U.S. continues to demonstrate the slowing rate of growth observed over the first half of 2024. Local project activity remains muted due in part to an extended period of elevated interest rates and we continue to manage a slight oversupply of certain types of equipment. We believe a trend of moderating activity will persist through the remainder of the year with fleet utilization and rental rates expected to remain below year-ago measures."*



**Brad Barber, CEO**

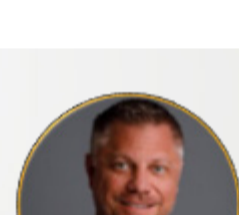


October 29, 2024

*"The Dodge Momentum Index has exhibited gains for 5 of the last 6 months and remains at robust levels. Also, construction employment remains a steady upward trajectory with five consecutive months of growth through September 2024. . . equally important, a cycle of easing interest rates is expected to have positive implications for local construction activity as projects are revaluated under more favorable lending conditions."*

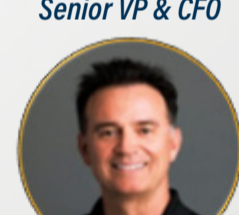
*"Mega projects are characterized by elevated equipment volumes and extended project durations, leading to premium utilization metrics and excellent yield on deployed equipment. Due to their remarkable equipment needs, multiple large equipment rental providers are active on most projects. . . the strong expansion of mega projects remains a significant driver of growth for our industry both today as well as into the future."*

*"We continue to view the slowdown on local project starts primarily as an interest rate timing issue based on everything we're hearing. On the national account side, we're capitalizing on continued government and private funding for new projects in areas like battery storage, energy, infrastructure, semiconductor, LNG plants and data centers."*



**W. Mark Humphrey,**  
Senior VP & CFO

*"2024 [nonresidential construction] starts are estimated to increase 6% to \$442 billion. . . the next 3 years are projected to be some of the strongest periods of activity that this industry has ever seen. Additionally, there's another \$342 billion in infrastructure projects slated for 2024 – that's a 13% increase over 2023."*



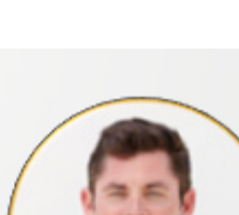
**Aaron D. Birnbaum,**  
Senior VP & COO

*"The underlying long-term fundamentals supporting equipment rental demand remain strong. The trends of rental over ownership, reshoring manufacturing, fortifying North America's infrastructure, modernizing the electrical grid, rapid growth in AI and data centers and the move towards clean energy all represent significant future opportunities."*



October 22, 2024

*"Consistent with what we have said previously, and others in the industry have been noting, time utilization was lower than in Q1 last year. There is capacity to better utilize the fleet as we progress through this year. . . Importantly, rental rates have continued to progress year-on-year, despite [the] utilization movement I just mentioned – this is again affirmation of good rate discipline in the industry as a result of the ever clear structural progression we've experienced over the years."*



**Brendan Horgan, CEO**



September 3, 2024

*"There's an ongoing softening with the local commercial construction space as the effects of a prolonged higher interest rate environment weighs on local and regional developers. . . if the Fed starts to move interest rates downwards, then hopefully, this will start to reenergize this area of the construction market, and we'll begin to see some of the planning progress to permitting."*

*"Overall, the construction environment looks to be positive as we progress into 2025 and beyond. The mega project landscape continues to demonstrate progress in both starts and in planning. . . This mega project landscape reality, driven by deglobalization, manufacturing modernization, technology and infrastructure is here to stay for quite some time to come."*

*"The used market remains healthy. . . we sold a third quarter record amount of OEC, which speaks to the strength of demand, while our margins primarily reflected the ongoing normalization of the market."*



**Matthew J. Flannery, CEO**



October 24, 2024

*"We saw growth in both construction [segments], led by nonresidential and our industrial end markets, with particular strength in manufacturing. It will come as no surprise that we again had multiple new projects in the quarter across data centers, airports, healthcare and battery manufacturing, to name a few."*

*"We have good momentum heading into 2025, which is setting up to be another year of growth based on what we see and sense today. The tailwinds for a multitude of large complex projects are still in the early innings."*

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Over the last 15 years, TM Capital has established a market-leading Equipment Rental and Dealer sector practice, advising a broad range of privately-owned and financial-backed clients. With an emphasis on M&A transactions (both sell-side and buy-side), TM's sector activity is accelerating, having completed 15 transactions since January 1, 2021, totaling over \$2.6 billion in aggregate enterprise value.

TM Capital has successfully represented an impressive client roster in the Equipment Rental and Dealer sectors, achieving premium market valuations with both strategic and financial buyers/investors. Our substantial experience across a wide range of transactions reinforces recurring relationships with an expanding universe of domestic and foreign strategic buyers, as well as a growing roster of private equity and family office investors that are increasingly focused on these categories. We would welcome the opportunity to discuss M&A trends, valuation dynamics and the competitive landscape with you.

### TM Capital's Equipment Rental & Dealer Investment Banking Team

 A PORTFOLIO COMPANY OF BRIGHTSTAR HAS BEEN ACQUIRED BY TUCKAHOE HOLDINGS	 A PORTFOLIO COMPANY OF BRIGHTSTAR HAS BEEN ACQUIRED BY TUCKAHOE HOLDINGS	 A PORTFOLIO COMPANY OF WESTERN ALLEGHENY CAPITAL HAS BEEN ACQUIRED BY ATLANTIC & SOUTHERN A SUBSIDIARY OF KELLY TRACTOR CAT	 A PORTFOLIO COMPANY OF KCP PARTNERS HAS BEEN ACQUIRED BY WHITE CAP A PORTFOLIO COMPANY OF THE STERLING GROUP	 <b>David Felts</b> Managing Director dfelts@tmcapital.com 404.995.6252
 HAS ACQUIRED VAC2GO	 A PORTFOLIO COMPANY OF Prophet Equity HAS BEEN ACQUIRED BY WILDCAT CAPITAL MANAGEMENT	 HAS BEEN ACQUIRED BY SUNBELT RENTALS THE U.S. OPERATIONS OF Ashtead group	 HAS BEEN ACQUIRED BY Texas First RENTAL A DIVISION OF HOLT	 <b>Paul Smolevitz</b> Managing Director psmolevitz@tmcapital.com 212.809.1416
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				 <b>Michael Bauman</b> Vice President mbaum@tmcapital.com 212.809.1425

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