

# 2023 STATE OF THE RENTAL INDUSTRY

Trends, Challenges, Advice and Outlook: A Full Picture of the Rental Industry



Rental™

**T**he rental industry encountered many challenges throughout 2022: a global supply chain crisis, labor shortages, high inflation, increased prices and heightened regulatory pressures—all of this in a time where the world was still shaking off the effects of a global pandemic.

And nevertheless, the rental industry moved forward.

More time spent at home meant that homeowners were investing in their outdoor spaces and more business coming from both DIYers and landscape professionals. Manufacturers released a multitude of new products, embracing emerging technology such as automation, telematics and battery power. And rental store owners found ways to become more efficient to stave off labor and supply chain concerns.

“We’re coming off a couple exceptional years in rental, and many people had record years in 2022,” says Josh Nickell, vice president of the American Rental Association’s (ARA) equipment segment. “I’m not necessarily saying that 2023 will have the amazing increases that we’ve seen in the last couple of years, but the rental industry is still poised for strong growth. I would say industry-beating growth, meaning that we’ll be growing faster than the construction industry will be growing and faster than a lot of other industries.”

To get a true sense of the industry’s well-being, *Rental* magazine reached out to rental company owners and manufacturers in the industry to get their perspective on how 2022 panned out and what’s in store for 2023.

## HOW WOULD YOU DESCRIBE THE CURRENT STATE OF THE RENTAL INDUSTRY?



**Tom Butts**  
Owner  
Nor-Cal Equipment Rentals

“As 2022 came to a close, our company, Nor-Cal Equipment Rentals, enjoyed a banner year, but it doesn’t come without challenges. The supply chain issue for equipment and parts did affect us in a big

way like I’m sure it did for everyone else. It will most likely continue for 2023 and hopefully catch up and be back to somewhat normal by middle of 2024.”



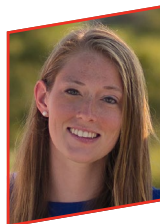
**Joe Haynes**  
President  
Little Beaver

“Throughout 2022, contractors have continued to face high demand for fencing, landscape and general construction

projects. This, in turn, means rental centers are also seeing high demand for safe and productive equipment that can help contractors tackle more jobs with crews that are often stressed by a limited workforce. Lead times for new equipment remain extended, but rental companies who have been able to navigate that challenge have had great revenue opportunities in the past year.”

## WHAT WERE THE TOP CHALLENGES FOR THE RENTAL INDUSTRY IN 2022?

### 1. Labor



**Meghan Boland**  
Operations Manager  
BER Equipment

“We struggle to keep up with the growing demand of skilled labor. We are focusing on in-house training to meet our needs.”

“The workforce issue is obviously a much longer, much bigger issue that’s impacting all of the construction industry. It’s finding tradespeople, mechanics, drivers and service technicians.” — **Josh Nickell, Vice President, Equipment Segment, American Rental Association**

### 2. Supply Chain Issues



**Kaitlyn Ingli**  
Product Marketing Manager  
Toro

“Supply chain issues are still lingering from last year, but equipment manufacturers are starting to feel relief. While we are still in a constrained supply environment, our teams are intensely managing the supply chain and our manufacturing operations, working to achieve the best possible

outcomes. We do expect the current supply chain dynamics to continue to improve and are seeing more of a ripple of delays versus the waves that were common in 2022.”

“We did a survey a few months ago, and based on the survey responses, rental companies could have 20 percent more demand if they had access to more equipment. So, there’s a lot that they’re leaving on the table and could be achieving and growing with if they could access more equipment. Before, the average fleet age tended to be around three to three-and-a-half years for all categories of equipment in the rental industry, but now, we’re looking at more like three-and-a-half to four years. So, one of the ways that they’re managing

the needs of customers and the shortage of equipment is by not selling off equipment, despite the fact that the equipment is incredibly valuable, more valuable than usual. They're hanging on to stuff despite the value and running it a little bit longer than they normally would to make sure their fleet size is where it needs to be." — **Nickell**

### 3. Crime

"Another issue that has affected us has been crime. Here in California, it has become and is becoming a bigger problem. Law enforcement has worked with us and is doing their very best, but lack of funding and officers along with criminals not facing proper punishment has resulted in an equipment crime spree like we have never seen." — **Butts**

### 4. Inflationary Pressures



**Josh Nickell**  
*Vice President, Equipment Segment,  
American Rental Association*

"Rental companies' customers, the contractors and the DIYers, are all dealing with a lot of inflationary pressures and concern and uncertainty around that. Right

now, rental companies are being creative and improving their operational efficiency and partnering with their customers and making quality recommendations on when they should rent, when they should take stuff off of rent and notifying contractors that have low utilization on a piece of equipment. That's good for the contractor because they're not paying for something they don't need, and then it also allows the rental company to serve another customer."

### WHAT TRENDS DO YOU SEE TAKING OFF IN THE RENTAL INDUSTRY?

#### 1. New Technology Adoption

"One trend we see every year is bigger is better. Customers want innovation. As a rental house, we partner with different manufacturers in the industry and strive to give them the newest items to hit the market." — **Boland**



**Tim Worman**  
*Director of Product Management  
Stellar*

"The shift to hybrid power sources can help many operators meet emissions regulations while maintaining productivity. Using battery power can eliminate the need for

the truck engine to idle while running an air compressor or even a crane. This not only helps lower the carbon footprint,

but it also reduces maintenance and fuel costs. These options are increasingly appealing for rental houses looking for alternative power options."

### 2. Sustainability Initiatives

"As emissions regulations continue to evolve, many contractors are looking for ways to meet environmental regulations, and battery-powered equipment is often the answer. Having battery-powered equipment as part of a rental store's offering also increases the options available to contractors working on unique jobsites, such as in highly populated urban areas with noise ordinances and indoor applications. For these types of jobs, battery-powered equipment offers contractors more flexibility and easily increases productivity and efficiency." — **Ingli**



**John Garrison Jr.**  
*Chairman and CEO  
Terex Corp.*

"One megatrend is sustainability. We fundamentally have to change the way in which we operate around the world. If you look at electrification and net zero, that's

substantial investment required to achieve the net-zero objectives people have set up."

### 3. Software

"I think that rental companies more than ever are focused on digitizing their processes as much as possible, improving the efficiency of their processes. Every minute that a piece of equipment is waiting to be serviced is a minute that it could be waiting to be delivered to another customer, or if that piece of equipment is down, it can't be rented to somebody else. That has caused them to spend a lot more time on squeezing out efficiency in their operations, which is not something they've had to do in the past in the same way. They're utilizing their rental software, and their enterprise resource planning is a lot better." — **Nickell**

### 4. COVID Forces Business Analysis

"I don't know of a single person who isn't tired of the word 'COVID,' but the truth is that it did force us to look closely at a lot of areas of our business. Many manufacturers went from a single supplier for components to multiple suppliers to combat long lead times. Others went to custom manufacturing shops to combat the issues of reduced labor. All these moves helped companies learn and grow. We also saw a big trend toward moving some manufacturing and component sourcing back to the U.S. The challenge will be remembering where we were and the lessons we learned

to protect supplies, quality and customer service. That's something we've always been focused on." — **Haynes**

### 5. Minimizing Downtime

"As always, increasing productivity remains a trend, and now, we're also seeing a continued push for increased uptime at the user level. Customers expect to rent products that maximize their productivity and profitability without a steep learning curve. In addition, customers are looking to rental houses to be the experts and go the extra mile in terms of service and support. Quality products made by quality manufacturers have always been the expectation, and now, being able to support those products in the field will also be key. Downtime is a dirty word in this industry, and having the ability to service equipment in the field is crucial to providing customers the well-rounded experience they've come to expect." — **Worman**

"Versatility and productivity are always driving trends in the industry. The push toward powerful and easy-to-use equipment in the rental space is being driven by those factors, plus enhanced technology supporting new electrification opportunities, government programs driving electric adoption and jobs requiring use of battery-powered equipment for noise reduction." — **Ingli**

### 6. Increased Business from Contractors

"Nobody likes interest rates increasing the cost of doing business, but rental companies are used to that and prepared for that. A contractor, on the other hand, a few years ago, might have bought a piece of equipment because of a low interest rate, but now renting looks like the better option." — **Nickell**

### WHAT ARE YOUR EXPECTATIONS FOR 2023?

"In 2023, we are cautiously optimistic. We are expecting growth to slow to single digits; however, we still expect a strong year overall." — **Boland**



**Simon Meester**  
President  
Genie

"We're very optimistic about our outlook, and it's really a function of three variables. First is fleet growth for our rental customers. Second is an amplified replacement cycle. Our industry has been constrained the past couple of years. We're

still constrained today, and so it will take some time for the industry to come back to more historical trends. The third variable is around adoption. Now we see large economies that will start to adopt our products."

"2023 looks to be just as strong if not stronger than 2022. Hopefully build schedules for equipment continue to improve so we can all benefit." — **Butts**

"With rumblings of a looming recession, we can expect it to be a very strong year for the rental industry. When there is uncertainty or a challenging economy, contractors look to run their businesses with less capital investment and risk, leading them to rent equipment rather than buy it. The same challenges drive end users to tackle some of their own projects, and they rent the equipment. What's compounding this even more is two years of supply chain issues and long backlogs that make it hard for contractors, end users and rental centers to get equipment. Rental centers stocked up on equipment will see a very strong 2023." — **Haynes**

"There's incredibly strong demand from homeowners and contractors alike for rental equipment, and we expect that trend to continue over the next five years. Rental equipment offers customers lower upfront costs compared to buying equipment outright and gives them flexibility on the jobsite. Rental houses that invest in new equipment technology will have an advantage as customers continue to look to rent new, productivity-boosting equipment over the next five years." — **Ingli**

WORDS USED TO DESCRIBE THE  
OUTLOOK OF THE RENTAL INDUSTRY

**STRONG**  
**OPTIMISTIC** **STEADY**  
**GROWING**

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