

Fact Sheet: Equipment Finance in the *Construction Industry*

Every year U.S. businesses, nonprofits and government agencies spend in excess of \$1.2 trillion in capital goods or fixed business investment (including software/excluding real estate).

- Of the \$1.2 trillion spending for business fixed investment, 51 percent or approximately \$628 billion is financed through various forms to acquire all kinds of equipment
- The commercial equipment finance sector is key to capital formation in the U.S. and abroad and plays a vital role in supporting the U.S. economy

According to the U.S. Census Bureau:

- During the first five months of 2012, construction spending amounted to \$310.5 billion, 9.4% above the \$283.8 billion for the same period in 2011.
- New construction equipment orders totaled \$49.9 billion in 2011, an improvement of 38.2% over 2010 levels.

According to information from the Equipment Leasing and Finance Association:

- In 2011 the construction industry represented 5.9% of equipment financing new business volume reported by ELFA member companies, down from 6.1% in 2010.
- In 2011 construction equipment represented 9.4% of equipment financing new business volume reported by ELFA member companies, up from 7.7% in 2010.

According to information from the Equipment Leasing & Finance Foundation's *Q3 2012 Equipment Leasing & Finance U.S. Economic Outlook*:

- Construction equipment investment is projected to continue to grow at a strong pace as the housing market rebounds.
- Investment in construction equipment has grown at an annual rate of 20% or more for eight straight quarters, but the growth rate dropped to 20.7% in Q1 2012 from an average of 43% in the prior seven quarters.
- Leading indicators suggest that year-year growth will remain relatively strong, but will slow somewhat relative to the rapid growth experienced in 2011.

According to the 2012 "*What's Hot/What's Not*" Equipment Leasing Trends Survey released by the Independent Equipment Company in cooperation with the ELFA:

- The primary market conditions for construction equipment are still somewhat soft, but the secondary market is fairly robust.
- This is mainly the result of drastic declines in new equipment sales which have occurred for two years in a row prior to increasing last year.

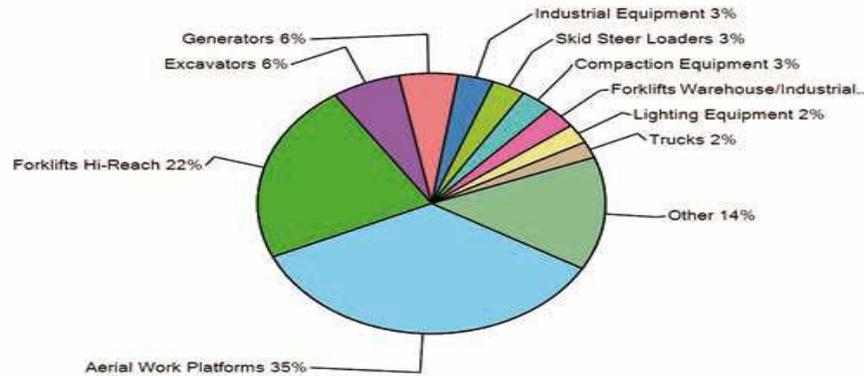
According to the *Wells Fargo 2012 Construction Industry Forecast*:

- U.S. contractors indicated that their purchases of new construction equipment in 2012 will remain similar to, if not down slightly, compared to the volume of equipment they purchased in 2011.
- U.S. contractors also said that their purchases of used construction equipment in 2012 will remain mostly consistent with the volume of equipment they purchased in 2011.

According to the July 2012 *Rouse Construction Rental Report* for the month ending June 30, 2012:

- The Rouse Value Index of Orderly Liquidation Values (OLV) for used equipment across the 14 major construction rental equipment categories decreased 0.2% from the previous month at 51.7%.
- For the six months ending June 30, 2012, average index values increased 4.9%.

Sales By Major Category for the Construction Rental Industry June 2012



Source: Rouse Asset Services

About the ELFA

The Equipment Leasing and Finance Association (ELFA) is the trade association that represents companies in the \$628 billion equipment finance sector, which includes financial services companies and manufacturers engaged in financing capital goods. ELFA members are the driving force behind the growth in the commercial equipment finance market and contribute to capital formation in the U.S. and abroad. Its over 550 members include independent and captive leasing and finance companies, banks, financial services corporations, broker/packageers and investment banks, as well as manufacturers and service providers. ELFA has been equipping business for success for more than 50 years. For more information, please visit www.elfaonline.org.

ELFA is the premier source for statistics and analyses concerning the equipment finance sector. Please visit <http://www.elfaonline.org/Research/> for additional information.

ELFA believes that information and education about available options regarding investment in equipment are important to all businesses. ELFA offers resources, including types of finance products, a loan/lease comparison, a glossary of terms, an analysis to help determine suitable financing options and topical bylined articles available for reprint free of charge, at www.EquipmentFinanceAdvantage.org