Equipment Rental Revenue to Slow Down but Continue to Grow, ARA Predicts

November 27, 2022

After two years of rapid post-pandemic revenue growth in 2021 and 2022, the equipment rental industry is expected to see single digit increases over the next four years according to the latest American Rental Association forecast released in early November.

The forecast calls for equipment rental revenue — which includes the construction and industrial as well as the general tool segments — to increase by 3.4 percent in 2023 to nearly $57.7 billion after growth of 11 percent in 2022 to reach almost $55.8 billion. In subsequent years, equipment rental revenue is expected to grow 2.9 percent in 2024, 3.3 percent in 2025 and another 3.4 percent in 2026 to reach nearly $63.4 billion.

“In the current forecast we see a definite softening in rental revenue growth, but we do not see negative growth,” said John McClelland, Ph.D., ARA vice president for government affairs and chief economist.

The construction and industrial segment, according to S&P Global Market Intelligence, the forecasting firm that compiles data for the ARA forecast and the ARA Rentalytics subscription service, showed double-digit revenue increases in 2021 and 2022 at 10.2 and 12.7 percent respectively. The segment is forecast to show a 4 percent increase in 2023, 2 percent in 2024, and 3 percent in 2025 and 2026. On the general tool side, revenue growth was a more moderate 4.5 percent in 2021 and 6.2 percent in 2022 and is forecast to be 1 percent in 2023 and then 5 percent in 2024 and 2025 and 4 percent in 2026.

“There is variability in the forecast, depending on the end markets rental companies serve,” said Tom Doyle, ARA vice president, association program development. “However, nonresidential construction spending will be strong, and money continues to be spent from government stimulus programs, which both are positives for the rental industry. In addition, the supply chain is improving, which can help alleviate the backlog of equipment orders, allowing equipment rental companies to expand inventory to meet demand, which adds to the positive outlook for the industry in 2023 and beyond.”

Expecting a slowdown

Scott Hazelton, director, S&P Global Market Intelligence, agrees that the outlook for the equipment rental industry is positive but adds that a slowdown is coming with a recession and an anticipated reduction in demand. In addition, according to S&P Global Market Intelligence, investment in construction and industrial equipment now is expected to decline slightly in 2023 after growth of 55.1 percent in 2021 and 40 percent in 2022.

Investment growth is forecast to be 4.8 percent in 2024 and 6.4 percent in 2025, ARA said. In Canada, equipment rental revenue also showed a post-pandemic boost of 15.8 percent in 2021 and 11.1 percent in 2022 to reach $4.6 billion. The same as in the U.S., revenue growth is expected to settle into a single-digit pattern over the next four years. The ARA forecast calls for equipment rental revenue in Canada to increase by 1.6 percent in 2023, 4 percent in 2024, 5.3 percent in 2025 and 3.5 percent in 2026 to reach nearly $5.3 billion.