

# TOWER IC CRANES NORTH AMERICA CONFERENCE & RECEPTION

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Morrow Equipment Company LLC

### Current Trends in the Tower Crane Industry

CREATED AND ORGANIZED BY

INTERNATIONAL  
**CRANES**  
AND SPECIALIZED TRANSPORT

AMERICAN CRANES & TRANSPORT  
**ACT**

**khl**

PARTNER ASSOCIATION

**SC&RA** Specialized  
Carriers  
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Association

# Leading Tower Crane Rental Companies

## Tower Crane Fleet Size

- Morrow Equipment Company 658
- Maxim Crane Works 317
- Bigge Crane & Rigging 183
- ALL Family of Companies 91
- P&J Arcomet 88

# Tower Crane Rental – Market Size

- According to ACT Tower Crane 50 Report (Aug. 2017)
  - 1,783 tower cranes owned in fleets of the 50 largest tower crane providers
  - We estimate over 2,000 tower cranes in total rental fleets
  - Additional tower cranes are owned in-house by construction companies

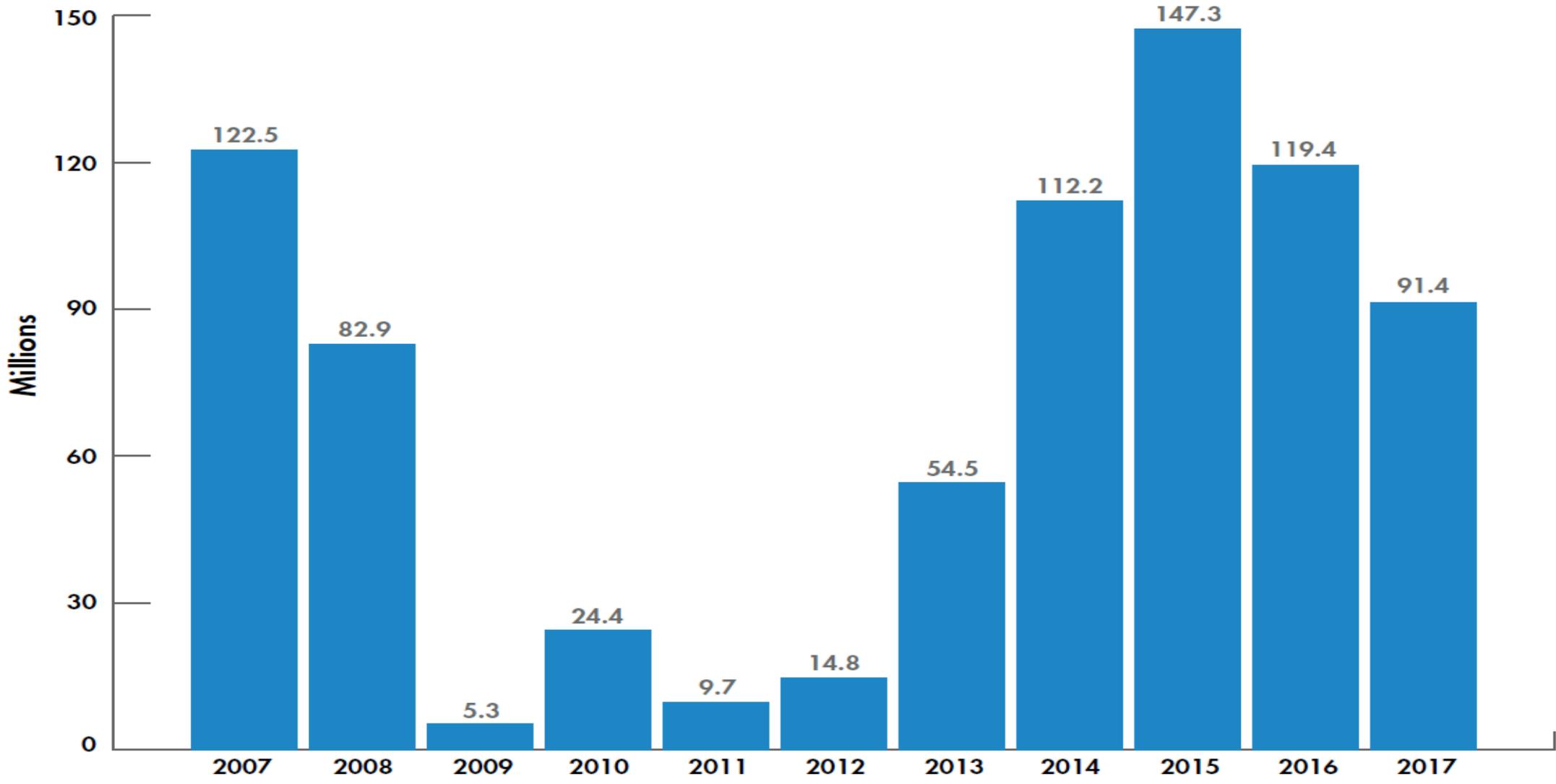
# Main Tower Crane Manufacturers

- Liebherr
- Manitowoc/Potain
- Terex/Comedil
- Comansa

# Import Activity into U.S.

- During last 5 years
  - More than 500 cranes imported
  - Representing \$525 million
  - Average of over \$100 million per year

# US Tower Crane Imports

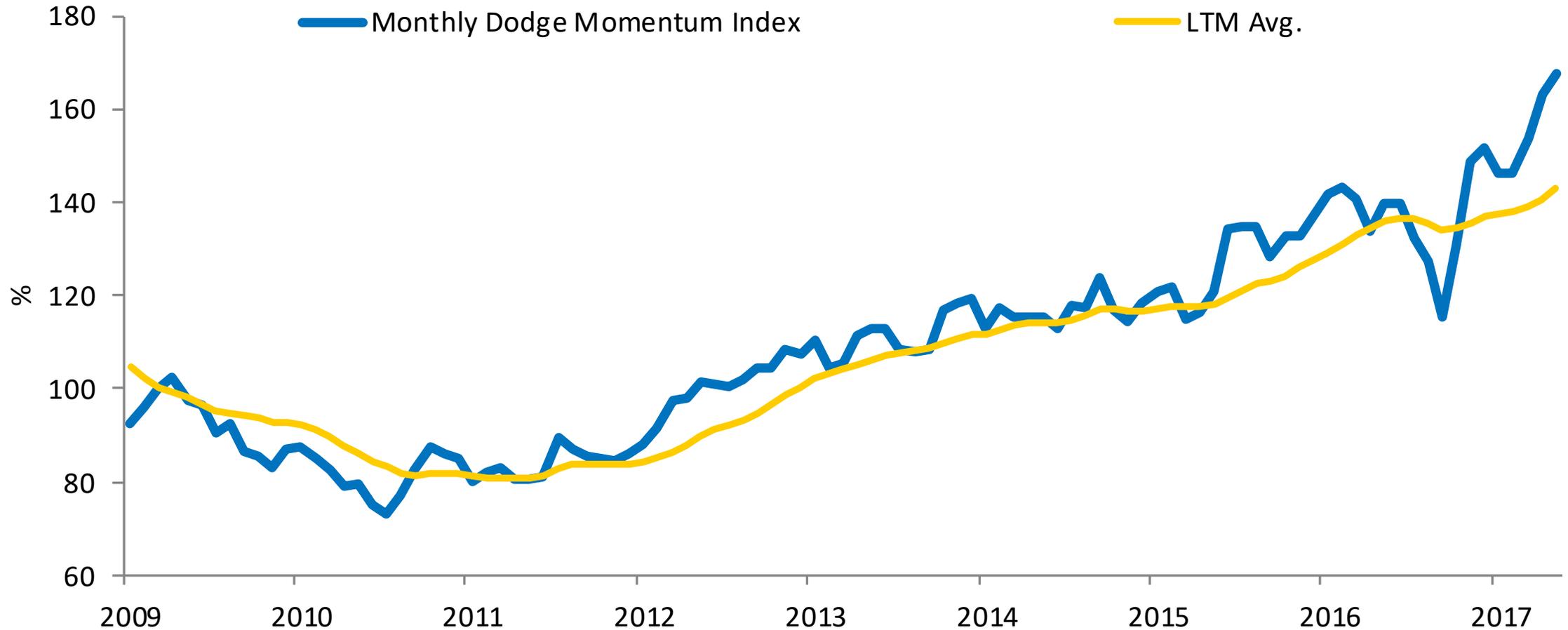


# Where Are We in the Cycle ?

- Last 5 years have seen continuing upturn
- Strengthening order volume and utilization across rental fleets
- Rental rates have only just returned to 2007 levels
- Broader market demand and less speculative building activity
- Provides good visibility for the next 2 years

# Strong Market Demand Dynamics

Dodge Momentum Index



Source: Dodge Data & Analytics.



# Tower Crane Prices Increasing

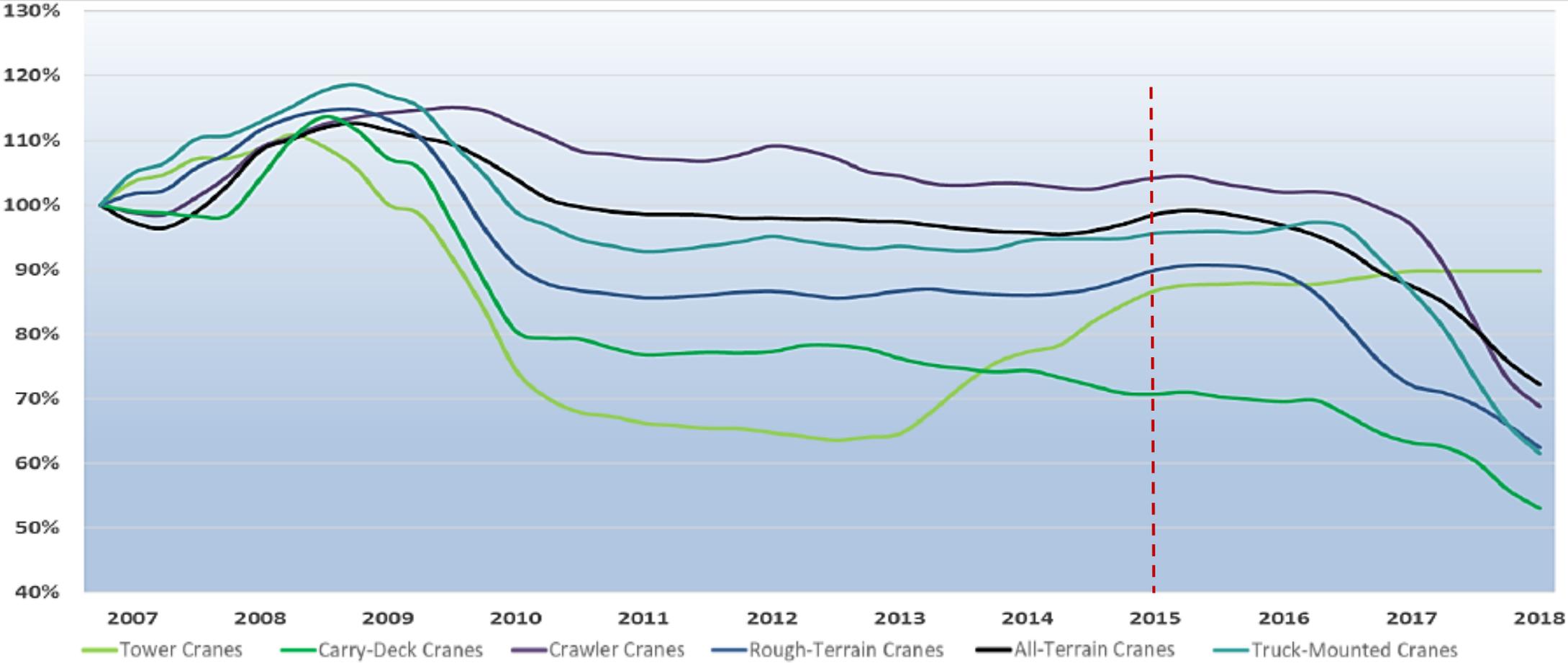
- Tower crane OEC prices have increased since 2007
  - Increasing trend to greater lift capacity, luffing booms, safety features and technology
- ROI of tower cranes is lower now than at the last peak in 2007
  - Indicates further rate upside as demand strengthens
- Rental rates should be increasing commensurate with tower crane costs to ensure appropriate service levels and weather construction market downturns

# Benefits of Tower Crane Rental Business

- Long economic life and high value retention
- Rapid payback periods on new fleet investments
- Long duration rental asset – achieves high utilization levels
- Low maintenance costs
- Enhanced safety on job site
- Superior ROI to other crane categories
- Increasing acceptance of tower cranes in North America
- Good forward visibility based on backlog

# High Asset Values Supported by Strong Demand

December 2006 – March 2018: Rouse Crane OLV Index, by Crane Type – Crane Subcategories (OLV)



Source: Rouse Asset Services.



# Manufacturers Role in Rental Market

- North America is primarily a rental market
- Customers are the rental companies
- Technical support, backup and parts inventory availability across North America are important
- Further OEC increases are not supported by market conditions

# Challenges Facing Tower Crane Providers

- Cyclical nature of the construction market – expanding applications to diversify end market usage
- Liability risk
- Increasing customer demand for consultative engineering, design and implementation services
- Back charges and consequential damage claims
- Shortage of qualified people
- Capital intensive business requires a strong capital base
- Tower crane values fluctuate with demand trends

# Liability Risks

- Potential claims in case of accidents
- Many claims are not caused by rental company's wrong doing
- OCIP programs are good solution

# Industry Consolidation

- Many competitors disappeared during the last recession
- Amquip and Coast Crane acquired by Maxim Crane Works
- During boom times new competitors might enter market

# What is a Fair Rental Rate ?

- Assuming an average utilization rate of 50 % over a 10-15 year period to capture any cyclical swings
- 3 % per month of new replacement cost is necessary in order to provide a fair ROI and maintain back up support in the form of parts inventory, 24/7 service availability, engineering, design and implementation capabilities

# Contract issues

- Rental start dates
- Guaranteed rental duration
- Rental start delays
- Insurance
- Consequential damages
- Back charges

# Increasing Trend to O&M Contracts

- Providing erection and dismantling in lump sum contracts
- Providing operators
- Providing freight
- Do we charge enough for the additional service and risk ?

# Financial Stability is Critical

- It is in the interest of manufacturers and contractors to have rental companies that are financially sound and can provide:
  - Modern fleet
  - Spare parts locally available
  - Engineering backup
  - Trained technicians
  - Safety training
  - Quality control

# Wider Acceptance of Tower Cranes

- North America still lags behind Europe and Asia in the use of tower cranes
  - Significant further market penetration available
- Tower cranes are highly efficient, environmentally friendly, cost effective, quiet and safe
- Growth potential in industrial applications
- Expanding interest in self-erect tower cranes

# Safety and Training

- Our industry has obligation to make safety our top priority
- Continual training of service technicians is highly important
- Proper ongoing training of tower crane operators is critical
- Technology and safety enhancements from manufacturers

# Positive Outlook

- Current market conditions are highly favorable based on strong backlog and improved rental rate trends
- Most companies have ordered additional tower cranes to meet market demand
- Manufacturers have long lead times
- Far more stable construction market conditions today

# Questions and Answers