THE INDUSTRY STRIKES BACK

2021 STATE OF THE INDUSTRY REPORT

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The 2021 State of the Rental Industry Report: Rental Strikes Back

2020 was an incredibly challenging year for a number of businesses, and what 2021 holds in that regard is largely unknown. However, from the ashes of last year have risen forecasts, numbers, and statistics that all show a glimmer of hope.

By Alexis Brumm

There is no doubt that most people were ready for 2020 to come to an end. The challenging year presented challenge after challenge, and as we all know by now, changed the face of business as we know it.

Now that we're well on our way into 2021, we're still faced with a number of questions. What's next? What does 2021 have in store for us? Will things get better? Worse? Can we bounce back? What will business look like moving forward? Most of the answers to these questions are a stark unknown against a backdrop of crossing our fingers for a return to normalcy. However, from the ashes of 2020 have risen forecasts, numbers, and statistics that all show a glimmer of hope.

In a new forecast, released Feb. 16, the American Rental Association (ARA) is expecting more than 1.5 percent growth in 2021, to surpass $50.2 billion. This is a hopeful leap, following their prediction in November 2020 of modest overall growth in 2021 increasing by 0.3 percent to $48.9 billion.

Construction and industrial rental revenue finished 2020 with a significant hit of a 11.7 percent decline. However, the

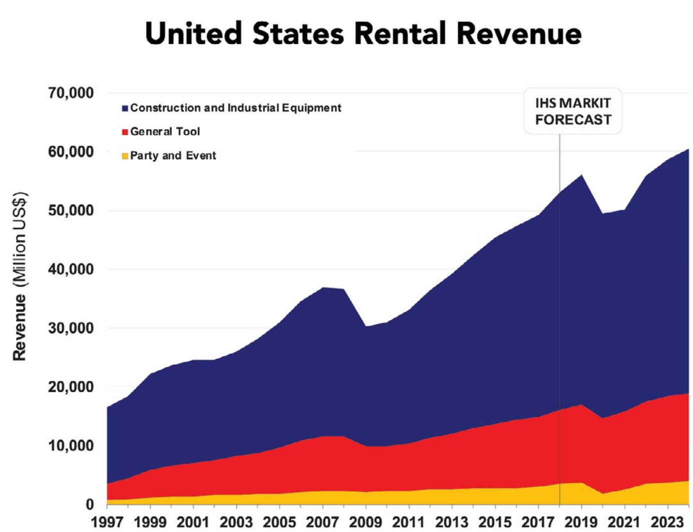


Photo Credit: ARA

Photo Credit: ASV/YANMAR Compact Equipment North America

ARA's forecast predicts that construction will show only a 1 percent drop in 2021. According to the ARA, the general tool segment weathered COVID-19 the best and is expected to top its 2019 revenue peak by 2022. In the forecast, ARA says that general tool rental revenue is expected to grow 4 percent in 2021.

"With the government stimulus programs and the rollout of the vaccines, people are beginning to have more confidence. The equipment and event rental industry often recovers from adversity more quickly than the industries it serves, and it looks like this is happening again," says John McClelland, Ph.D., ARA vice president for government affairs and chief economist.

Scott Hazelton, managing director of IHS Markit, which is the international forecasting firm that compiles data and analysis of the ARA Rentalytics members-only subscriber service, mentioned that the new forecast is more positive because economic data from the end of 2020 was better than expected.

"From an equipment rental perspective, construction did not slow as much as expected, although we do expect it to remain a drag in 2021. The larger surprise was the performance on manufacturing, which is also a source for equipment rental demand," Hazelton says.

Another bright spot comes from investment in equipment, which was down considerably in 2020, but is forecasted to rebound by 17.4 percent in 2021. And according to Josh Nickell, vice president of the equipment segment for the ARA, rental penetration will also be something to watch.

"While we never wish for times of uncertainty, market volatility pushes more contractors to trust rental companies with a greater percentage of their fleet needs. The long-term trend has been steadily increasing rental penetration, and we expect this trend to continue with the added volatility of 2020," says Nickell.

Another positive that has come out of 2020? Technology innovation and adoption. This has been shown in multiple new business practices (like Zoom calls, virtual tradeshows, and video product walkarounds), safety innovations, PPE, equipment features, and more. According to Nickell, that will be something to watch moving forward as it could play a key role in rental business' success and revenue in 2021.

"One positive effect of the pandemic was an increase in demand for contactless rentals and an increase in digital adoption," he says. "As an industry, we saw things that might be on a 10-year roadmap become 2020 priorities that will pay long-term dividends for the companies that implemented them."

Respondents to the Baird/RER equipment rental survey echoed the ARA's sentiments. According to this group, the average rental revenue declined 1.5 percent year-over-year in the fourth quarter of 2020, which is a modest improvement compared to the third quarter. The survey respondents matched the ARA's optimism for 2021 with a forecast of an overall 4.9 percent increase in 2021 compared to 2020.

"From an equipment rental perspective, construction did not slow as much as expected, although we do expect it to remain a drag in 2021," Hazelton says.

Comments from the participants, however, were a mixed bag. Filled with both hesitant optimism and "we'll wait and see" attitudes, many suggested that it will be a very slow recovery with projections of things starting to trend upward around the summer of 2021. Some are worried about how slow jobsites seem to be amongst the many different lockdowns and state-wide regulations affecting the industry today.

However, another positive was that the Baird/RER survey respondents expect rental rates to do better after the challenging 2020, with a 1.4-percent rate hike in 2021 rather than the average 2 percent drop for the last three quarters. Other areas to keep an eye on will be fleet utilization, innovative technologies, demand, fleet age, and overall business revenue, which is especially important as respondents (52 percent, according to Baird/RER) reported fourth quarter activity was better than initial expectations. Under such challenging circumstances, it seems that there's hope lingering amongst the rental industry. And after all is said and done, the rental industry just might strike back in 2021. It might not be "with a vengeance," but with quiet fortitude and hard work.

United Rentals has also shown this cautious optimism. On a conference call to investors in January, United Rentals CEO Matthew Flannery made the comment that strength in the used equipment market is a sign of future demand for equipment, which is a good sign for the coming year.

"We look at the strength of the used equipment market as a key indicator for the rental industry. And when the retail market is favorable, it tells us the contractors are projecting needs for that fleet," Flannery said.

On the call, he continued to point out encouraging signs throughout various industries and verticals, including the overall rental industry showing great discipline on the supply side in 2020.

I was curious what some of the manufacturers throughout the industry thought about 2021 and moving forward. The following are their answers.

Answers by Stephen Gatti, national accounts manager, YANMAR Compact Equipment North America

What is your outlook for the rental industry in 2021?

I predict a slight uptick for the rental industry in 2021 over 2020. This will likely include several rental companies expanding their businesses with new locations and an added focus on different revenue sources. For example, gaining new customers with small compact track loaders that can perform in confined spaces or operate across turf without damage, avoiding the need to straw and seed. Also, we are seeing rental companies expanding into trench safety, power/ HVAC, and other applications.

Stephen Gatti, national accounts manager, YANMAR Compact Equipment North America

Photo Credit: ASV/YANMAR Compact Equipment North America

What are the primary factors contributing to this trend?

There are a number of market trends contributing to the uptick predicted for the rental industry in 2021. New mini excavators and compact track loaders are up double digits year-over-year. Additionally, despite the pandemic, things still need to be built and the housing market is going strong. January 2021 numbers from the U.S. Census Bureau indicate housing starts in December 2020 at 1,669,000 — a 5.8-percent increase over the November estimate and the highest reading since September 2006.

What do you see in your crystal ball for the longer term?

Dealers with YANMAR Compact Equipment and ASV Holdings Inc. — both brands of YANMAR Compact Equipment North America — report small- to medium-sized contractors still have a healthy book of business. This is a continued opportunity moving forward for rent-to-rent and rent-to-sell transactions. The opportunity is further accelerated with the housing trend of people moving from urban to suburban areas and building houses.

Additionally, while nothing is certain, an increase in U.S. infrastructure spending in 2021 from the new administration would significantly benefit the rental and construction industries and provide a much-needed boost.

Photo Credit: JLG

How can the rental industry overcome COVID and its long-term effects moving forward?

Despite a predicted uptick in 2021, rental businesses need to continue to work to expand revenue sources and maintain a high level of customer service to ensure customer satisfaction and loyalty. Additionally, rental companies will benefit from having accessible, reliable equipment that is easy-to-use, transport, and maintain to entice homeowners and weekend warriors taking on DIY projects during their time at home. YANMAR Compact Equipment mini excavators and ASV's small compact track loader line are both perfect fits in these areas.

What's next for ASV and YANMAR Compact Equipment?

YANMAR Compact Equipment North America will continue to make use of the strengths of the YANMAR Compact Equipment and ASV brands. We are in the process of increasing our production by 30 percent in our Grand Rapids, Minnesota, facility. Additionally, we are improving our efficiencies for distribution and applying best practices as we increase our focus on the rental market. Our product divisions will continue to innovate our compact equipment lines with a primary focus on industry-leading operator experience, reliability, power, and performance.

Frank Nerenhausen, president, JLG

Photo Credit: JLG

Answers by Frank Nerenhausen, president, JLG

What is your outlook for the rental industry/market in 2021?

Things are trending in a positive direction, putting the industry in a position to rebound from a tumultuous 2020 during the back half of 2021. That

The Role of Rental in 2020 and What it Taught Us for 2021

By Dennis Howard, RDO Equipment

No two industry segments fared exactly alike last year, but the spotlight shined on rental equipment in the markets I have surveyed revealed some of its biggest benefits—some that may very likely continue to play a vital role in contractors' business plans in 2021 and years to come.

The infrastructure segment served as a middle ground of sorts, bridging the highs and lows across the industry. Even amid the initial impact of COVID-19 in the spring, jobs already underway were still expected to be completed, and for some contractors, that meant a healthy backlog of work for the foreseeable future.

Infrastructure's general positivity comes along with a shorter job outlook for contractors, who simply can't be sure of what work will come next. But in handling that limited foresight, rental, again, proves valuable, allowing customers options to meet the needs of current jobs without gambling on an unknown future.

Ultimately, what 2020 showed was the resiliency of the construction industry. It was a reminder that in an environment like this, it's no longer about having the biggest, shiniest fleet of equipment; it's about having the right machines for the job at hand and being prepared to adjust for whatever job may come next. Rental's role in such a plan can be cemented through three of the most significant advantages it offered in 2020.

Rental Advantage #1 – Cash Flow Management

One of rental's biggest impacts is flexibility in managing cash flow. Payments on a purchased machine must be made whether the machine is being used or not. If available jobs shift and the machine is no longer needed, it can quickly become a troubling liability. When the backlog is uncertain, rental eliminates the capital investment required for a purchase and contractors can return unneeded machines if jobs change.

Rental Advantage #2 – Nimble Equipment Fleet

Speaking of jobs changing, that same flexibility allows for quick restructuring of an equipment fleet. Part of the creative adaptation to uncertainty means contractors may look to take on different types of jobs, ones they may not have historically pursued. Often, this may mean acquiring equipment not typically found in the fleet. By augmenting a fleet with rental machines, equipment can be swapped and added quickly while tying up less cash than in an entirely owned fleet.

Rental Advantage #3 – Renting to Own

Even amid uncertainty, thinking strategically means looking beyond just today. With many rental providers offering rent-to-purchase options, contractors can manage through short-term uncertainty while still adhering to a long-term plan. If the odds are likely that a rented machine will be purchased later, terms and pricing can be built into the rental agreement, allowing customers to invest in the eventual purchase while renting the machine.

Because of how COVID-19 has taken our world by storm, it's a bit more difficult to look into the crystal ball and try to make any predictions about the near or distant future. But if my 25 years in this industry have taught me anything, it's that the construction industry is adaptable and resilient. We've made it through down years and challenges, and we'll continue to do so. In general, I think the opportunity we all have, regardless of industry, is not to get stuck in the negative and just go do what we do. And that's a prediction I'd be willing to stand behind any year.

said, although we can see the light, we aren't quite at the end of the tunnel. The biggest potential headwind facing a recovery is not the virus itself, but rather the various mutant strands that have recently surfaced. These strands could result in regional shutdowns, causing disruption to the already delicate supply chain and labor forces.

Overall, the rental industry continues to be a strong one with a healthy ecosystem. If all those who are part of its value chain, from manufacturers to suppliers to owners and operators, behave and act responsibly, our optimistic outlook for 2021 should remain intact.

How can the rental industry overcome COVID and its effects moving forward?

As the world continues to manage the pandemic and its effects, it remains extremely important that everyone across the entire rental industry reman diligent in following CDC protocols to prevent the spread of COVID-19 and to keep employees, companies, and jobsites safe. Simple protocols like wearing masks, sanitizing equipment between operators, social distancing, and hand washing all play a crucial role in keeping jobsites open, and our industry and the overall economy healthy.

What do you see in your crystal ball for the longer term when it comes to trends in the rental industry?

Some of the trends we are watching include electrification, urbanization, "ladders last" initiatives, and the growth of mega warehousing/distribution and data centers.

On *electrification*... As you know, in recent years, there's been increasing demand for both hybrid and electric machines. With the construction industry being a fast follower of the automotive industry, we are taking cues from the increasing number of electric cars on the road. We anticipate a similar increase in demand for electrified access equipment globally.

Our latest scissor lift introduction — the AE (All Electric) 1932 DaVinci lift — the world's first fully electric scissor is indicative of our commitment to innovating around electrification. Every component of this machine is optimized, allowing it to be powered with a single lithium-ion battery. It even recovers energy while the platform is being lowered, which contributes to a 70-percent decrease in power consumption and a longer battery life per charge. And, because its all-electric, hydraulics are eliminated altogether, meaning there are no potential leak points.

What's propelling the trend towards electrification? Impending Stage 5 engine regulations in Europe contribute to increased demand. The maintenance costs for diesel engines increase with the introduction of Stage V as they will require diesel particulate filters (DPF). While engine costs are escalating, lithium-ion battery costs are becoming more affordable. Because lithium-powered products are more eco-friendly, with little to no compromise to performance, they are becoming more and more popular.

Kristina Blokhin/AdobeStock

"One of the biggest responsibilities we have today is to continually evolve and introduce interconnected solutions that allow customers to be more successful, safer, and increasingly efficient on the job" says Frank Nerenhausen, president, JLG.

JLG has a myriad of supplier partnerships with companies that are equally committed to advancing electrification. For example, Oshkosh Corporation, JLG's parent company, recently announced a planned investment in Microvast, a global provider of next-generation battery technologies for commercial and specialty electric vehicles. This investment demonstrates our company's commitment to continue developing market-leading electrified solutions for the rental industry.

On *urbanization*... Urbanization is another driver of some of the trends we are seeing. With less and less open space, buildings are becoming taller and space between them narrower. With that, the demand for smaller machines with compact footprints and higher reaching equipment is growing. The introduction of the newest JLG ES Series electric drive scissors, the ES 1330 and the ES 1530, as well as our new SkyTrak 3013 telehandler and low-level access 1030P push-around lift, are just a few products we have recently introduced for use in tight spaces.

On *warehousing/distribution*... Going back even a few years, online shopping was not what it is today. With a larger percentage of purchases being completed online, warehouse space is in high demand and warehouse construction is on the rise. This type of construction oftentimes requires continuous placement of utilities at a fixed height along the length of a building. To match the application, JLG has designed the RT/ERT line of scissor lifts with this capability at the forefront.

As the world continues to become more connected, data center construction is also on the rise. Indoor work at data centers requires lightweight, environmentally friendly machines that can be operated in confined areas or on suspended floors with weight restrictions and in between sensitive storage systems, servers, and application delivery controllers. This is the type of application that the new JLG DaVinci scissor lift was purpose-built to excel in.

And last but not at all least, I'd be remiss if I didn't mention the increasing demand for low-level access products, which are gaining in popularity as companies seek to mitigate worksite injuries associated with slips, trips, and falls from ladders. This is just another area in which JLG continues to work to advance jobsite safety.

What's next for JLG?

In 2021, we will continue to focus on elevating the access industry in three key areas: productivity, safety, and technology. One of the biggest responsibilities we have today is to continually evolve and introduce interconnected solutions that allow customers to be more successful, safer, and increasingly efficient on the job. Technology and the speed at which its advancing plays a huge role in this.

While we consistently watch trends, we also actively watch how customers are using JLG products. The pain points we observe directly drive our innovation process—something we call "customer-inspired innovation." This process is evolving and has moved from a focus on incremental product changes to transformational innovation designed to provide substantially safer machines for end-users and new revenue streams for our rental channel partners.

In closing, I'll go back to where we started — the overall ecosystem of the rental industry. We take our responsibility as the market leader to help preserve this healthy ecosystem very seriously. We maintain pricing discipline, we innovate with purpose, and we continually advance our customer support capabilities to provide opportunities for all stakeholders across the value chain including manufacturers, suppliers, customers, and employees for many years to come. ■

*The following report contains a broader scope of the construction industry as a whole.


Photo Credit: AC Business Media Staff

2021 State of The Construction Industry: A Forecast for Uncertain Times

2021 will be an unpredictable year for the construction industry with some segments outperforming others.

By Curt Bennick

Nothing about 2020 fell within the realm of business as usual. It seems like there were surprises around every corner and the best prepared business plans were quickly laid to waste as contingency plans were hastily put in place to deal with one crisis after another. While the uncertainty of the 2020 election cycle is finally settled and there are vaccines approved to combat the continuing COVID-19 pandemic, there is still plenty of uncertainty that makes it very difficult to forecast the future.

In the meantime, construction backlogs and the construction material supply chain have been impacted. And despite the uncertainty, you still need to make a plan to address the upcoming year. To help you sort it all out, we contacted some of the construction industry's most trusted sources about what they see for the months to come.

Q: What are likely to be the major drivers of the commercial and housing construction markets in 2021, and do you anticipate the current level of new construction to be sustained in both segments?

Fan Yu Kuo, National Association of Home Builders (NAHB): After a gradual reopening of the economy, the housing market has seen a meaningful rebound and record-breaking growth, especially in recent months. With a recovering economy and renewed interest in housing, the residential sector will lead the economic rebound.

This year, we have seen a shift in housing demand preferences as a result of the COVID-19 pandemic, with home

Fan Yu Kuo, National Association of Home Builders (NAHB)

Photo Credit: NAHB

Anirban Basu, chief economist, Associated Builders and Contractors

Photo Credit: ABC

> **"From a rental perspective, we expect multifamily construction to decline in 2020 and 2021 before stabilizing in 2022, although apartment construction will see strength in lower density markets," says Fan Yu Kuo, National Association of Home Builders.**

buyers and renters favoring lower density suburbs and exurbs over the core of large metropolitan areas. This suburban shift is seen in construction data, with the NAHB Home Building Geography Index (HBGI) showing that residential construction activity expanded at a more rapid pace in lower density markets. With this changing geography of housing demand, combined with record-low mortgage rates and a renewed focus on the importance of home, we expect demand will remain strong in 2021.

Supported by increased buyer interest, builder confidence remained near a data series high and sales have outpaced construction. Single-family construction is now at the highest level since the spring of 2007 and is expected to grow steadily over the next two years. However, builders continue to face challenges in terms of supply chain shortages of building materials and skilled labor as well as a lack of lots.

From a rental perspective, we expect multifamily construction to decline in 2020 and 2021 before stabilizing in 2022, although apartment construction will see strength in lower density markets.

Though home building and remodeling are relative bright spots for the overall economy, nonresidential construction will experience greater headwinds, as private nonresidential construction spending has seen a significant decline since January 2020.

Anirban Basu, chief economist, Associated Builders and Contractors (ABC): COVID-19 accelerated several pre-existing industry trends, many of which have implications for real estate, construction and the overall economy. Among the most obvious trends is e-commerce, a trend that was gaining market share even before the global health crisis began. An ongoing proliferation of fulfillment and data centers will serve this ongoing boom.

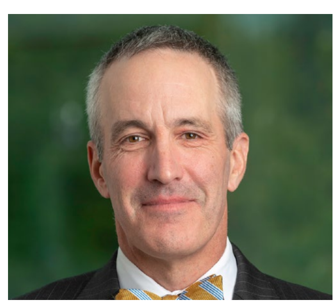
Another trend is remote work, a pattern that gained momentum during the pandemic that could translate into less demand for traditional office space. But the work from home trend also supported a raging U.S. housing market in 2020 as people seek to acquire more space for dedicated home offices. This is also consistent with greater migration from cities to suburbs, which is already reflected in large-scale declines in apartment rents in some of America's most expensive cities, such as San Francisco, New York City and San Jose. The multifamily market is less likely to generate as much construction activity as it did during the prior decade.

Richard Branch, chief economist, Dodge Data & Analytics (Dodge Data): The commercial construction space in 2021 will be somewhat of a mixed bag. On the upside, warehouse construction will continue to flourish as demand for e-commerce space seems to be nearly insatiable. Warehouse construction topped $30 billion in 2019, a record for the category. That record was broken in 2020 and we expect a new record to be established in 2021.

Retail and hotel construction is expected to continue to languish in 2021, and indeed, won't resume growth until there is widespread vaccine adoption. Since that is not expected until the mid-point of the year, it leaves little opportunity for growth in 2021.

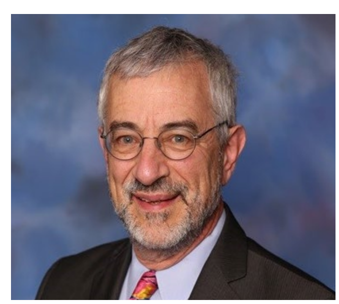
Housing will be driven by strong demand for single-family construction in 2021. This is the result of the natural aging of the millennial generation as they grow their families, but also the pandemic-driven search for additional space away from dense urban areas. Increased flexibility resulting from remote working will aid this geographic shift. Multifamily construction will be weak in 2021 due to the supply overhang in large metropolitan areas.

Ken Simonson, chief economist, Associated General Contractors of America (AGC): There is huge pent-up demand for single- family housing in most parts of the country and widespread demand for moderate income multifamily housing. Most categories of nonresidential construction will be in decline in 2021. But a few niches should do well, including smaller distribution facilities, data centers and specialized healthcare-related facilities, such as clinics, screening/testing facilities and medical laboratories and manufacturing plants.



Richard Branch, chief economist, Dodge Data & Analytics

Photo Credit: Dodge Data



Ken Simonson, chief economist, Associated General Contractors of America

Photo Credit: AGC

Q: What are likely to be the major drivers for public construction in 2021, and do you anticipate the current level of new construction to be sustained? In which subsets do you expect to see the greatest uptick or downturn in activity?

Photo Credit: AC Business Media Staff

ABC: Countervailing forces are at work in public construction. On one hand, weakened state and local government finances suggest weaker public works spending going forward. Despite the prevalence of low interest rates, many policymakers will probably seek to avoid putting more debt on public balance sheets.

On the other hand, given the battered state of the U.S. economy and the priorities of the incoming administration in Washington, D.C., federal spending on infrastructure could increase as part of a post-inauguration stimulus package. Republicans and Democrats do not agree on much, but leaders from both parties agree that America spends too little on infrastructure.

Public spending on infrastructure could rise over the next couple of years as the federal government steps up to assist our recovering economy, but that spending could fade quickly thereafter.

Dodge Data: The public sector — both building and infrastructure projects — will be reasonably stable in 2021. Given the growing gaps in state and local budgets across the country, this is somewhat positive news.

Street and bridge construction will see tepid growth in 2021 as federal funding provided through the one-year extension of the FAST Act is unchanged from the previous year. We fully anticipate that by the summer, a replacement for the FAST Act will be enacted providing for improved funding the following year. It is also likely that we will see a push from the Biden administration for an infrastructure package now that the Democrats have control of both the House and Senate.

On the building side of public construction, the largest project type is education. This sector was under great pressure in 2020 as the pandemic forced students out of their classrooms and into their homes. The fiscal issues facing state and local governments also weigh heavily on this sector's ability to recover, meaning 2021 is likely to be another down year for education construction.

AGC: Any growth in public construction will depend on early passage of federal funding for infrastructure and relief for state and local governments. Unless this occurs early in the year, the impact on projects is unlikely to be felt until 2022 or later.

Highways have the greatest chance of receiving additional funding. But there will also be a push to fund transit and other passenger rail projects; alternative energy production, storage, and charging facilities; and possibly public hospitals and care facilities.

Q: How has the COVID-19 pandemic impacted the continued labor shortage plaguing the construction industry? What are your projections for the labor market in 2021, particularly when it comes to skilled trades?

NAHB: Cost and availability of labor has been top issue for builders in recent years. In 2011, only 13% of builders reported cost and availability of labor as a significant problem, but the share increased to 85% in 2020. As housing demand is outpacing residential construction, the gap between housing needs and production has widened and the labor shortage continues to grow this year.

The U.S. Bureau of Labor Statistics November data shows that over the past seven months, job gains in residential construction offset 96% of the jobs lost in March and April, while there has only been a 58% job recovery in nonresidential construction. However, in any given month, there is still a shortage of 200,000 to 300,000 workers. Looking forward, the job openings rate is likely to experience choppiness in the months ahead given divergent outlooks within the construction industry.

As the construction skilled labor shortage remains a key challenge for residential and nonresidential construction firms, training and adding new workers is an important goal of the industry as we have seen an aging workforce in the skilled trades. A labor shortage will lead to higher housing costs and increased home prices, and make housing less affordable for buyers.

To help close the gap on the labor shortage, the housing industry needs to continue to invest in training to attract

Photo Credit: AC Business Media Staff

"Despite the loss of nearly 200,000 construction jobs over the course of the pandemic, shortages of skilled construction workers will still persist," says Anirban Basu, Associated Builders and Contractors.

younger workers who may not have considered a career in construction or have been inordinately affected by the pandemic and recession. Workers trained in the building trade skills will increase productivity and further lower construction costs to consumers.

Bringing additional women into the construction labor force also represents a potential opportunity for the future. A recent NAHB study found that the number of women employed in the construction industry grew substantially in 2019, surpassing the peak pre-recession employment level.

ABC: Despite the loss of nearly 200,000 construction jobs over the course of the pandemic, shortages of skilled construction workers will persist. Many of America's most skilled construction workers are approaching retirement age, and the next generation has still not entered the skilled trades in sufficient numbers.

History indicates that when construction workers lose jobs, they often leave the industry altogether. All of this suggests that while it may be marginally easier to recruit talent now than prior to COVID-19, structural issues remain.

Dodge Data: The construction sector will continue to be plagued by the lack of skilled and available labor in 2021. While the number of job openings in construction has fallen since the pandemic began, there are still, on average, more open positions in the industry currently than there were in 2017. The demand for workers is down, but not out, and will certainly rebound sharply in 2021 as construction picks up.

AGC: Many contractors report projects are taking longer to complete, either because fewer workers are allowed on site at one time, workers are kept home by illness (their own, a family member's or the need to provide dependent care), or delays and shortages of materials. While the decline in nonresidential projects will mean fewer companies are hiring and more workers are laid off, contractors that are trying to hire are still likely to have difficulty finding willing applicants with the right skills. ■

**The following report contains a broader scope of the rental industry as it relates to landscape.*

Photo Credit: Ryan Whisner

LANDSCAPERS Are Optimistic About 2021

Get the pulse of the industry from a panel of experts.

By Ryan Whisner

Aside from just the health aspects, the COVID-19 pandemic had a substantial impact on the green industry in 2020. Despite the roller coaster, green industry leaders are reasonably optimistic about the outlook for 2021

The first hurdle for many was whether their services would be deemed "essential" through the numerous "shelter-in-place" policies initiated at the state level. From the onset, the National Association of Landscape Professionals (NALP) and the various state associations were advocates for the contractors to be labeled as "essential."

"Stay-at-home" orders put in place by many states ultimately did not apply to most landscapers. While there were some restrictions, existing customers and potential new customers that were stuck at home started calling. Ultimately, what could have been a dire year for those in the industry concluded as one of the best for many due to the increased interest in outdoor spaces.

The pandemic and its aftermath are expected to continue to plague the economy through at least the first half of the year. To get a pulse on what's going to drive the industry in 2021 and beyond, we reached out to several industry experts.

Q: What is your assessment of the landscaping industry heading into 2021?

Kris Kiser, president, Outdoor Power Equipment Institute (OPEI): While 2020 has been very challenging, we saw a tremendous reconnection to the outdoors. The outdoor power equipment industry stepped up this year to continue making and shipping necessary equipment, helping many Americans get outside and work in and reconnect with their living landscapes. Shipments of outdoor power equipment that OPEI tracks broke records in 2020 increasing by 5 million units, a jump of 16 percent over 2019.

Professional landscape contractors have been saving, and during this period of uncertainty, will likely be in a strong cash position in the spring. We expect significant commercial investment in equipment in spring 2021 and a continued investment of homeowners in their outdoor spaces, which bodes well for the industry.

Britt Wood, CEO, National Association of Landscape Professionals (NALP): The industry is doing very well despite all the challenges the pandemic brought with it. The lawn care and residential landscape sectors are doing better than would be expected, with many companies meeting and even exceeding their revenue projections for the year. While there are still economic issues related to the pandemic, people will continue to make an investment in their landscapes and lawn care, so we expect the industry to continue to do well overall, considering the total impact to the economy.

Sean McCormick, CEO, and co-founder, SingleOps: I'm very optimistic about the future of the green industry. How we responded to the pandemic is a testament to not only the industry's resilience and creativity, but also how essential our services truly are. As a result, we've seen large segments of the industry grow significantly in 2020, and capital is being deployed into the industry at record levels, which will fuel future innovation and growth.

Joe Raboine, director of Belgard residential hardscapes, Belgard: We feel there is much to be optimistic about in this industry. With historically low interest rates expected to remain throughout 2021, we feel that the demand for outdoor living projects will remain exceptionally strong. Outdoor renovations saw a significant surge in 2020, given the increased amount of time we've all spent in our homes. Homeowners now, more than ever, see the importance of having a functional outdoor living space and the added value it brings to the home.

Photo Credit: Bobcat

Adam Morka, marketing manager, LMN: As of right now, we are reasonably optimistic about 2021. The residential design and build segment did exceptionally well, with some companies reporting 40% year over year growth. Some areas, commercial maintenance, contracted in 2020 due to the unforeseen pandemic. Now that vaccinations are being distributed, we foresee commercial maintenance making a slow comeback by mid to late 2021. We also believe residential maintenance and design and build will continue to stay healthy throughout 2021.

Sam Williamson, national golf sales manager, Doosan Bobcat North America (Bobcat): I believe the landscape industry is in one of its strongest periods to date. When you compare landscape materials cost from 10 months ago to today, it's clear that demand for lumber, mulch, rock, mowers, string trimmers, has skyrocketed. I would argue most landscapers are busier than ever, which is a great sign for our industry. We know one thing for certain, the grass will continue to grow. We look forward to 2021 and watching our industry continue to flourish.

Q: What should landscape contractors be doing to take advantage of the opportunities that this pandemic presented?

NALP: After an uncertain start to the season in 2020, residential clients responded by investing more in their landscapes, while many commercial clients cut back on their services to some extent. Companies with residential clients are expected to continue efforts to upsell services and work hard to keep up with the demand for improvements to client's outdoor living spaces. Companies who service commercial clients will continue to work closely with them to adjust their services, and they'll continue to make customer service and communication with clients a top priority.

SingleOps: Take a step back and look at what you've had to change in your business and decide what you want to keep in place as the pandemic begins to fade, hopefully in the first half of 2021. The pandemic has undoubtedly forced all types of businesses to evaluate their normal practices and in many cases become more efficient. Don't simply revert to "business as usual" unless you feel it makes sense.

Belgard: Many of us in the home renovation and outdoor living business have been fortunate to have our business increase during this otherwise very difficult period. People have realized the importance of having a functional, safe space where they can both work and play, leading to the rise in renovations, particularly for outdoor living spaces. Data showed a 58 percent increase in demand for home professionals in June 2020, with the bulk of that for outdoor services. There's an extra sense of gratitude for the business and being able to provide our services to homeowners. As we continue navigating what we hope is the tail end of the pandemic, contractors should continue using time to focus on training and continuing education, whether virtually or in small group settings.

LMN: The overall effect has been relatively positive, considering the month-long lockdown early in the year. Landscape equipment sales remained steady throughout the year, and that's a good indication companies were capturing the work, making money and being profitable. Perhaps some commercial maintenance businesses will have to diversify their services and look to new revenue streams or innovate on current ones in 2021. In general, the industry is still suffering from a labor shortage despite unemployment being high, so operating an efficient and lean company in 2021 should still be top of mind for any landscape company in the New Year.

Bobcat: The pandemic has provided some real opportunities for our industry to grow. People are wanting to do more at home and keep their space well maintained and manicured. I think the best thing a contractor can do now is invest and expand their offerings. There is good chance some of their current customers have other projects they would like completed and would love someone they already trust to complete them. If contractors can learn new skills, add new equipment and employees they can increase their profitability. We currently have an industry that can support such growth.

Q: What product trends do you expect to see continue to rise into 2021?

OPEI: We've seen big advances in battery/electric equipment, and more and more entrants into the robotic space, as well as manufacturers expanding into the zero-turn market and enhancing EFI technologies on the engine side. Manufacturers continue to innovate and produce a wide range of equipment for landscape contractors to serve a variety of applications. Our members are on the cutting edge of the industry in terms of power sources, autonomous technology, and engine technology to produce the safest, most efficient equipment for landscapers.

NALP: Advances in battery powered equipment and robotic mowers continue to be of great interest to landscape and lawn care contractors, as well as software solutions that streamline business and customer service processes.

SingleOps: There is a ton of great technology out there already that can provide tremendous value to our industry, but only a small percentage of it is integrated to share data, and as a result, there can be little adoption to some amazing products and solutions ... Modern software companies all have APIs that enable the sharing of data, and we're seeing more equipment manufacturers, plant and chemical suppliers, finance companies, etc., work towards having APIs that companies like ours can leverage to provide even more value from their products. This trend will unlock huge value in our industry in 2021, and it will continue to increase thereafter.

Belgard: Modularity will be a key driver in 2021. Modular installation has steadily gained popularity, as it makes installation an easier process for both contractors and homeowners. Little cutting is required, so the install takes less time and the space is ready to enjoy in a shorter timeframe.

LMN: I certainly believe we will see more battery-operated hand tools both in the commercial and residential segments. Some corporations with large grounds that require maintenance are mandating greener equipment with fewer emissions and noise pollution. Some are implementing robotic mowers for larger commercial jobs, but those may still be further out and are predominantly in the testing phase. With the supply chain upside down and a steel shortage, I believe 2021 will be mostly traditional equipment as usual, with some battery-powered hand tools integrated along the way.

Bobcat: 2021 should be a great year for new products and innovation. I think we will see both battery and robotic mowers grow in interest, along with increased smart technology playing a part in equipment. I also think we will see more innovations on maintenance, maneuverability, and cost effectiveness of machines. I look for 2021 to be a great year for our industry. ■

Photo Credit: Belgard