United States Material Handling Leasing and Financing Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 100 pages | Mordor Intelligence

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Report description:

The United States material handling leasing and financing market is expected to register a CAGR of 4.3% during the forecast period. Material-handling equipment expanded due to the US economy's strong industry growth and corporate capacity for revenue.

Key Highlights
Reasons, such as technological advancements and avoiding obsolescence, are likely to become the top priorities of the region's capital spending, leading to the emergence of leasing and other financing options as more viable solutions than buying.
The market for material handling equipment improved due to the US firms' substantial industrial expansion and income potential. The US economy historically grew at a 3.1% annual pace, the fastest growth rate since 2005. Over time, the output increased by USD 560 billion. Such information supports the region's rising economic activity.
According to recent data from the US Department of Commerce, demand from the construction sector decreased throughout all four quarters, primarily due to high mortgage rates, labor and land shortages, and tariffs on imported lumber.
According to ELFA, about USD 1.8 trillion was spent on capital goods or fixed business investments by US corporations, nonprofit organizations, and government agencies in 2021. As a result of the Fed's commitment to maintaining interest rates at or near zero for many years, firms are more likely to finance equipment than they have been over the previous two years.
Moreover, leasing requires paying interest, which sometimes can be more expensive than outright purchasing the piece of machinery, which might hamper the market's growth.
Since the COVID-19 pandemic, the manufacturing industry struggled during the year, with industrial production flat or declining as businesses with fixed investments contracted.

US Material Handling Leasing & Financing Market Trends

Small and New Businesses is Expected to Drive the Market

Strong industry growth and revenue capabilities of businesses in the US have contributed to developing the material handling equipment market. In Q3 2022, The US economy posted its first period of positive growth for the current year. In the third quarter, the GDP, a sum of all the goods and services produced from July through September, increased at a 2.6% annualized pace for the period, contributing to the fastest growth in the country.

Moreover, the customization of the equipment and systems integrated with the supply chain and warehouse ecosystems is becoming more evident in small industrial sectors and numerous business startups. A further factor driving the material handling equipment demand is the rising labor cost in industrialized nations.

In addition, the tightening of banks' standards is further expected to impact market growth over the coming years. According to a Lease Foundation report last year, about 38% of banks have tightened lending standards on C&I loans to large- and middle-market firms, while a net 31% reported tightening standards for small firms.

Due to changes in economic policies, tax reductions, and regulatory reforms, small and new businesses, which comprise a sizeable part of companies engaged in leasing and financing activities, registered an all-time high. Despite many small business owners already feeling the pinch of the US labor market, the potential to expand came from selecting various funding choices.

Additionally, the US-China trade conflict, which significantly impacted the cost of industrial goods, could eventually reduce consumers' and small enterprises' purchasing power. As a result, this can present new prospects for leasing and lending businesses.

Increase in the Number of Warehouses to Drive the Market Growth

According to Lease Foundation, material handling equipment investments increased faster in the US last year due to the widespread investment in warehouse construction spending, which increased by 2.4% in January last year.

The increasing service levels, such as e-commerce and same-day delivery, influence retailers to outsource services. It leads to many small businesses and local companies in the US relying on external warehousing to contain their costs.

Moreover, by increased use of digital twins and synthetic data modeling, warehouse operators can close the loop between planning, training, and implementation on the floor. With this technology, warehouse performance improved far more quickly and cost-effectively than in the past, leading to the growth of the number of warehouses across regions.

Therefore, the expansion in industrial real estate construction is expected over the next several years, owing to the demand for industrial warehouses. This further benefits firms that lease or finance construction equipment and materials handling equipment.

In the last couple of years, the price of various equipment in the material handling market increased, especially for forklifts, which grew at an annual rate between 2.2-3%. It is influencing the demand for leasing such equipment in the country. As the price increase depends on the capacity of the forklift, it is increasingly making sense for businesses to adopt leasing solutions for acquiring forklifts and tow trucks with investments in large automated warehouses increasing in the country.

According to a real estate company called CBRE, the US currently possesses more than 9.1 billion sq ft of warehouse space. High e-commerce activity and the expansion of warehouses to meet demand have led to rising sales for material handling firms.

US Material Handling Leasing & Financing Market Competitor Analysis

The material handling leasing and financing market are highly competitive due to several minor and major businesses in both domestic and foreign markets. The market is moderately concentrated, with crucial companies employing collaborations and product innovation tactics. CIT Group, Inc., Crest Capital LLC, DLL Finance LLC, and BB&T Corporation are a few of the market's top competitors.

October 2022 - CIT Group announced the expansion of its Middle Eastern banking unit. For supporting the financial requirements and midsize business objectives throughout Southern California and the Southwest region, offerings include senior secured loans, cash-flow loans, capital markets services, foreign exchange capabilities, asset-based lending, and treasury and payment services. Companies with annual sales between USD 75 million and USD 750 million fall under the middle market target customer.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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